INTER PARFUMS INC
Form 10-K/A
April 28, 2005

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

REPORT ON FORM 10-K/A

(Mark one)

/X/ Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended 31 December 2004 or

/ / Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from ___________ to ___________.

Commission File No. 0-16469

INTER PARFUMS, INC.
(Exact name of registrant as specified in its charter)

Delaware	13-3275609
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
551 Fifth Avenue, New York, New York	10176
(Address of Principal Executive Offices)	(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act: None.

Securities registered pursuant to Section 12(g) of the Act: Common Stock, $.001 par value per share.

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes /X/ No / /

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. $93,876,228 of voting equity and $-0- of non-voting equity.

Indicate the number of shares outstanding of the registrant's $.001 par value common stock as of the close of business on the latest practicable date (March 10, 2005): 20,175,160.

Documents Incorporated By Reference: None.

Explanatory Note

In late November 2004, the Securities and Exchange Commission issued an exemptive order for certain eligible companies, which provided for a 45 day extension for the filing of management's annual report on internal control over financial reporting and the independent registered public accountants' attestations.

We elected to utilize this extension period. Therefore, Inter Parfums, Inc. hereby amends its Annual Report on Form 10-K, filed on March 16, 2005, to include Management's Annual Report on Internal Control over Financial Reporting and the Report of Independent Registered Public Accounting Firm required in Item 9A Controls and Procedures. This Form 10-K/A contains all of the information required by Item 9A of Form 10-K, the certifications required by Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, and the attestation of our independent registered public accountants.

In addition, we have reclassified investments in auction rate securities that were previously classified as cash and cash equivalents in the accompanying consolidated balance sheets as of December 31, 2004 and 2003 to short-term investments. The consolidated statements of cash flows for the years ended December 31, 2004, 2003 and 2002 were adjusted to reflect the impact of the reclassification. We have also made conforming changes in the notes to the consolidated financial statements and Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, to take into account such reclassification, and have corrected some other non-material items.

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PART I

ITEM 1. BUSINESS

INTRODUCTION

We are Inter Parfums, Inc., a worldwide provider of prestige perfumes and mass market perfumes, cosmetics and health and beauty aids. Organized under the laws of the State of Delaware in May 1985 as Jean Philippe Fragrances, Inc., we changed our name to Inter Parfums, Inc. on July 14, 1999, to better reflect our image as a provider of prestige perfumes. We have also retained the brand name, Jean Philippe Fragrances, for our mass-market products.

Our worldwide headquarters and the office of our three (3) wholly-owned subsidiaries, Jean Philippe Fragrances, LLC and Inter Parfums USA, LLC, both New York limited liability companies, and Nickel USA, Inc., a Delaware corporation, are located at 551 Fifth Avenue, New York, New York 10176, and our telephone number is 212.983.2640. Our consolidated wholly-owned subsidiary, Inter Parfums Holdings, S.A., its majority-owned subsidiary, Inter Parfums, S.A., and its two (2) wholly-owned subsidiaries, Inter Parfums Grand Public, S.A., and Inter

Parfums Trademark, S.A., and its majority-owned subsidiary, Nickel, S.A., maintain executive offices at 4, Rond Point des Champs Elysees, 75008 Paris, France. Our telephone number in Paris is 331.5377.0000.

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

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

We operate in the fragrance business, which primarily consists of fragrances (both prestige and mass market), and a relatively small amount of cosmetics (both skin care and color, and both mass and prestige markets), and health and beauty aids. We have two operating segments, one French based, which is predominantly in the prestige market, and one United States based, which is predominantly in the mass market. Our French based operations consist of approximately 99% prestige market sales and 1% mass market sales, and our United States operations consist of approximately 95% mass market sales and 5% prestige market sales.

- Prestige products - For each prestige brand, owned or licensed by us, we develop an original concept for the perfume or cosmetic line consistent with world market trends.

- Mass market products - We design, market and distribute inexpensive fragrances, including alternative designer fragrances, personal care products, mass market cosmetics and health and beauty aids.

2004 IMPORTANT EVENTS

BURBERRY

Burberry is our leading prestige brand name, as net sales of Burberry products accounted for 62%, 56% and 41% of net sales for the years ended December 31, 2004, 2003 and 2002, respectively.

In October 2004, our Paris-based subsidiary, Inter Parfums, S.A., entered into a 12.5-year, exclusive world-wide fragrance license with Burberry Limited, effective as of July 1, 2004, which replaced the existing 1993 license. This license includes an additional 5-year optional term that requires the consent of both Burberry and Inter Parfums, S.A. In addition, Burberry has the right on December 31, 2009 and December 31, 2011 to buy back the license at its then fair market value. Further, Inter Parfums, S.A. has paid approximately $3.6 million to Burberry as an inducement to enter into this license.

The new royalty rates, which are approximately double the rates under the prior license, commenced as of July 1, 2004. The new advertising and promotional expenditures, which commenced on January 1, 2005, are substantially higher than under the prior license. In anticipation of these changes and to mitigate the associated expenses, Inter Parfums, S.A. is fine-tuning its operating model. This new model includes increased selling prices to distributors, modification

of cost-sharing arrangements with suppliers and distributors, and involves the future formation of joint ventures or company-owned subsidiaries within key markets.

LANVIN

In June 2004, Inter Parfums, S.A. entered into an exclusive, worldwide license agreement with Lanvin S.A. to create, develop and distribute fragrance lines under the Lanvin brand name. The fifteen-year license agreement took effect July 1, 2004 and provided for an upfront non-recoupable license fee of $19.2 million and the purchase of existing inventory of $7.6 million.

NICKEL

In April 2004 Inter Parfums, S.A. acquired a 67.5% interest in Nickel S.A. for approximately $8.3 million in cash including a capital infusion of $2.8 million made in June 2004, aggregating approximately $4.4 million, net of cash acquired. This marked our official entree into prestige skin care products. We also own and operate men's spas in Paris and New York, which sell our Nickel products.

PRODUCTION AND SUPPLY

The stages of the development and production process for all fragrances are as follows:

- Simultaneous discussions with perfume designers and creators (includes analysis of esthetic and olfactory trends, target clientele and market communication approach);
- Concept choice;
- Produce mock-ups for final acceptance of bottles and packaging;
- Receive bids from component suppliers (glass makers, plastic processors, printers, etc.) and packaging companies;
- Choose our suppliers;
- Schedule production and packaging;
- Issue component purchase orders;
- Follow quality control procedures for incoming components; and
- Follow packaging and inventory control procedures.

Suppliers who assist us with product development include:

- Independent perfumery design companies (Federico Restrepo, Fabien Baron, Aesthete, Ateliers Dinand);
- Perfumers (IFF, Firmenich, Robertet, Quest, Givaudan,Wessel Fragrances) which create a fragrance consistent with our expectations and, that of the fragrance designers and creators;
- Contract manufacturers of components such as glassware (Saint Gobain,

Saverglass, Pochet, Nouvelles Verreries de Momignie), caps (MT Packaging, Codiplas, Risdon, Newburgh) or boxes (Printor Packaging, Draeger, Dannex Manufacturing);

- Production specialists who carry out packaging (MF Production, Brand, CCI, IKI Manufacturing) or logistics (SAGA for storage, order preparation and shipment).

For our prestige product lines, approximately 80% of component and production needs are purchased from approximately 20 suppliers out of a total of over 120 active suppliers. The suppliers' accounts for our French operations are primarily settled in Euros, and for our United States operations, suppliers' accounts are primarily settled in U.S. dollars.

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MARKETING AND DISTRIBUTION

PRESTIGE PRODUCTS

For our international distribution of prestige products, we contract with independent distribution companies specializing in luxury goods. In each country, we designate anywhere from one to three distributors with the status of "exclusive representative" for one or more of our name brands. We also distribute our prestige products through a variety of duty-free operators, such as airports and airlines and select vacation destinations.

Approximately 30% of our prestige fragrance net sales are denominated in U.S. dollars. In an effort to reduce our exposure to foreign currency exchange fluctuations, we engage in a program of cautious hedging of foreign currencies to minimize the risk arising from operations. Our sales are not subject to material seasonal fluctuations.

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

- Sephora
- Marionnaud
- Nocibe
- Galeries Lafayette
- Printemps

or specialized independent points of sale. Approximately 80% of prestige product sales in France are made to approximately 200 customers out of a total of over 1,200 active accounts.

Our distributors vary in size depending on the number of competing brands they represent. This extensive and diverse network provides us with a significant presence in over 120 countries around the world. Approximately 50 distributors out of a total of over 250 active accounts represent 80% of international prestige fragrance sales. No one customer represents more than 10% of sales.

MASS MARKET PRODUCTS

In the United States, mass merchandisers and supermarket chains, are the target customers for our mass market products. Our current customer list includes

- Wal-Mart
- Fred's
- Meijer's
- Albertson's
- Family Dollar
- Dollar General
- Dollar Tree Distributors
- Consolidated Stores (Big Lot Stores)
- 99 Cent Only

In addition, our mass market products are sold to wholesale distributors, such as Variety Wholesalers, specialty store chains, and to multiple locations of accessory, jewelry and clothing outlets, such as Charming Shoppes.

These products are sold through a highly efficient and dedicated in-house sales team and reach approximately 15,000 retail outlets throughout the United States. Our 140,000 square foot distribution center has provided us with the opportunity and resources to meet our customers' delivery requirements. The entrepreneurial spirit of our management enables us, and challenges us, to seek out and master new technologies to better serve our customers.

International distribution of our mass market product lines operate through the use of exclusive and nonexclusive distribution agreements in such major territories such as

- Brazil
- Mexico
- Argentina
- Chile
- Columbia
- Canada
- Hong Kong
- Australia

THE MARKET

The fragrance and cosmetic market can be broken down into two (2) types of retail distribution:

- Selective distribution - perfumeries and specialty sections of department stores, who sell brand name products with a luxury image, and

- Mass distribution - Mass merchandisers, discount stores and supermarkets, who sell low to moderately-priced mass market products for a broad customer base with limited purchasing power.

SELECTIVE DISTRIBUTION

The following information is based on information from the Federation des Industries de la Parfumerie.

During 2004, the French perfume industry, which accounts for about approximately 30% of the world market, reported a 2.6% growth rate, as compared to a 1.6% growth rate in 2003 and a 4.5% growth rate in 2002.

Net sales in 2004 for the French domestic market was unchanged as compared to 2003, while the French export market increased by 4.8% as compared to 2003:

- The European Union: Sales increased overall by 4% in this the largest market for French exports. Sales were strongest in the United Kingdom (+11%), Italy (+7%) and Spain (+5%).

- Europe (excluding the European Union countries): Net sales increased by 5%, with substantial growth in Russia (+27%).

- Asia: Net sales increased by 12%. Asia is the second largest market for French cosmetics and perfumes and there were sharp increases in China (+64%) and Hong Kong (+15%).

- North America: Net sales in the United States increased 2.3% with a 3.4% increase in value and 0.5% increase in volume.

- South America: Net sales to South America (+4.2%) were good after several declining years as the result of the financial crises in Argentina and Brazil.

While our market share, based on our internal data, is less than 1% in France, in other countries such as the United Kingdom, United States, Italy, Portugal, Saudi Arabia and South Korea, we estimate that our market share is between 1% and 4% of French perfumery imports.

MASS DISTRIBUTION

Our mass market products, which consist of low to moderately-priced fragrances, cosmetics and health and beauty aids are designed for a broad customer base with limited purchasing power. We sell our products both in the United States and abroad. Mass merchandisers, discount stores and supermarkets continued to perform very well during the slowdown of the economy. Our Aziza line of cosmetics has achieved widespread acceptance with distribution in over 15,000 doors in the US and growing. Our line of health and beauty aids, which consist of shampoos, conditioners and lotions, under our Intimate brand, is currently distributed in over 10,000 US doors. We expect sales of our health and beauty aids to continue to grow as our high volume, discount store customers open more stores, and we continue to develop new products for them.

COMPETITION

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

Our closest competitors in the prestige market typically do not have mass market products departments. However, they may develop, market and sell prestige cosmetics. The market for prestige cosmetics is dominated by large companies, with resources far greater than ours, such as L'Oreal, Shiseido and Clarins. During late 2003, we entered the prestige color

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cosmetic market with the launch of our Diane von Furstenberg Beauty cosmetic

line. Also as previously discussed, we acquired a controlling interest in Nickel SA, a men's prestige skin care products company. We intend to compete on the basis of our products' brand recognition and quality.

At the present time, we are aware of approximately four established companies which market alternative designer fragrances similar to ours. This market is characterized by competition primarily based upon price. We feel the quality of our fragrance products, competitive pricing, and our ability to quickly and efficiently develop and distribute new products, will enable us to continue to effectively compete with these companies.

The market for mass market color cosmetics is highly competitive, with several major cosmetic companies marketing similar products. Many of these companies, such as L'Oreal and Revlon, have substantial financial resources and national marketing campaigns. However, we believe that brand recognition of the Aziza name, together with the quality and competitive pricing of our products, enables us to compete with these companies in the mass market.

The market for health and beauty aids is also highly competitive, and is dominated by large multi-national companies such as Unilever and Proctor and Gamble. We compete primarily with a low price point coupled with the recognition of our brand name, Intimate.

FRAGRANCE AND COSMETIC PRODUCTS

PRESTIGE PERFUMES

Since 1992, primarily through our 74% owned subsidiary in Paris, Inter Parfums S.A., we have sought to build a portfolio of luxury brand names, primarily through licensing agreements, or through direct acquisition of brand names. Under license agreements we obtain the right to use the brand name, create new fragrances and packaging, determine positioning and distribution, and market and sell the licensed products, in exchange for the payment of royalties. Our rights under license agreements are also generally subject to certain minimum sales requirements and advertising expenditures.

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

Overall spending on marketing and point of sale support aggregated approximately $40.8 million in 2004 with approximately $19.0 million in point of sale support, which is included in cost of sales and $21.8 million in other marketing costs, included in selling expenses. Generally, distributors of our product lines contribute a similar amount for additional marketing support.

The cost of launching a new product (molds and tools, start-up costs and communication costs, media, etc.) generally varies from $0.2 million to $2.0 million.

The smooth and consistent operation of our prestige perfume operations requires a thorough knowledge of the market, detailed analysis of the image and potential of each brand name, a "good dose" of creativity, as well as a highly

professional approach to international distribution channels. Our prestige fragrances have an average life expectancy of five to ten years, and retail at prices of $30 to $80.

Our brand name portfolio, which has been steadily increasing since 1988, is now made up essentially of nine brand names, each of which has a variety of product lines. Burberry is our leading prestige brand name, as sales of Burberry products represented 62%, 56% and 41% of net sales for the years ended December 31, 2004, 2003 and 2002, respectively.

The following is a description of our major, prestige fragrance brands.

BURBERRY
(BURBERRY LONDON, BURBERRY WEEK END, BURBERRY TOUCH, BURBERRY BRIT)

Burberry is our leading prestige brand name, and we operate under an exclusive world-wide license with Burberry Limited. Sales of the Burberry brand experienced strong growth in 2004, and gains were achieved in all markets. The year 2004 was marked by the continued rollout of the BURBERRY BRIT women's line in Asia, South America and the Middle East, as well as the successful launch of the BURBERRY BRIT for men line in selected markets. In addition, we experienced solid performances from BURBERRY LONDON, BURBERRY WEEK END AND BURBERRY TOUCH lines. For 2005, we have scheduled the worldwide launch of a new fragrance, BURBERRY BRIT RED.

S.T. DUPONT
(S.T. DUPONT PARIS, S.T. DUPONT ESSENCE PURE, L'EAU DE S.T. DUPONT)

In June 1997 we signed an exclusive license agreement with S.T. Dupont for the creation, manufacture and worldwide distribution of S.T. Dupont perfumes. Two lines launched in September 1998 made a promising start with a good sell-through based on a strong international luxury image.

In March 2000 we launched a new S.T. Dupont Signature line of two new highly selective perfumes. The Signature line did not meet our overall expectations and it was discontinued in 2002. In late 2002, we launched S.T. Dupont Essence Pure, a new line for men and women. In April 2004, we unveiled another fragrance family for S.T. Dupont, L'EAU DE S.T. DUPONT in select markets in Europe and the Middle East. We are also developing a new fragrance line for men, which has been tentatively scheduled for launch in 2006.

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PAUL SMITH
(PAUL SMITH, PAUL SMITH EXTREME, PAUL SMITH LONDON)

We signed an exclusive license agreement with Paul Smith in December 1998, our first designer fragrance, for the creation, manufacture and worldwide distribution of Paul Smith perfumes and cosmetics.

Paul Smith is an internationally renowned British designer who creates fashion with a clear identity. Paul Smith has a modern style which combines elegance, inventiveness and a sense of humor. These images, in conjunction with a growing audience, provided the justification for the creation of a perfume and possibly a cosmetics line. We launched our first line of Paul Smith perfumes in certain international markets beginning in July 2000.

In October 2002, we commenced the launch of our Paul Smith Extreme line, and sales of Paul Smith fragrances continue to be strong in the United Kingdom and Japan. During the third quarter of 2004, our third Paul Smith fragrance

family for men and women called PAUL SMITH LONDON, was launched in the U.K., France and the U.S. The geographic rollout continued to the balance of Western Europe during the fourth quarter of 2004, and in early 2005, Japan, where the designer is very popular.

CHRISTIAN LACROIX
(EAU FLORALE, BAZAR, BAZAR SUMMER FRAGRANCE)

In March 1999, we entered into an exclusive license agreement with the Christian Lacroix Company, formerly a division of LVMH Moet Hennessy Louis Vuitton S.A., for the worldwide development, manufacture and distribution of perfumes. For us, this association with a prestigious fashion label is another key area for growth which we expect will further strengthen our position in the prestige fragrance market. Our first Christian Lacroix line, Eau de Parfum, was launched in 1999 and in 2001, we launched a lighter eau de toilette fragrance, EAU FLORALE.

In 2002, we developed and launched two completely new lines for Christian Lacroix: BAZAR POUR FEMME and BAZAR POUR HOMME. BAZAR POUR FEMME comes in an eau de parfum spray as well as an Eau Deodorante Natural Spray, Perfumed Body Lotion and Perfumed bath and shower gel. BAZAR POUR HOMME comes in an eau de toilette spray a Deodorant Stick, All Over Shampoo, After-Shave balm and After-Shave.

In 2003, we launched a limited edition, warm weather seasonal fragrance, BAZAR SUMMER FRAGRANCE, which had a good showing in France. Therefore, in 2004, we launched another limited edition, seasonal fragrance for our Christian Lacroix brand. For the summer of 2005, we have scheduled the launch of new fragrance family for the Christian Lacroix brand for both men and women.

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CELINE
(CELINE, ORIENTAL SUMMER, FEVER)

In May 2000 we entered into an exclusive worldwide license agreement for the development, manufacturing and distribution of fragrance lines under the Celine brand name with Celine, a division of LVMH Moet Hennessy Louis Vuitton S.A. We launched two new fragrance lines the fourth quarter of 2001. We also introduced a Celine bath line in the third quarter of 2002.

Celine, a French luxury fashion and accessory company, and part of LVMH, is known throughout the world for its luxury and quality products. This agreement is an important part of Celine's strategy to develop dynamic brand recognition and to offer a varied range of luxury items to an international clientele. Our association with this prestigious fashion label was an important step in the development and expansion of our prestige business.

During 2003, we launched a limited edition, seasonal fragrance, ORIENTAL SUMMER, and in 2004, we launched another limited edition, warm weather, seasonal fragrance for the Celine brand. We are planning to bring a new Celine fragrance line, CELINE FEVER, to the market in Spring 2005.

LANVIN
(ARPEGE, LANVIN L'HOMME, OXYGENE, ECLAT D'ARPEGE, VETYVER)

In June 2004 Inter Parfums S.A., and Lanvin S.A. signed a worldwide license agreement to create, develop and distribute fragrance lines under the LANVIN brand name.

A synonym of luxury and elegance, the LANVIN fashion house, founded in

1889 by Jeanne Lanvin, expanded into fragrances in the 1920s. Today, LANVIN fragrances occupy important positions in the selective distribution market in France, Europe and Asia particularly with the lines Arpege (created in 1927), Lanvin L'Homme (1997), Oxygene (2000), Eclat d'Arpege (2002) and Vetyver (2003).

Our first Lanvin fragrance, Arpege pour Homme is in the planning stage for a late 2005 or early 2006 debut.

MOLYNEUX
(QUARTZ, QUARTZ POUR HOMME, MODERN QUARTZ)

The Molyneux brand name, which we purchased in March 1994, was originally created at the turn of the century by the fashion designer Edouard Molyneux, and ranks among the institutional brand names of French perfumery. Molyneux enjoys a very prominent market position in South America, especially through the "Quartz" line for women, which was launched in 1978. The Molyneux name is also well established in duty-free outlets, France and other Western European countries.

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PRESTIGE SKIN CARE

In April 2004 Inter Parfums, S.A. acquired a 67.5% interest in Nickel S.A.

Established in 1996 by Philippe Dumont, Nickel has developed two innovative concepts in the world of cosmetics: spas exclusively for male customers and skin care product lines for men. The Nickel range of some fifteen skin care products for the face and body is sold through prestige department and specialty stores primarily in France (500 outlets), the balance of Western Europe (900 outlets) and in the United States (300 outlets), as well as through our men's spas in Paris and New York.

Our plans include broader retail distribution of the Nickel product line and new product introductions. We also plan to draw upon the skin care product expertise that the Nickel team brings, as we explore other opportunities in the treatment side of the beauty business beyond the Nickel brand.

We believe the opportunity for a unique brand such as Nickel in a fast-paced market is exceptional, as we market our products to the growing number of men who seek to expand their grooming regime beyond shaving, by using moisturizer, eye cream and exfoliants formulated specially for male skin.

PRESTIGE COLOR COSMETICS

DIANE VON FURSTENBERG

In May 2002 we entered into an exclusive worldwide license agreement with Diane von Furstenberg Studio, L.P. for the development, manufacturing and distribution of fragrance, cosmetics, skin care and related beauty products, to be sold under the Diane von Furstenberg, DVF, Diane von Furstenberg The Color Authority and Tatiana brand names. Our rights under such license agreement are subject to certain minimum sales requirements, advertising expenditures and royalty payments.

TABLE OF PRESTIGE BRANDS

The following is a summary of the prestige brand names owned or licensed by us:

BRAND NAME	LICENSED OR OWNED	DATE ACQUIRED	TERM, INCLUDING OPTION PERIODS
Burberry	Licensed	July 04	12.5 years and additional 5-year opti term that requires mutual consent
S.T. Dupont	Licensed	July 97	11 years
Paul Smith	Licensed	Dec. 98	12 years
Celine	Licensed	May 00	11 years from January 2001, with additional 5-year option term
Lanvin	Licensed	July 04	15-year
Nickel	Owned	April 04	N/A

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BRAND NAME	LICENSED OR OWNED	DATE ACQUIRED	TERM, INCLUDING OPTION PERIODS
Molyneux	Owned	Mar. 94	N/A
Christian Lacroix	Licensed	Mar. 99	11 years
Diane Von Furstenberg	Licensed	May 02	8 year 7 month term with three additi 2-year option terms.

MASS MARKET PRODUCTS

MASS MARKET FRAGRANCES

We produce and market a complete line of alternative designer fragrances and personal care products which sell at a substantial discount from their high profile, high retail cost, brand name counterparts. Our alternative designer fragrances, which are produced in the United States, are similar in scent to highly advertised designer fragrances that are marketed at a high retail price. These products are intended to have an upscale image without a high retail price, and typically sell at a price below $3.00 at the mass market retail level, substantially discounted from the high cost of designer fragrances which typically range from $30.00 to $200.00 at prestige retail locations.

Our alternative designer fragrances encompass a complete array of fragrances, body sprays, deodorants and perfumed creams. Product line extensions into additional personal care products are ongoing and development of new and innovative product lines is a continuous process.

New designer fragrances are constantly being launched in the marketplace. Substantial expenditure of advertising dollars, selective distribution and a high retail price create a perfect candidate for an alternative designer fragrance. We react to demand by creating a similar scent which, when combined with an innovative packaging design, is ready for sale to mass market merchandisers, chain drug stores, wholesalers and international trading companies. To this end, our strategy is to be among the first to release these new introductions into the market.

In May 2002 we, through our wholly-owned subsidiary, Jean Philippe Fragrances, LLC, acquired certain mass market fragrance brands, intellectual property, trademarks and inventory from Tristar Corporation, a Debtor-in-Possession in a Chapter 11 proceeding in U.S. Bankruptcy Court, paying $3.2 million for the intellectual property and $3.7 million for inventory.

Tristar had been one of our most significant competitors over the years, and we believe this acquisition has benefited our mass market business. We now have greater market share, and the additional brands have opened new retail accounts for us, although we have experienced some consolidation of sales from our other mass market fragrance brands.

Under the terms of a license agreement signed in 1990 with Jordache Enterprises, we have capitalized on the strength and awareness of the Jordache trademark. In December 2004 we amended our agreement, which provided for a series of ten one-year annual renewal terms. We have directed our marketing efforts on the younger, trendy mass market consumer who is the core of the Jordache franchise. New packaging, which utilizes the latest in graphic technology, is both innovative and attractive. We expect to continue this trend with additional line extensions under the Jordache brand name.

MASS MARKET COSMETICS

We purchased the trademark, Aziza from Unilever N.V. in 1995. The recognition of the Aziza trade name provided us with the opportunity to introduce a new cosmetic line with an existing loyal customer base.

We market the Aziza line of low priced eye shadow kits, mascara, and pencils to the young teen market. This product line, with its low suggested retail prices, is being distributed to mass market retailers and discount chains, including the 99 Cent and Dollar Store markets.

Line extensions to Aziza include foundation, lipstick, nail polish and related accessories. Aziza is presently distributed in approximately 15,000 mass market outlets throughout the United States.

MASS MARKET HEALTH AND BEAUTY AIDS

During 2001, we introduced a new line of mass market health and beauty aids under our Intimate brand, consisting of shampoo, conditioner, hand lotion and baby oil. We distribute this line to the same mass market retailers and discount chains as our Aziza cosmetic line. Intimate health and beauty aids are presently distributed in approximately 10,000 mass market outlets throughout the United States.

INVENTORY

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

PRODUCT LIABILITY

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

GOVERNMENT REGULATION

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

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

TRADEMARKS

Under various license agreements we have the right to use certain registered trademarks throughout the world. These registered trademarks include:

- Burberry
- S.T. Dupont
- Paul Smith
- Christian Lacroix
- Lanvin
- Celine
- Diane von Furstenberg, DVF, Diane von Furstenberg The Color Authority, and Tatiana
- Jordache

In addition, we are the registered trademark owner of many trademarks, including:

- Intimate
- Aziza
- Nickel
- Regal Collections, Royal Selections, Euro Collections and Apple
- Parfums Molyneux, Captain, Quartz and Lord

EMPLOYEES

As of March 1, 2005 we had 154 full-time employees world-wide. Of these,

73 are engaged in sales activities and 71 in administrative and marketing activities.

As of March 1, 2005 we had 95 full-time employees in Paris. Of these, 48 are engaged in sales activities and 47 in administrative and marketing activities.

As of March 1, 2005 we had 59 full-time United States employees. Of these, 25 were engaged in sales activities and 34 in administrative and marketing activities.

We believe that our relationship with our employees is good.

FORWARD LOOKING INFORMATION AND RISK FACTORS

Statements in this document which are not historical in nature are forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results to be materially different from projected results.

Given these risks, uncertainties and other factors, persons are cautioned not to place undue reliance on the forward-looking statements.

The following is a discussion of some of the material risk factors relating to our business:

WE ARE DEPENDENT UPON BURBERRY FOR A SIGNIFICANT PORTION OF OUR SALES, AND THE LOSS OF THIS LICENSE WILL HAVE A MATERIAL ADVERSE EFFECT ON US.

Burberry is our leading prestige brand name, as sales of Burberry products represented 62%, 56% and 41% of net sales for the years ended December 31, 2004, 2003 and 2002, respectively.

In October 2004 our Paris-based subsidiary, Inter Parfums, S.A., entered into a 12.5-year, exclusive world-wide fragrance license with Burberry Limited, effective as of July 1, 2004, which replaced the existing 1993 license. This license includes an additional 5-year optional term that requires the consent of both Burberry and Inter Parfums, S.A., and must be exercised, if at all, prior to December 31, 2014. In addition, Burberry has the right on December 31, 2009 and December 31, 2011 to buy back the license at its then fair market value. Further, this license provides for a termination on a change in control of either Inter Parfums, S.A., the licensee, or Inter Parfums, Inc., the guarantor.

This license is subject to Inter Parfums, S.A. making certain royalty payments, minimum royalty payments, minimum advertising and promotional expenditures and minimum sales requirements. The new royalty rates, which will approximately double the rates under the prior license, commence as of July 1, 2004. The new advertising and promotional expenditures, which commenced on January 1, 2005, as well as the minimum sales requirements, are substantially higher than under the prior license. In an attempt to mitigate the associated expenses, Inter Parfums is fine-tuning its model and establishing a dedicated Burberry Fragrances operating division. This new model includes increased selling prices to distributors, modification of cost-sharing arrangements with suppliers and distributors, and involves the future formation of joint ventures or Company-owned subsidiaries within key markets.

THE SUCCESS OF OUR PRODUCTS IS DEPENDENT ON PUBLIC TASTE.

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

WE ARE DEPENDENT UPON MESSRS. JEAN MADAR AND PHILIPPE BENACIN, AND THE LOSS OF THEIR SERVICES COULD HARM OUR BUSINESS.

Jean Madar, our Chief Executive Officer, and Philippe Benacin, our President and Chief Executive Officer of Inter Parfums, S.A., are responsible for day-to-day operations as well as major decisions. Termination of their relationships with us, whether through death, incapacity or otherwise, could have a material adverse effect on our operations, and we cannot assure you that qualified replacements can be found. We maintain key man insurance on the lives of both Mr. Madar ($1 million) and Mr. Benacin ($2.8 million), however, we cannot assure you that we would be able to retain suitable replacements for either Mr. Madar or Mr. Benacin.

WE ARE SUBJECT TO EXTREME COMPETITION IN BOTH THE PRESTIGE AND MASS MARKETS.

The market for fragrances and beauty related products is highly competitive and sensitive to changing market preferences and demands. Many of these companies have substantial financial resources and national marketing campaigns.

The prestige fragrance and cosmetic industry is highly concentrated around certain major players with resources far greater than ours. We compete with an original strategy-- regular and methodical development of quality products for a growing portfolio of internationally renowned brand names.

Mass market fragrances are characterized by competition primarily based upon price. We feel the quality of our fragrance products, competitive pricing, and our ability to quickly and efficiently develop and distribute new products, will enable us to continue to effectively compete with these companies.

The market for name brand and mass market color cosmetics, as well as health and beauty aids, is highly competitive, with several major cosmetic companies marketing similar products. However, we believe that brand recognition of the Aziza and Intimate brand names, together with the quality and competitive pricing of our products, enables us to compete with these companies in the mass market.

We cannot assure you that sufficient demand for our existing fragrances, cosmetics and health and beauty aids will continue or that we will develop future products that will withstand competition.

OUR RELIANCE ON THIRD PARTY MANUFACTURERS COULD HAVE A MATERIAL ADVERSE EFFECT ON US.

We rely on outside sources to manufacture our fragrances and cosmetics. The failure of such third party manufacturers to deliver either components or finished goods on a timely basis could have a material adverse effect on our

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

THE INTERNATIONAL CHARACTER OF OUR BUSINESS RENDERS US SUBJECT TO FLUCTUATION IN FOREIGN CURRENCY EXCHANGE RATES AND INTERNATIONAL TRADE TARIFFS, BARRIERS AND OTHER RESTRICTIONS.

Approximately 30% of our Paris subsidiary's net sales are sold in US dollars. In an effort to reduce our exposure to foreign currency exchange fluctuations, we engage in a program of cautious hedging of foreign currencies to minimize the risk arising from operations. Despite such actions, fluctuations in foreign currency exchange rates for the U.S. dollar, particularly with respect to the Euro, could have a material adverse effect on our operating results. Possible import, export, tariff and other trade barriers, which could be imposed by the United States, France, Canada or other countries might also have a material adverse effect on our business.

OUR BUSINESS IS SUBJECT TO GOVERNMENTAL REGULATION, WHICH COULD IMPACT OUR OPERATIONS.

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

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

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

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

WE MAY BECOME SUBJECT TO POSSIBLE LIABILITY FOR IMPROPER COMPARATIVE ADVERTISING OR "TRADE DRESS."

Brand name manufacturers and sellers of brand name products may make claims of improper comparative advertising or trade dress (packaging) with respect to the likelihood of confusion between some of our mass market fragrances, cosmetics and health and beauty aids, and those of brand name manufacturers and sellers. They may seek damages for loss of business or injunctive relief to seek to have the use of the improper comparative advertising or trade dress halted. However, we believe that our displays and

packaging constitute fair competitive advertising and are not likely to cause confusion between our products and others. Further, we have not experienced to any material degree, any of such problems to date.

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ITEM 2. PROPERTIES

USE	LOCATION	APPROXIMATE SIZE	ANNUAL RENT (ALL ARE SUBJECT TO ESCALATIONS, EXCEPT WHERE NOTED)	TERM EXPIRES
1. Office Space-corporate headquarters and United States operations	551 Fifth Avenue, New York, NY.	9,000 square feet	$324,000,	February 28, 201
2. Distribution center	60 Stults Road Dayton, NJ	140,000 square foot	$684,000	October 31, 2010
3. Office Space-Paris corporate headquarters and Paris based operations	4 Rond Point Des Champs Elysees, Paris, France	4,000 square feet	127,000 Euros	July 2005
3. Office Space-Paris corporate headquarters and Paris based operations	4 Rond Point Des Champs Elysees, Paris, France	2,000 square feet	71,000 Euros	July 2005
3. Office Space-Paris corporate headquarters and Paris based operations	4 Rond Point Des Champs Elysees, Paris, France	1700 square feet	52,000 Euros	June 2007
4. Office Space	18 avenue Franklin Roosevelt, Paris, France	2500 square feet	90,000 Euros	April 2009

5. Office Space	ASNIERES (92600)-107, Quai du Docteur Dervaux		40,000 Euros	March 31, 2010
6. Men's Spa	48 Rue des Francs Bourgeois, Paris (75003), 3rd District		175,000Euros	June 30, 2011
7. Men's Spa	Unit C2, 300 West 14th Street, New York, N.Y.		$248,000	October 31, 2009

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Inter Parfums, S.A. has an agreement with Sagatrans, S.A. for warehousing and distribution services through September 2011.Fees are calculated based upon a percentage of sales, which are customary in the industry. Minimum future lease payments range from 2.1 million euro in 2005 increasing to 3.0 million euro in 2011.

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

ITEM 3. LEGAL PROCEEDINGS

We are not a party to any material lawsuits.

ITEM 4. SUBMISSIONS OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

THE MARKET FOR OUR COMMON STOCK

Our company's common stock, $.001 par value per share, is traded on The Nasdaq Stock Market (National Market System) under the symbol "IPAR". The following table sets forth in dollars, the range of high and low closing prices for the past two fiscal years for our common stock.

Fiscal 2004	High Closing Price	Low Closing Price

Fourth Quarter	$ 17.12	$ 12.45
Third Quarter	$ 20.99	$ 11.34
Second Quarter	$ 26.00	$ 20.23
First Quarter	$ 31.52	$ 19.88

Fiscal 2003	High Closing Price	Low Closing Price
Fourth Quarter	$ 26.92	$ 10.00
Third Quarter	$ 11.55	$ 7.62
Second Quarter	$ 8.59	$ 6.78
First Quarter	$ 8.24	$ 5.80

As of February 28, 2005 the number of record holders, which include brokers and broker's nominees, ETC., of our common stock was 61. We believe there are in excess of 3,300 beneficial owners of the company's common stock.

DIVIDENDS

Commencing in March 2002, our Board of Directors authorized our first cash dividend of $.06 per share per annum, payable $.015 per share quarterly. The first cash dividend of $.015 per share was paid on April 15, 2002 to shareholders of record on March 31, 2002. In March 2003, our board of directors increased the cash dividend to $.08 per share per annum, payable $.02 per share on a quarterly basis. In March 2004, our board of directors again increased the cash dividend to $.12 per share per annum, payable $.03 per share on a quarterly basis.

Commencing March 31, 2005 our board of directors increased the cash dividend from $.12 to $.16 per share per annum, payable on a quarterly basis. The first cash dividend of $.04 per share is to be paid on April 15, 2005 to shareholders of record on March 31, 2005.

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

SALES OF UNREGISTERED SECURITIES

For the period consisting of the date of the filing of our quarterly report on Form 10-Q for the three and nine months ended September 30, 2004, through the date of this report, we issued the following unregistered equity securities.

In February 2005, both the Chief Executive Officer and the President exercised an aggregate of 511,350 and 426,850 outstanding stock options, respectively, of the Company's common stock. The exercise prices of $1,307,000 for the Chief Executive Officer and $1,091,000 for the President were paid by each of them tendering to the Company 90,513 and 75,556 shares, respectively, of the Company's common stock, previously owned by them, valued at $14.44 per share, the fair market value on the date of exercise. All shares issued pursuant to these option exercises were issued from our treasury stock. In addition, the Chief Executive Officer tendered an additional 10,388 shares for partial payment of withholding taxes resulting from his option exercise. As a result of this transaction, the Company expects to receive a tax benefit of approximately $600,000, which will be reflected as an increase to additional paid-in capital in the Company's consolidated financial statements for the year ended December 31, 2005.

Each of the Chief Executive Officer and the President agreed to hold their shares for investment and not with a view towards distribution. The above transactions were exempt from the registration requirements of Section 5 of the Securities Act under Sections 4(2) and 4(6) of the Securities Act.

The following sets forth certain information as to all options granted to purchase our common stock during the last quarter of the last fiscal year and through the date of this report, which were not registered under the Securities Act. In each of the transactions, we granted options to affiliates (executive officers and directors) and employees. The transactions were exempt from the registration requirements of Section 5 of the Securities Act under Sections 4(2) and 4(6) of the Securities Act. Each option holder agreed that, if the option is exercised, the option holder would purchase his common stock for investment and not for resale to the public. Also, we provide all option holders with all reports we file with the SEC and press releases issued by us.

On December 10, 2004, we granted options to purchase an aggregate of 186,400 shares for a five-year period at the exercise price of $15.39 per share, the fair market value at the time of grant, to 40 employees, and 5 current executive officers under our 1999 Stock Option Plan.

On February 1, 2005, we granted options to purchase an aggregate of 10,000 shares for a five-year period at the exercise price of $15.20 per share, the fair market value at the time of grant, to 7 directors under our 2000 Non-Employee Director Stock Option Plan.

REPURCHASES OF OUR COMMON STOCK

Except as disclosed above in connection with the tender of shares by the CEO and President for the exercise price of certain stock options, we did not repurchase any of our Common Stock during the fourth quarter of fiscal year ended December 31, 2004.

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data have been derived from our

financial statements, and should be read in conjunction with those financial statements, including the related footnotes.

YEARS ENDED DECEMBER 31
(In Thousands Except Share and Per Share Data)

	2004	2003	2002	
Income Statement Data:				
Net Sales	$236,047	$185,589	$130,352	$1
Cost of Sales	113,988	95,449	71,630	
Selling, General and Administrative	89,516	64,147	41,202	
Income Before Taxes and Minority Interest	31,638	26,632	17,581	
Net Income	15,703	13,837	9,405	
Net Income per Share(2):				
Basic	$0.82	$0.73	$0.50	
Diluted	$0.77	$0.69	$0.47	
Average Common Shares Outstanding(2):				
Basic	19,204,768	19,032,460	18,776,988	17,8
Diluted	20,494,038	20,116,433	19,948,305	19,9

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(1) Includes nonrecurring charges aggregating $0.6 million and a gain of $0.6 million, all after taxes and minority interest. The charges represent an accrual for exposure relating to pending litigation of $0.2 million and a potential tax assessment of $0.4 million. The gain represents a realized gain on the sale of marketable securities.

(2) Adjusted for 3:2 stock splits (50% stock dividends) paid in June 2000 and September 2001.

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AS AT DECEMBER 31
(In Thousands)

	2004	2003	2002	2

Balance Sheet Data:				
Working Capital	$129,866	$115,970	$83,828	$68
Total Assets	230,485	194,001	129,370	102
Long-Term Debt	15,258	-0-	-0-	1
Shareholders' Equity	126,509	104,916	80,916	65
Dividends per Share	$0.12	$0.08	$0.06	

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

OVERVIEW

We operate in the fragrance and cosmetic industry, and manufacture, market and distribute a wide array of fragrances, cosmetics and health and beauty aids. We manage our business in two segments, French based operations and United States based operations. We specialize in prestige perfumes and mass-market perfumes, cosmetics and health and beauty aids. Most of our prestige products are produced and marketed by our 74% owned subsidiary in Paris, Inter Parfums, S.A., which is also a publicly traded company as 26% of Inter Parfums, S.A. shares trade on the Paris Bourse. Prestige cosmetics and prestige skin care products represent less than 5% of consolidated net sales. Our mass-market products are primarily produced and marketed by our United States operations.

o Prestige products - For each prestige brand, owned or licensed by us, we develop an original concept for the perfume, cosmetic or skincare line consistent with world market trends.

o Mass-market products - We design, market and distribute inexpensive fragrances and personal care products, including alternative designer fragrances, mass market cosmetics and health and beauty aids.

Our prestige product lines, which are manufactured and distributed by us primarily under license agreements with brand owners, represented approximately 84% of net sales during 2004. Since 1992 we have built a portfolio of brands under license, which include Burberry, S.T. Dupont, Paul Smith, Christian Lacroix, Celine, Diane von Furstenberg and Lanvin whose products are distributed in over 120 countries around the world. In terms of sales, Burberry is our most significant license, and sales of Burberry products represented 62%, 56% and 41% of net sales for the years ended December 31, 2004, 2003 and 2002, respectively.

We have acquired two licenses with affiliates of our strategic partner, LV Capital, USA Inc. (LV Capital), a wholly-owned subsidiary of LVMH Moet Hennessy Louis Vuitton S.A. LVMH) LV Capital owns approximately 18% of our

outstanding common shares. In May 2000 we entered into an exclusive worldwide license for prestige fragrances for the Celine brand, and in March 1999 we entered into an exclusive worldwide license for Christian Lacroix fragrances. In January 2005, LVMH sold the Christian Lacroix company to an unaffiliated third party, subject to the existing license. Both licenses are subject to certain minimum sales requirements, advertising expenditures and royalty payments as are customary in our industry. We believe that our association with LV Capital has enhanced our creditability in the cosmetic industry, which should lead us to additional opportunities in our industry that might not have been otherwise available to us.

Our United States operations, which primarily consists of mass market product lines, represented 16% of sales for the year ended December 31, 2004, and are comprised of alternative designer fragrances, cosmetics, health and beauty aids and personal care products. These lines are sold under trademarks owned by us or pursuant to license agreements we have for the trademarks Jordache and Tatiana.

We grow our business in two distinct ways. First, we grow by adding new brands to our portfolio, either through new licenses or out-right acquisitions of brands. Second, we grow through the creation of product line extensions within the existing brands in our portfolio. Every two to three years, we create a new family of fragrances for each brand in our portfolio.

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

2004 IMPORTANT EVENTS

BURBERRY

On October 12, 2004, we entered into a new long-term fragrance license with Burberry. The agreement has a 12.5-year term with an option to extend the license by an additional 5-years subject to mutual agreement. In addition, Burberry has the right on December 31, 2009 and December 31, 2011 to buy back the license at its then fair market value. This new agreement replaces the existing 1993 license. The new royalty rates, which are approximately double the rates under the prior license, commenced as of July 1, 2004. The new advertising and promotional expenditures, which commenced on January 1, 2005, are substantially higher than under the prior license. In anticipation of these new terms and to mitigate the associated expenses, we are fine-tuning our operating model. This new model includes increased selling prices to distributors, modified cost sharing arrangements with suppliers and distributors, and involves the future formation of joint ventures or Company-owned subsidiaries within key markets to handle future distribution. While we anticipate a continued short-term negative

impact on our bottom line, particularly for the first half of 2005, the growth potential offered by this international luxury brand makes us confident about our future long-term prospects.

LANVIN

In June 2004, Inter Parfums, S.A. entered into an exclusive, worldwide license agreement with Lanvin S.A. to create, develop and distribute fragrance lines under the Lanvin brand name. The fifteen-year license agreement took effect July 1, 2004 and provided for an upfront non-recoupable license fee of $19.2 million, the purchase of existing inventory of $7.6 million, and requires advertising expenditures and royalty payments in line with industry practice, as well as, the assumption of certain pre existing contractual obligations.

NICKEL

In April 2004 Inter Parfums, S.A. acquired a 67.5% interest in Nickel S.A. for approximately $8.7 million in cash including a capital infusion of $2.8 million made in June 2004, aggregating approximately $4.5 million, net of cash acquired. This marked our official entree into prestige skin care products. We also own and operate men's spas in Paris and New York, which sell our Nickel products.

DISCUSSION OF CRITICAL ACCOUNTING POLICIES

We make estimates and assumptions in the preparation of our financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ significantly from those estimates under different assumptions and conditions. We believe the following discussion addresses our most critical accounting policies, which are those that are most important to the portrayal of our financial condition and results of operations. These accounting policies generally require our management's most difficult and subjective judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. The following is a brief discussion of the more critical accounting policies that we employ.

REVENUE RECOGNITION

We sell our products to department stores, perfumeries, mass-market retailers, supermarkets and domestic and international wholesalers and distributors. Sales of such products by our domestic subsidiaries are denominated in U.S. dollars and sales of such products by our foreign subsidiaries are primarily denominated in either Euros or U.S. dollars. Accounts receivable reflect the granting of credit to these customers. We generally grant credit based upon our analysis of the customer's financial position as well as previously established buying patterns. Generally, we do not bill customers for shipping and handling costs and, accordingly, we classify such costs as selling and administrative expenses. We recognize revenues when merchandise is shipped and the risk of loss passes to the customer. Net sales are comprised of gross revenues less returns, and trade discounts and allowances.

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SALES RETURNS

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

realizable values of returned products, may differ significantly, either favorably or unfavorably, from our estimates, if factors such as economic conditions, inventory levels or competitive conditions differ from our expectations.

PROMOTIONAL ALLOWANCES

We have various performance-based arrangements with certain retailers to reimburse them for all or a portion of their promotional activities related to our products. These arrangements primarily allow customers to take deductions against amounts owed to us for product purchases. Estimated accruals for promotions and co-operative advertising programs are recorded in the period in which the related revenue is recognized. We review and revise the estimated accruals for the projected costs for these promotions. Actual costs incurred may differ significantly, either favorably or unfavorably, from estimates if factors such as the level and success of the retailers' programs or other conditions differ from our expectations.

INVENTORIES

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

EQUIPMENT AND OTHER LONG-LIVED ASSETS

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

Long-lived assets, including trademarks, licenses and goodwill, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of any such asset may not be recoverable. If the sum of the undiscounted cash flows (excluding

interest) is less than the carrying value, then we recognize an impairment loss, measured as the amount by which the carrying value exceeds the fair value of the asset. The estimate of undiscounted cash flow is based upon, among other things, certain assumptions about expected future operating performance. Our estimates of undiscounted cash flow may differ from actual cash flow due to, among other things, economic conditions, changes to our business model or changes in consumer acceptance of our products. In those cases where we determine that the useful life of other long-lived assets should be shortened, we would depreciate the net book value in excess of the salvage value (after testing for impairment as described above), over the revised remaining useful life of such asset thereby increasing amortization expense.

RESULTS OF OPERATIONS

NET SALES (in millions)	Years ended December 31, 2004	% Change	2003	% Change	2002
Prestige product sales	$198.0	39%	$142.1	61%	$ 88.4
Mass market product sales	38.0	(13%)	43.5	4%	42.0
Total net sales	$236.0	27%	$185.6	42%	$130.4

Net sales for the year ended December 31, 2004 increased 27% to $236.0 million. For the year ended December 31, 2003, net sales were up 42%. At comparable foreign currency exchange rates, net sales rose 22% and 31% in 2004 and 2003, respectively. The increases in net sales are attributable to increases in our prestige product lines.

Prestige product sales, which were up 61% in 2003, grew an additional 39% in 2004. Our 2003 calendar of product launches was most ambitious. Besides the continued geographic rollout of our 2002 launches of ESSENCE PURE by S.T. Dupont and Paul Smith EXTREME, new brands and brand extensions made their debuts throughout the year. In the spring of 2003 we launched a summer seasonal fragrances for both our Celine and Christian Lacroix fragrance lines. In addition, in late September 2003, we launched a fragrance and cosmetic line under the Diane von Furstenberg label.

Most importantly, the global rollout of Burberry Brit for women, which began in the third quarter of 2003, expanded to Asia, South America and the Middle East in early 2004. In addition, during the third quarter of 2004, the BURBERRY BRIT men's line was launched in the UK, select countries in Western Europe and in the US. The excellent performance of BURBERRY LONDON, BURBERRY WEEKEND, BURBERRY TOUCH, as well as the BURBERRY BRIT collection all contributed to, and was the primary driver of, growth in prestige product sales.

The year 2004 also included several brand extensions. During the second quarter of 2004, we launched a limited edition warm weather seasonal fragrance for our Celine and Christian Lacroix brands. In July, we unveiled new fragrance families for both S.T. Dupont and Paul Smith and began distribution for Lanvin products, our newest brand under license. In early 2005, we plan to introduce new Christian Lacroix and Celine fragrance families. In addition, our first new Lanvin fragrance is under development in preparation for a late 2005 or early 2006 launch.

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With respect to our mass-market product lines, net sales were down 13% in 2004 after rising 4% in 2003. Through June 2003 we continued to see growth in our fragrances lines as a result of our May 2002 acquisition of certain fragrance brands from Tristar Corporation, a Debtor-in-Possession, ("Tristar"). Tristar was one of our most significant competitors in mass-market fragrances and the brands acquired are being sold in the same distribution channels as that of our other mass-market fragrance lines. After passing the one-year anniversary of this acquisition, we began consolidating certain fragrance lines to reduce duplication and improve overall efficiency. This resulted in a decline in mass-market fragrance sales in 2003. However, new product line extensions and an expanding distribution network continued to benefit sales volume in our Intimate health and beauty aids and our Aziza cosmetics lines.

The decline in mass-market product sales in 2004 is partially the result

of a 13% decline in US export sales primarily to customers in Mexico and Central and South America. The economic environment in that area has been weak throughout 2004 and we have continued to closely monitor our credit risk in those territories and are willing to forego sales volume to minimize our overall credit exposure. Domestic sales in 2004 also showed signs of weakness and were also off 13% for the year.

Our new product development program for all of our product groups is well under way, and we expect to roll out new products throughout 2005. In addition, we are actively pursuing other new business opportunities. However, we cannot assure you that any new license or acquisitions will be consummated.

As previously discussed, in April 2004, Inter Parfums, S.A. acquired a 67.5% interest in Nickel S.A. (Nickel) for approximately $8.3 million in cash including an additional capital infusion of $2.8 million made in June 2004, aggregating approximately $4.4 million, net of cash acquired. Net sales of Nickel products for the period April 1, 2004 through December 31, 2004 aggregated $3.7 million and net income for the same period was insignificant. For the year ended March 31, 2004, prior to the acquisition, Nickel generated net sales of approximately $6 million.

Also as discussed above, in June 2004, Inter Parfums, S.A. entered into an exclusive, worldwide license agreement with Lanvin S.A. to create, develop and distribute fragrance lines under the Lanvin brand name. The fifteen-year license agreement took effect July 1, 2004. For the six months period ended December 31, 2004, net sales of Lanvin products aggregated approximately $10.2 million.

In October 2004, we entered into a new long-term fragrance license with Burberry. This new agreement replaces the existing license and provides for an increase in the royalty rate effective as of July 1, 2004 and additional resources to be devoted to marketing commencing in 2005. In anticipation of these new terms and to mitigate the associated expenses, we are fine-tuning our operating model. This new model includes increased selling prices, modified cost sharing arrangements with suppliers and distributors, and involves the future formation of joint ventures or Company-owned subsidiaries within key markets. While we anticipate a continued short-term impact on our bottom line, particularly for the first half of 2005, the growth potential offered by this international luxury brand makes us confident about our future long-term prospects.

GROSS MARGINS

(in millions)	Years ended December 31, 2004	2003	2002
Net sales	$ 236.0	$ 185.6	$ 130.4
Cost of sales	114.0	95.4	71.6
Gross margin	$ 122.0	$ 90.2	$ 58.7
Gross margin as a % of net sales	52%	49%	45%

Gross profit margins were 52% in 2004, 49% in 2003 and 45% in 2002. Sales

of products from our primarily French based prestige fragrance lines generate significantly higher gross profit margins than sales of our primarily United States based mass-market product lines. In 2004, a decline of approximately 1% in gross margin as a percentage of sales for United States mass-market operations in 2004 was more than offset by an approximate 2% improvement in gross margin as a percentage of sales for our French based prestige product lines. The balance of the margin improvement in 2004 was the result of the net sales growth rate achieved in prestige product lines, as compared to the negative growth rate of our mass-market product lines. In 2003, there was no change in gross margin as a percentage of sales for United States mass-market operations and a 3% improvement in gross margin as a percentage of sales for our French based prestige product lines. The balance of the margin improvement in 2004 was the result of the net sales growth rate achieved in prestige product lines, as compared to the growth rate of our mass-market product lines.

SELLING, GENERAL & ADMINISTRATIVE

(in millions)	Years ended December 31, 2004	2003	2002
Selling, general & administrative	$ 89.5	$ 64.1	$ 41.2
Selling, general & administrative as a % of net sales	38%	35%	32%

Selling, general and administrative expense increased 40% for the year ended December 31, 2004, as compared to 2003 and 56% for the year ended December 31, 2003, as compared to 2002. As a percentage of sales selling, general and administrative was 38%, 35% and 32% of sales for the years ended December 31, 2004, 2003 and 2002, respectively. The increase in selling, general and administrative expenses as a percentage of sales for 2004 is primarily the result of increased royalties required under our new license with Burberry. Royalty expense, included in selling,

general, and administrative expenses, aggregated $20.9 million, $10.4 million and $5.5 million, for the years ended December 31, 2004, 2003 and 2002, respectively.

In addition, growth in our prestige product lines requires higher selling, general and administrative expenses because promotion and advertising are prerequisites for sales of designer prestige products. We develop a complete marketing and promotional plan to support our growing portfolio of prestige brands and to build upon each brand's awareness. Promotion and advertising included in selling, general and administrative expenses was approximately $21.8 million, $19.8 million and $10.3 million for the years ended December 31, 2004, 2003 and 2002, respectively. Our mass-market product lines do not require extensive advertising and therefore, more of our selling, general and administrative expenses are fixed rather than variable.

As previously reported, Inter Parfums, S.A. was a party to litigation with Jean Charles Brosseau, S.A. (Brosseau), the owner of the Ombre Rose trademark. In October 1999, IPSA received notice of a judgment in favor of Brosseau, which awarded damages of approximately $0.85 million (at current exchange rates). On appeal, in February 2001, the Court required IPSA to pay $0.14 million as an advance for damages claimed by Brosseau.

In February 2004, the Court of Appeal ordered Inter Parfums, S.A. to pay total damages of $0.39 million of which $0.14 million has already been advanced. Brosseau had until the end of May 2004 to appeal this decision. No appeal has been filed, and therefore, in May 2004, Inter Parfums, S.A. reversed its remaining litigation reserve aggregating approximately $0.46 million. This reversal is included as a reduction of administrative expenses in the accompanying consolidated statement of income.

Interest expense aggregated $0.8 million, $0.3 million and $0.4 million for the years ended December 31, 2004, 2003 and 2002, respectively. We use the credit lines available to us, as needed, to finance our working capital needs and short-term financing for acquisitions. In connection with the acquisition of the Lanvin license referred to above, Inter Parfums, S.A. financed the license fee by entering into a $19.2 million five-year credit agreement. In order to reduce exposure to rising variable interest rates, Inter Parfums, S.A. entered into a swap transaction effectively exchanging the variable interest rate referred to above to a variable rate based on the 12 month EURIBOR rate with a floor of 3.25% and a ceiling of 3.85%. This fair value of this derivative instrument at December 31, 2004 is reflected in the accompanying consolidated balance sheet and an expense of $0.13 million has been recorded as interest expense in the accompanying consolidated statement of operations.

Foreign currency gains or (losses) aggregated ($0.4) million, $0.3 million and ($0.1) million for the years ended December 31, 2004, 2003 and 2002, respectively. We enter into foreign currency forward exchange contracts to manage exposure related to certain foreign currency commitments.

Our effective income tax rate was 36.5%, 35.3% and 35.7% for the years ended December 31, 2004, 2003 and 2002, respectively. Our effective tax rates differ from statutory rates due to the effect of state and local taxes and tax rates in foreign jurisdictions which are slightly higher than those in the United States. No significant changes in tax rates were experienced nor were any expected in jurisdictions where we operate.

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Net income increased 13% to $15.7 million in 2004 after increasing 47% to $13.8 million in 2003. Diluted earnings per share increased 12% to $0.77 in 2004 after increasing 47% to $0.69 in 2003. Weighted average shares outstanding aggregated 19.2 million, 19.0 million and 18.8 million for the years ended December 31, 2004, 2003 and 2002, respectively. On a diluted basis, average shares outstanding were 20.5 million, 20.1 million and 19.9 million for the years ended December 31, 2004, 2003 and 2002, respectively. The increase in the average diluted shares outstanding is the result of the effect of dilutive securities resulting from an increase in our average stock price. The average stock price of our common shares was $19.25 per share for the year ended December 31, 2004, as compared to $10.41 per share for the year ended December 31, 2003.

LIQUIDITY AND FINANCED RESOURCES

Our financial position remains strong. At December 31, 2004, working capital aggregated $130 million and we had a working capital ratio of 3.4 to 1. Cash and cash equivalents and short-term investments aggregated $41.0 million.

The Company reclassified it's investments in auction rate securities that were previously classified as cash and cash equivalents aggregating $17.6 million and $17.3 million as of December 31, 2004 and 2003, respectively, to short-term investments. The consolidated statements of cash flows for the years

ended December 31, 2004, 2003 and 2002 were adjusted to reflect the impact of the reclassification. Auction rate securities, which are comprised of preferred stock, have characteristics similar to short-term investments because at predetermined intervals, generally within 28 to 49 days of the purchase, there is a new auction process.

In April 2004, Inter Parfums, S.A. acquired a 67.5% interest in Nickel for approximately $8.7 million in cash including an additional capital infusion of $2.8 million made in June 2004, aggregating approximately $4.5 million, net of cash acquired. We funded this acquisition with cash on hand. In accordance with the purchase agreement, each of the minority shareholders has an option to put their remaining interest in Nickel to Inter Parfums, S.A. from January 2007 through June 2007. Based on an independent valuation, management has valued the put options at $0.93 million as of the date of acquisition. These options are carried at fair value as determined by management as of December 31, 2004, which resulted in a gain of $0.17 million.

The purchase price for the minority shares will be based upon a formula applied to Nickel's sales for the year ending December 31, 2006, pro rated for the minority holders' equity in Nickel or at a price approximately 7% above the recent purchase price.

In June 2004, Inter Parfums, S.A. entered into an exclusive, worldwide license agreement with Lanvin to create, develop and distribute fragrance lines under the Lanvin brand name. The fifteen-year license agreement takes effect July 1, 2004 and provided for an upfront license fee of $19.2 million and the purchase of existing inventory of $7.6 million. Inter Parfums, S.A. financed the license fee by entering into a $19.2 million five-year credit agreement. This long-term credit facility, which bears interest at 0.60% above the Eurobor rate, provides for principal to be repaid in 20 equal quarterly installments of $0.96 million and requires the maintenance of certain financial covenants.

In October 2004, Inter Parfums, S.A. entered into a new long-term fragrance license with Burberry. This new agreement replaces the existing license and provides for an increase in the royalty rate effective as of July 1, 2004 and additional resources to be devoted to marketing commencing in 2005. In connection with the new license agreement Inter Parfums, S.A. paid Burberry an upfront license fee of approximately $3.6 million.

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Cash provided by (used in) operating activities aggregated ($4.4) million, $19.3 million and $12.7 million for the years ended December 31, 2004, 2003 and 2002, respectively. At December 31, 2003, in terms of cash flows, accounts receivable and inventories were up 34% and 49%, respectively, from December 31, 2002. The increase in accounts receivable and inventories is reasonable considering that net sales for the three months and year ended December 31, 2003 were up 33% and 42%, respectively. In addition, a significant inventory build up during the fourth quarter of 2003 was made to meet our sales commitments in early 2004 including the continued rollout of our Burberry BRIT for women line. This buildup was financed primarily through normal credit terms with our vendors, and therefore did not have any significant impact on our cash flows from operations.

The 2003 inventory buildup financed through normal credit terms from our vendors is the most significant factor affecting our cash flow from operating activities in 2004 as our vendors needed to get paid. Changes in accounts payable and accrued expenses provided cash from operating activities in 2003 of $23.9 million and used cash of $21.8 million in 2004. In addition, cash used in operating activities for 2004 reflects an increase in accounts receivable of

$5.8 million. This increase, which represents a 9% increase from the December 31, 2003 accounts receivable balance, is reasonable considering the Company's sales growth of 29% and 27% for the three months and year ended December 31, 2004, respectively.

Cash flows used in investing activities consists of approximately $2.0 million spent on tools and molds with the balance of capital expenditures representing office fixtures, computer equipment and industrial equipment needed at our distribution centers. For the year ended December 31, 2004, cash flows used in investing activities aggregated $32.5 million. Included in this amount is approximately $20.3 million paid for the purchase of the Lanvin license (including legal expenses and fees), $4.4 million paid for the Nickel acquisition, net of cash acquired and $3.6 million paid to Burberry in connection with the signing of a new license agreement.

In March 2005, our board of directors increased the cash dividend to $.16 per share, approximately $3.1 million per annum, payable $.04 per share on a quarterly basis. Our first cash dividend of $.04 per share is to be paid on April 15, 2005 to shareholders of record on March 31, 2005. Dividends paid, including dividends paid to minority shareholders by our French subsidiary aggregated $2.9 million, $1.8 million and $1.1 million in 2004, 2003 and 2002, respectively. This increased cash dividend in 2005 represents a small part of our cash position and is not expected to have any significant impact on our financial position.

Our short-term financing requirements are expected to be met by available cash at December 31, 2004, cash generated by operations and short-term credit lines provided by domestic and foreign banks. The principal credit facilities for 2004 consist of a $12.0 million unsecured revolving line of credit provided by a domestic commercial bank and approximately $30.0 million in credit lines provided by a consortium of international financial institutions. Actual borrowings under these facilities have been minimal as we typically use our working capital to finance all of our cash needs.

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We believe that funds generated from operations, supplemented by our present cash position and available credit facilities, will provide us with sufficient resources to meet all present and reasonably foreseeable future operating needs.

Inflation rates in the U.S. and foreign countries in which we operate did not have a significant impact on operating results for the year ended December 31, 2004.

CONTRACTUAL OBLIGATIONS

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

	Payments due by period				
Contractual Obligations	Total	Less than 1 year	Years 2-3	Years 4-5	More than 5 years
Long-Term Debt	$ 19,617	$ 4,359	$ 8,718	$ 6,540	$ 0

Capital Lease Obligations	$ 0	$ 0	$ 0	$ 0	$ 0
Operating Leases	$ 38,138	$ 5,062	$11,197	$11,386	$ 10,493
Purchase Obligations	$ 0	$ 0	$ 0	$ 0	$ 0
Other Long-Term Liabilities Reflected on the Registrant's Balance Sheet under GAAP	$ 0	$ 0	$ 0	$ 0	$ 0
Minimum Royalty Obligations	$396,892	$25,651	$58,565	$65,330	$247,346
Total	$454,647	$35,072	$78,480	$83,256	$257,839

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

GENERAL

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

FOREIGN EXCHANGE RISK MANAGEMENT

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

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

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

We believe that our risk of loss as the result of nonperformance by any of such financial institutions is remote and in any event would not be material. The contracts have varying maturities with none exceeding one year. Costs associated with entering into such contracts have not been material to our financial results. At December 31, 2004, we had foreign currency contracts at

Inter Parfums, S.A. in the form of forward exchange contracts in the amount of approximately U.S. $37.2 million and GB Pounds 5.4 million.

INTEREST RATE RISK MANAGEMENT

We mitigate interest rate risk by continually monitoring interest rates, and then determining whether fixed interest rates should be swapped for floating rate debt, or if floating rate debt should be swapped for fixed rate debt. We have entered into one (1) interest rate swap to reduce exposure to rising variable interest rates, by effectively exchanging the variable interest rate of 0.6% above the three month EURIBOR rate on our long-term to a variable rate based on the 12 month EURIBOR rate with a floor of 3.25% and a ceiling of 3.85%. The fair value of this derivative instrument at December 31, 2004 is reflected in our consolidated balance sheet and an expense of $0.13 million has been recorded in our consolidated statement of operations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The required financial statements commence on page F-1.

SUPPLEMENTARY DATA

QUARTERLY DATA (UNAUDITED)
FOR THE YEAR ENDED 31 DECEMBER 2004
(In Thousands Except Share and Per Share Data)

	1st Quarter	2nd Quarter	3rd Quarter	4th Q
Net Sales	$58,392	$46,733	$67,090	$6
Gross Profit	28,724	23,682	33,268	3
Net Income	4,779	3,401	4,037	
Net Income per Share:				
Basic	$0.25	$0.18	$0.21	
Diluted	$0.23	$0.17	$0.20	
Average Common Shares Outstanding:				
Basic	19,169,477	19,170,936	19,171,078	19,30
Diluted	20,614,308	20,577,922	20,397,201	20,38

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QUARTERLY DATA (UNAUDITED)
FOR THE YEAR ENDED 31 DECEMBER 2003
(In Thousands Except Share and Per Share Data)

	1st Quarter	2nd Quarter	3rd Quarter	4th Qu
Net Sales	$37,564	$41,392	$57,401	$49
Gross Profit	17,880	20,126	27,511	24
Net Income	2,503	2,937	4,684	3
Net Income per Share:				
Basic	$.13	$.15	$.25	
Diluted	$.13	$.15	$.23	
Average Common Shares Outstanding:				
Basic	18,816,503	18,999,219	19,024,081	19,128
Diluted	19,907,660	19,905,644	20,182,148	20,470

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Eisner LLP previously was our principal accountants. On January 7, 2004, that firm was dismissed as our principal accountants and KPMG LLP was engaged as principal accountants. The decision to change accountants was approved by our audit committee.

In connection with the audits of each of the two fiscal years ended December 31, 2001 and December 31, 2002, and the interim period through January 7, 2004, the date of dismissal, there were no disagreements with Eisner LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements if not resolved to their satisfaction would have caused them to make reference in connection with their opinion to the subject matter of the disagreement.

The audit reports of Eisner LLP on the consolidated financial statements of Inter Parfums, Inc. and subsidiaries as of and for the years ended December 31, 2001 and 2002, did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope, or accounting principles. Eisner LLP did make reference in their reports to other auditors who audited the financial statements of our consolidated foreign subsidiaries.

During the two fiscal years ended December 31, 2002, and the interim period through January 7, 2004, the date of engagement, we did not consult with or engage KPMG LLP

regarding the application of generally accepted accounting principles to a specific transaction or the type of audit opinion that might be rendered on our consolidated financial statements. KPMG SA, an affiliate of KPMG LLP, has been engaged as the audit firm for our French subsidiaries for each of the three fiscal years ended December 31, 2001, 2002 and 2003.

On September 13, 2004 KPMG LLP, which was previously the principal

accountants for Inter Parfums, Inc., resigned as the principal accountants. This decision to change accountants was communicated to the audit committee of Inter Parfums, Inc.

In connection with the audit of fiscal year ended December 31, 2003, and the subsequent interim period through September 13, 2004, there were no reportable events and there were no disagreements with KPMG LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements if not resolved to their satisfaction would have caused them to make reference in connection with their opinion to the subject matter of the disagreement.

The audit report of KPMG LLP on the consolidated financial statements of Inter Parfums, Inc. and subsidiaries as of and for the year ended December 31, 2003 did not contain any adverse opinion or disclaimer of opinion, nor was it qualified or modified as to uncertainty, audit scope, or accounting principles.

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

During the two fiscal years ended December 31, 2003 and the subsequent interim period through the date of engagement, we did not consult with or engage Mazars LLP regarding the application of generally accepted accounting principles to a specific transaction or the type of audit opinion that might be rendered on our consolidated financial statements.

ITEM 9A. CONTROLS AND PROCEDURES.

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Our Chief Executive Officer and Chief Financial Officer have reviewed and evaluated the effectiveness of our disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 Rule 13a-14(c)) as of the end of the period covered by this annual report on Form 10-K (the "Evaluation Date"). Based on their review and evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the Evaluation Date, our disclosure controls and procedures were adequate and effective to ensure that material information relating to our Company and its consolidated subsidiaries would be made known to them by others within those entities, so that such material information is recorded, processed and reported in a timely manner, particularly during the period in which this annual report on Form 10-K was being prepared, and that no changes were required at this time.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Inter Parfums, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting for the company. With the participation of the Chief Executive Officer and the Chief Financial Officer, our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework and criteria established in INTERNAL CONTROL - INTEGRATED FRAMEWORK, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management has concluded that our internal control over financial reporting was effective as of December 31, 2004.

Our independent auditor, Mazars LLP, a registered public accounting firm, has issued its report on its audit of our management's assessment of our

internal control over financial reporting. This report appears below.

ATTESTATION REPORT OF THE REGISTERED PUBLIC ACCOUNTING FIRM

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited management's assessment, included in the accompanying "Internal Control over Financial Reporting", that Inter Parfums, Inc. and subsidiaries maintained effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Inter Parfums, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, management's assessment that Inter Parfums, Inc. maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also in our opinion, Inter Parfums, Inc. maintained, in all material respects, effective internal control

over financial reporting as of December 31, 2004, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of InterParfums, Inc. as of December 31, 2004, and the related consolidated statements of income, shareholders' equity and comprehensive income, and cash flows for the year then ended, and our report dated March 4, 2005 expressed an unqualified opinion thereon.

Mazars LLP

New York, New York USA
April 19, 2005

ITEM 9B. OTHER INFORMATION.

None.

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PART III

ITEM 10. EXECUTIVE OFFICERS AND DIRECTORS OF REGISTRANT

EXECUTIVE OFFICERS AND DIRECTORS

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

Name	Position
Jean Madar	Chairman of the Board, Chief Executive Officer of Inter Parfums, Inc. and Director General of Inter Parfums, S.A.
Philippe Benacin	Vice Chairman of the Board, President of Inter Parfums, Inc. and President of Inter Parfums, S.A.
Russell Greenberg	Director, Executive Vice President and Chief Financial Officer
Philippe Santi	Director, Executive Vice President and Director of Finance, Inter Parfums, S.A.
Francois Heilbronn	Director
Joseph A. Caccamo	Director
Jean Levy	Director
Robert Bensoussan-Torres	Director
Daniel Piette	Director

Jean Cailliau	Director
Serge Rosinoer	Director
Wayne Hamerling	Executive Vice President
Marcella Cacci	President of Burberry Fragrances, Inter Parfums, S.A.
Frederic Garcia-Pelayo	President of the Luxury and Fashion division of Inter Parfums, S.A.
Jack Ayer	Director of Distribution - France, Inter Parfums, S.A.
Axel Marot	Director of Production & Logistics, Inter Parfums, S.A.

Our directors will serve until the next annual meeting of stockholders and thereafter until their successors shall have been elected and qualified. LV Capital USA, Inc. and Messrs. Jean Madar and Philippe Benacin have entered into a Shareholders' Agreement relating to certain corporate governance issues, including granting two seats on the Board of directors to designees of LV Capital USA, Inc. LV Capital USA, Inc. and Messrs. Jean Madar and Philippe Benacin have each agreed to vote for each others nominees for directors. As Messrs. Madar and Benacin and LV Capital USA, Inc. beneficially own more than 50% of the outstanding shares of the Inter Parfums' common stock, Inter Parfums is considered a "controlled company" under the applicable rules of The Nasdaq Stock Market.

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

BOARD OF DIRECTORS

Our Board of Directors has the responsibility for establishing broad corporate policies and for the overall performance of our Company. Although certain directors are not involved in day-to-day operating details, members of the Board are kept informed of our business by various reports and documents made available to them. The Board of Directors held five meetings (or

executed consents in lieu thereof), including meetings of committees of the Board during 2004, and all of the directors attended at least 75% of the meetings of the Board and committee meetings of which they were a member, except Serge Rosinoer.

We have adopted a Code of Business Conduct, which is filed with the Securities and Exchange Commission as Exhibit 14 to this report, and we agree to provide to any person without charge, upon request, a copy of our Code of Business Conduct. Any person who requests a copy of our Code of Business Conduct should provide their name and address in writing to: Inter Parfums, Inc., 551 Fifth Avenue, New York, NY 10176, Att.: Shareholder Relations.

During Fiscal 2004, the Board of Directors had the following standing

committees:

- Audit Committee - The Audit Committee has the sole authority and is directly responsible for, the appointment, compensation and oversight of the work of the independent accountants employed by the Company which prepare or issue an audit report for the Company. During Fiscal 2004, the Audit Committee consisted of Messrs. Heilbronn, Levy and Bensoussan-Torres.

The Audit Committee does not have a member who is an "Audit Committee Financial Expert" as such term is defined under the applicable rules and regulations. However, as the result of the background, education and experience of the members of the Audit Committee, the Board of Directors believes that such committee members are fully qualified to fulfill their obligations as members of the Audit Committee.

- Executive Compensation and Stock Option Committee - The Executive Compensation Committee oversees the compensation of the Company's executives and administers the Company's stock option plans. The members of such committee are Messrs. Heilbronn, Levy and Piette.

Our Board of Directors does not maintain a standing nominating committee or a committee performing similar functions. In view of the existing shareholders' agreement relating to certain corporate governance issues, including the election of directors, among LV Capital USA, Inc. and Messrs. Jean Madar and Philippe Benacin who beneficially own more than 50% of the outstanding shares of the Inter Parfums' common stock, our Board of Directors does not believe it necessary for the Company to have such a committee. Also as a "controlled company" under the applicable rules of The Nasdaq Stock Market, we are exempt from the nominating committee requirements. Our Board of Directors as a group agreed to nominate the same members of the board who had served last year.

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

JEAN MADAR

Jean Madar, age 44, a Director, has been the Chairman of the Board of Directors since the Company's inception, and is a co-founder of the Company with Mr. Benacin. From inception until December 1993 he was the President of the Company; in January 1994 he became Director General of Inter Parfums, S.A., the Company's subsidiary; and in January 1997 he became Chief Executive Officer of the Company. Mr. Madar was previously the managing director of Inter Parfums, S.A., from September 1983 until June 1985. At such subsidiary, he had the responsibility of overseeing the marketing operations of its foreign distribution, including market research analysis and actual marketing campaigns. Mr. Madar graduated from The French University for Economic and Commercial Sciences (ESSEC) in 1983.

PHILIPPE BENACIN

Mr. Benacin, age 46, a Director, has been the Vice Chairman of the Board since September 1991, and is a co-founder of the Company with Mr. Madar. He was elected the Executive Vice President in September 1991, Senior Vice President in April 1993, and President of the Company in January 1994. In addition, he has been the President of Inter Parfums, S.A. for more than the past five years. Mr.

Benacin graduated from The French University for Economic and Commercial Sciences (ESSEC) in 1983.

RUSSELL GREENBERG

Mr. Greenberg, age 48, the Chief Financial Officer, was Vice-President, Finance when he joined the Company in June 1992; became Executive Vice President in April 1993; and was appointed to the Board of Directors in February 1995. He is a certified public accountant licensed in the State of New York, and is a member of the American Institute of Certified Public Accountants and the New York State Society of Certified Public Accountants. After graduating from The Ohio State University in 1980, he was employed in public accounting until he joined the Company in June 1992.

PHILIPPE SANTI

Philippe Santi, age 43 and a Director since December 1999, has been the Director of Finance and the Chief Financial Officer of Inter Parfums, S.A. since February 1995. Mr. Santi became Executive Vice President of Inter Parfums, S.A. in 2004, and is a Certified Accountant and Statutory Auditor in France.

FRANCOIS HEILBRONN

Mr. Heilbronn, age 44, a Director since 1988, an independent director, and a member of the audit, stock option and executive compensation committees, is a graduate of Harvard Business School with a Master of Business Administration degree and is currently the managing partner of the consulting firm of M.M. Friedrich, Heilbronn & Fiszer. He was formerly employed by The Boston Consulting Group, Inc. from 1988 through 1992 as a manager. Mr. Heilbronn

graduated from Institut D' Etudes Politiques De Paris in June 1983. From 1984 to 1986, he worked as a financial analyst for Lazard Freres & Co.

JOSEPH A. CACCAMO

Mr. Caccamo, age 49, a Director since 1992, is an attorney with the law firm of Becker & Poliakoff, P.A., our general counsel. A member of both the New York and Florida bars, Mr. Caccamo has been a practicing attorney since 1981, concentrating in the areas of corporate and securities law, and in September 1991 he became our counsel.

JEAN LEVY

Jean Levy, age 72, a Director since August 1996, an independent director and a member of the audit and executive compensation and stock option committees, worked for twenty-seven years at L'Oreal, and was the President and Chief Executive Officer of Cosmair, the exclusive United States licensee of L'Oreal, from 1983 through June 1987. In addition, he is the former President and Chief Executive Officer of Sanofi Beaute (France). For the more than the past five years, Mr. Levy has been an independent advisor as well as a consultant for economic development to local governments in France. A graduate of l'Institut d'Etudes Politiques de Paris, he also attended Yale Graduate School and was a recipient of a Fulbright Scholarship. He was also a Professor at l'Institut d'Etudes Politiques de Paris. He was formerly a director of Zannier Group and Escada Beaute Worldwide and Rallye, S.A. In addition, Mr. Levy was also a director (Chairman of the Board until October 2001) of Financiere

d'Or, and its subsidiary, Histoire d'Or which is in the retail jewelry business. Mr. Levy was formerly a consultant to Ernst & Young, Paris through 2004. He is currently a board member of Price Minister, an internet based retainer located in Paris.

ROBERT BENSOUSSAN-TORRES

Robert Bensoussan-Torres, age 47, has been a Director since March 1997, and also is an independent director and a member of the audit committee. In November 2001, he became the Chief Executive Officer of Jimmy Choo Ltd., a luxury shoe and ready to wear accessory company. From 1999 to December 2000, he was the Managing Director of Gianfranco Ferre fashion group, based in Milano, Italy. Mr. Bensoussan-Torres is a Director of Towers Consulting Europe, Ltd. Towers Consulting Europe, Ltd. is a consulting company based in London, which specializes in strategic advise in connection with mergers and acquisitions in the luxury goods business. Mr. Bensoussan-Torres was the Chief Executive Officer of Christian Lacroix, Paris, a subsidiary of LVMH Group, from February 1993 until May 1998. Christian Lacroix is a French Haute Couture House and has activities in the field of apparel, accessories and fragrances. From December 1990 through January 1993 he was based in Munich, Germany, as the International Sales Director of The Escada Group.

DANIEL PIETTE

Mr. Piette, age 59, and a director since December 1999, is also a member of the executive compensation and stock option committee of the Board of Directors. The Board considers Mr.

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Piette to be independent of management, notwithstanding his affiliation with LV Capital USA Inc. Mr. Piette is the President of L Capital Management, a private equity fund sponsored by LVMH Moet Hennessy Louis Vuitton S.A. ("LVMH"), the world's largest luxury goods conglomerate. For the past 12 years, he has been a Group Executive Vice President of LVMH. Mr. Piette is also a non-executive director of D.S. Smith Holdings PLC (London) as well as a member of the Board of Overseers of ESSEC (Paris) and Columbia Business School (New York).

JEAN CAILLIAU

Mr. Cailliau, age 42, and a director since December 1999. The Board considers Mr. Cailliau to be independent of management, notwithstanding his affiliation with LV Capital USA Inc. Through June 2001, Mr. Cailliau was the Deputy General Manager of LV Capital SA, the investment arm of LVMH. He is the CEO of LV Capital USA Inc., its United States vehicle. In January 2001 he became a Director of L Capital Management, a private equity fund sponsored by LVMH. For the past 10 years, Mr. Cailliau has held executive positions at LVMH. He is also a Director of various European companies. Mr. Cailliau is an Engineer in Agronomics and has an MBA (1988) from Insead.

SERGE ROSINOER

Mr. Rosinoer, age 73, was appointed to the Board of Directors in December 2000, as an independent director. Mr. Rosinoer has devoted most of his career to the personal care, cosmetics and fragrance industry. In 1978, Mr. Rosinoer joined the Clarins Group as Vice President and Chief Operating Officer where he was largely responsible for its rapid international expansion. As COO, then CEO since 1978, Mr. Rosinoer oversaw the transformation of Clarins into a major force in cosmetics, skin care and fragrance, with annual sales of approximately

600 million Euro and more than 4,000 employees. He retired from active duty in June of 2000, but continues to serve on the board of directors of Clarins. Earlier in his career he was President of Parfums Corday. He also held senior level executive positions at Max Factor, where he had full supervision of that cosmetics company's European production and sales. Mr. Rosinoer has served several terms as President of the French Prestige Cosmetics Association and currently serves as Conseiller du Commerce Exterieur de la France.

WAYNE C. HAMERLING

Mr. Hamerling, age 48, is an Executive Vice President in charge of mass market sales of fragrances, cosmetics and health and beauty aids in the United States. Mr. Hamerling, who attended Rutgers University, has over twenty (20) years experience in the fragrance and cosmetic business.

MARCELLA CACCI

Marcella Cacci, age 39, becomes the President of Burberry Fragrances, a division of Inter Parfums, S.A. on March 15, 2005. Ms. Cacci will be responsible for the strategic direction, management and operational control of Burberry Fragrances. From April 2000 through March

2005, Ms. Cacci was the Senior Vice President of Global Licensing of the Burberry Group. Before joining Burberry, she held the position of Managing Director of Etro North America.

FREDERIC GARCIA-PELAYO

Frederic Garcia-Pelayo, age 46, became the President of the Luxury and Fashion division of Inter Parfums, S.A. in March 2005. He was previously the Director of Marketing and Distribution for Perfume and Cosmetics for Inter Parfums, S.A. and was named Executive Vice President in 2004. Previously Mr. Garcia-Pelayo was the Director of Export Sales of Inter Parfums, S.A. from September 1994. Prior to September 1994, Mr. Garcia-Pelayo was the Export Manager for Benetton Perfumes for seven (7) years.

JACK AYER

Jack Ayer, age 56, was a French Market Sales Manager when he joined Inter Parfums, S.A. in 1989 and has been the Director of the French Market Sales for Inter Parfums, S.A. since 1999. Prior to 1989 Mr. Ayer spent 13 years as a brand representative for L'Oreal.

AXEL MAROT

Axel Marot, age 32, was the Supply Chain Manager when he joined Inter Parfums, S.A. in 2003 and has been the Director of Operations for Inter Parfums, S.A. since January 2005. Prior to joining Inter Parfums, S.A., Mr. Marot was a Supply Chain Manager for Nestle.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Based solely upon a review of Forms 3, 4 and 5 and any amendments to such forms furnished to us, and written representations from various reporting persons furnished to us, we are not aware of any reporting person who has failed

to file the reports required to be filed under Section 16(a) of the Securities Exchange Act of 1934 on a timely basis.

ITEM 11. EXECUTIVE COMPENSATION

The following table sets forth a summary of all compensation awarded to, earned by or paid to, our Chief Executive Officer and each of the four most highly compensated executive officers of our Company whose compensation exceeded $100,000 per annum for services rendered in all capacities to our Company and its subsidiaries during fiscal years ended December 31, 2004, December 31, 2003 and December 31, 2002. All amounts paid in euro have been converted to US dollars at the average rate of exchange in each year.

SUMMARY COMPENSATION TABLE

		Annual Compensation			Long Ter
Name and Principal Position	Year	Salary ($)	Bonus ($)	Other Annual Compensation ($)	Sec Und Opt
Jean Madar, Chairman of the Board, Chief Executive Officer of Inter Parfums, Inc. and Director General of Inter Parfums, S.A.	2004	330,000	0	1,291,030(1)	5
	2003	330,000	191,000	906,117(2)	5
	2002	330,000	200,000	703,032(3)	5
Philippe Benacin, President of Inter Parfums, Inc. and President of Inter Parfums, S.A.	2004	210,000	111,250	1,697,412(4)	5
	2003	160,433	100,837	1,277,436(5)	5
	2002	128,250	78,850	1,075,075(6)	5
Russell Greenberg, Executive Vice President and Chief Financial Officer	2004	315,000	30,000	222,055(7)	2
	2003	295,000	23,000	116,217(8)	1
	2002	275,000	58,000	135,268(9)	1
Wayne C. Hamerling, Executive Vice President	2004	243,120	15,000	334,994(10)	1
	2003	228,120	25,000	86,571(11)	1
	2002	196,120	15,000	256,389(12)	1
Frederic Garcia-Pelayo, Director Export Sales, Inter Parfums, S.A.	2004	149,000	136,000	624,775(13)	-
	2003	109,448	101,970	162,000(14)	-
	2002	90,013	59,693	113,700(15)	-

[Footnotes to Table]

(1) Consists of $670,285 realized upon the exercise of options, and $620,745 realized on the exercise of options of Inter Parfums, S.A.

(2) Consists of $678,648 realized upon the exercise of options, and $227,469 realized on the exercise of options of Inter Parfums, S.A.

(3) Consists of $703,032 realized upon exercise of options.

(4) Consists of lodging expenses of $48,000, $16,250 for automobile expenses, $1,000,302 realized upon the exercise of options, and $632,860 realized upon exercise of options of Inter Parfums, S.A.

(5) Consists of lodging expenses of $35,000, $15,000 for automobile expenses, $999,967 realized upon the exercise of options, and $227,469 realized on the exercise of options of Inter Parfums, S.A.

(6) Consists of lodging expenses of $35,000, $15,000 for automobile expenses and $1,025,075 realized upon exercise of options.

(7) Consists of $2,214 for automobile expenses and $183,935 realized upon exercise of options and $35,906 realized on the exercise of options of Inter Parfums, S.A.

(8) Consists of $2,214 for automobile expenses and $87,600 realized upon exercise of options, and $26,403 realized on the exercise of options of Inter Parfums, S.A..

(9) Consists of $2,214 for automobile expenses and $133,054 realized upon the exercise of options.

(10) Consists of selling commissions of $75,956 and non cash compensation of $4,500 equal to the value of personal use of a Company leased automobile; and $254,538 realized upon the exercise of options.

(11) Consists of selling commissions of $82,071 and non cash compensation of $4,500 equal to the value of personal use of a Company leased automobile.

(12) Consists of selling commissions of $75,950 and non cash compensation of $4,500 equal to the value of personal use of a Company leased automobile; and $175,949 realized upon the exercise of options.

(13) Consists of $24,000 from profit sharing plan of Inter Parfums, S.A. and $600,775 realized on the exercise of options of Inter Parfums, S.A.

(14) Consists of $ $17,562 from profit sharing plan of Inter Parfums, S.A. and $144,458 realized on the exercise of options of Inter Parfums, S.A.

(15) Consists of $13,265 from profit sharing plan of Inter Parfums, S.A. and $100,435 realized on the exercise of options of Inter Parfums, S.A.

The following table sets forth certain information relating to stock option grants during Fiscal 2004 to our Chief Executive Officer and each of the four most highly compensated executive officers of the Company whose compensation exceeded $100,000 per annum for services rendered in all capacities to our Company and its subsidiaries during Fiscal 2004:

OPTION/SAR GRANTS IN LAST FISCAL YEAR

INDIVIDUALIZED GRANTS					POTENTIAL REALIZE ASSUMED ANNUAL RA PRICE APPRECIATIO
Name	Number of Securities Underlying Options Granted (#)	% of Total Options/SARs Granted to Employees in Fiscal Year	Exercise or Base Price ($/Sh)	Expiration Date	Five (Percen ($)
Jean Madar	50,000	23.0	15.39	12/09/09	212,5
Philippe Benacin	50,000	23.0	15.39	12/09/09	212,5
Russell Greenberg	25,000	11.5	15.39	12/09/09	106,2
Wayne Hamerling	18,000	8.3	15.39	12/09/09	76,5
Frederic Garcia-Pelayo	-0-	-0-	15.39	12/09/09	-

The following table sets forth certain information relating to option exercises effected during Fiscal 2004, and the value of options held as of December 31, 2004 by each of our Chief Executive Officer and the four most highly compensated executive officers of our Company whose compensation exceeded $100,000 per annum for services rendered in all capacities to our Company and its subsidiaries during Fiscal 2004:

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AGGREGATE OPTION/SAR EXERCISES FOR FISCAL 2004
AND YEAR END OPTION VALUES

			Number of Unexercised Options at December 31, 2004(#)	Valu In-t Dece
Name	Shares Acquired on Exercise	Value ($) Realized(2)	Exercisable/ Unexercisable	
Jean Madar(3)	65,400	670,285	711,350/-0-	
Philippe Benacin(3)	97,600	1,302,000	626,850/-0-	

Russell Greenberg	15,000	183,935	113,750/-0-	
Wayne C. Hamerling	21,750	254,538	100,000/-0-	
Frederic Garcia-Pelayo	-0-	-0-	-0-/-0-	

(1) Total value of unexercised options is based upon the fair market value of the common stock as reported by the Nasdaq Stock Market of $15.90 on December 31, 2004.

(2) Value realized in dollars is based upon the difference between the fair market value of the common stock on the date of exercise, and the exercise price of the option, or the fair market value of the net amount of shares received upon exercise of options.

(3) In October 2004, both the Chief Executive Officer and the President exercised an aggregate of 65,400 and 97,600 outstanding stock options, respectively, of the Company's common stock. The exercise prices of $167,000 for the Chief Executive Officer and $249,000 for the President were paid by each of them tendering to the Company 13,055 and 19,482 shares, respectively, of the Company's common stock, previously owned by them, valued at $12.805 per share, the fair market value on the date of exercise. All shares issued pursuant to these option exercises were issued from our treasury stock. In addition, the Chief Executive Officer tendered an additional 14,395 shares for payment of withholding taxes resulting from his option exercise. As a result of this transaction, the Company expects to receive a tax benefit of approximately $600,000, which will be reflected as an increase to additional paid-in capital in the Company's consolidated financial statements for the year ended December 31, 2004.

EMPLOYMENT AGREEMENTS

As part of our acquisition in 1991 of the controlling interest in Inter Parfums, S.A., now a subsidiary, we entered into an employment agreement with Philippe Benacin. The agreement provides that Mr. Benacin will be employed as Vice Chairman of the Board and President and Chief Executive Officer of Inter Parfums Holdings and its subsidiary, Inter Parfums. The initial term expired on September 2, 1992, and has subsequently been automatically renewed for additional annual periods. The agreement provides for automatic annual renewal terms, unless either party terminates the agreement upon 120 days notice. Mr. Benacin presently receives an annual salary of 135,000 Euros, which is approximately US$170,000, together with annual lodging expenses of approximately $35,000 and automobile expenses of approximately $15,000, which are subject to increase in the discretion of the Board of Directors. The agreement also provides for indemnification and a covenant not to compete for one year after termination of employment.

In February 2005 we entered into an employment agreement with Marcella Cacci to act as the President of Burberry Fragrances, a division of Inter Parfums, S.A. for a three year period. Her salary is $400,000, which is subject to adjustment for currency fluctuations under certain circumstances. She is also entitled to annual bonuses of $125,000 if Burberry Fragrances reaches certain sales targets, and another $125,000 if Burberry Fragrances achieves a specified target based upon earnings of Burberry Fragrances before interest and taxes.

Ms. Cacci is also to receive the following benefits:

- o Stock Options: Options to purchase 20,000 ordinary shares of Inter Parfums S.A.'s common stock at a purchase price equal to the fair market value of the shares at the time of the grant, vesting 1/3 each year for three years.

- o One Time Issuance of Restricted Shares: Issuance of 5,000 ordinary shares of Inter Parfums S.A. vesting 1/3 each year for three years.

Generally, upon termination of the employment agreement by us without cause, we are obligated to pay Ms. Cacci 0.75 times her annual salary and benefits, and if an annual bonus was earned for the prior calendar year, then we are obligated to make a lump sum payment equal to 0.75 times such annual bonus. In addition, all vesting restrictions on the option grant and restricted shares shall lapse.

If Ms. Cacci terminates the employment agreement without cause, then we are obligated to pay her salary and benefits equal to the lesser of a 9 month period, or the number of months she worked, together with a pro-rated annual bonus, if earned, for the calendar year in which the date of termination occurs based on the number of days she was employed during such calendar year. However, upon such termination, all unvested options, except to the extent previously exercised, are terminated and all restricted shares to the extent not vested are canceled.

COMPENSATION OF DIRECTORS

All nonemployee directors receive $1,000 for each board meeting at which they participate. Mr. Caccamo's board fees are paid to his law firm. In addition, all members of the Audit Committee receive an additional $2,000 on January 1 of each year in which they serve on the Audit Committee.

In March 1997 our Board of Directors adopted our 1997 Nonemployee Stock Option Plan. This plan was approved by our stockholders at the annual meeting of shareholders held in July 1997. The purpose of this plan is to assist us in attracting and retaining key directors who are responsible for continuing the growth and success of our Company.

Our 1997 Nonemployee Stock Option Plan provides for the grant of nonqualified stock options to nonemployee directors to purchase an aggregate of 25,000 shares of common stock. Options to purchase 1,000 shares are granted on each February 1st to all nonemployee directors for as long as each is a nonemployee director on such date except for Joseph A. Caccamo, who is

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granted options to purchase 4,000 shares. Options to purchase 2,000 shares are granted to each nonemployee director upon his initial election or appointment to our board.

In December 2000 our Board of Directors adopted our 2000 Nonemployee Stock Option Plan, as substantially all of the shares reserved under our 1997 Nonemployee Stock Option Plan had been allocated to outstanding options. This plan was approved by our stockholders at the annual meeting of shareholders held in July 2001. The purpose of this plan is to assist us in attracting and retaining key directors who are responsible for continuing the growth and success of our Company.

Our 2000 Nonemployee Stock Option Plan provides for the grant of

nonqualified stock options to nonemployee directors to purchase an aggregate of 30,000 shares of common stock. Options to purchase 1,000 shares are granted on each February 1st to all nonemployee directors for as long as each is a nonemployee director on such date except for Joseph A. Caccamo, who is granted options to purchase 4,000 shares. Options to purchase 2,000 shares are granted to each nonemployee director upon his initial election or appointment to our board.

On 1 February 2005, options to purchase 1,000 shares were granted to each of Francois Heilbronn, Jean Levy, Robert Bensoussan-Torres, Daniel Piette, Jean Cailliau and Serge Rosinoer and an option to purchase 4,000 shares was granted to Joseph A. Caccamo at the exercise price of $15.20 per share under the 2000 plan. The options held by Mr. Caccamo are held as nominee for his present law firm.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information, as of March 10, 2005 with respect to the beneficial ownership of our common stock by (a) each person we know to be the beneficial owner of more than five percent of our outstanding common stock, (b) our executive officers and directors and (c) all of our directors and officers as a group. As of March 10, 2005, we had 20,175,160 shares of common stock outstanding.

Name and Address of Beneficial Owner	Amount of Beneficial Ownership(1)	Approximate Percent of Class
Jean Madar c/o Inter Parfums, S.A. 4, Rond Point Des Champs Elysees 75008 Paris, France	6,148,531(2)	30.2%
Philippe Benacin c/o Inter Parfums, S.A. 4, Rond Point Des Champs Elysees 75008 Paris, France	6,148,250(3)	30.2%
Russell Greenberg c/o Inter Parfums, Inc. 551 Fifth Avenue New York, NY 10176	113,750(4)	Less than 1%
Francois Heilbronn 60 Avenue de Breteuil 75007 Paris, France	21,375(5)	Less than 1%
Joseph A. Caccamo, Esq. Becker & Poliakoff, P.A. 3111 Stirling Road Ft. Lauderdale, FL 33312	12,000(6)	Less than 1%
Jean Levy Chez Axcess Groupe 8 rue de Berri 75008 Paris, France	6,750(7)	Less than 1%

Robert Bensoussan-Torres 7 Beaufort Gardens, Flat 3 London, England SW3 1PT	10,000(8)	Less than 1%
Wayne C. Hamerling c/o Inter Parfums, Inc. 551 Fifth Avenue New York, NY 10176	90,000(9)	Less than 1%
Daniel Piette L Capital Management 22, avenue Montaigne 75008, Paris, France	5,500(10)	Less than 1%
Jean Cailliau LV Capital 22, avenue Montaigne 75008, Paris, France	5,500(11)	Less than 1%
Philippe Santi Inter Parfums, S.A. 4, Rond Point Des Champs Elysees 75008, Paris France	25,000(12)	Less than 1%
Serge Rosinoer 14 rue LeSueur 75116 Paris, France	8,700(13)	Less than 1%

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(1) All shares of common stock are directly held with sole voting power and sole power to dispose, unless otherwise stated. Jean Madar, the Chairman of the Board and Chief Executive Officer of Inter Parfums, Inc. (the "Company"), Philippe Benacin, the Vice Chairman of the Board and President of the Company, and LV Capital USA, Inc., an indirect subsidiary of LVMH Moet Hennessy Louis Vuitton, S.A., have entered into a Shareholders' Agreement dated 22 November 1999 relating to certain corporate governance issues, including the agreement to vote for Jean Madar, Philippe Benacin and six (6) nominees of Messrs. Madar and Benacin, and two (2) designees of LV Capital USA, Inc., as directors of the Company. As Messrs. Madar and Benacin and LV Capital USA, Inc. beneficially own more than 50% of the outstanding shares of the Inter Parfums' common stock, Inter Parfums is considered a "controlled company" under the applicable rules of The Nasdaq Stock Market.

(2) Consists of 5,948,531 shares held directly and options to purchase 200,000 shares.

(3) Consists of 5,948,250 shares held directly and options to purchase 200,000 shares.

(4) Consists of 16,750 shares held directly and options to purchase 97,000 shares.

(5) Consists of 16,875 shares held directly and options to purchase 4,500 shares.

(6) Consists of shares of common stock underlying options, which are held as nominee for his employer. Beneficial ownership of such shares is disclaimed.

(7) Consists of 2,250 shares held directly and options to purchase 4,500

shares.

(8) Consists of 4,500 shares held directly and options to purchase 5,500 shares.

(9) Consists of shares of common stock underlying options.

(10) Consists of shares of common stock underlying options. Beneficial ownership of shares of common stock held by LV Capital USA, Inc. is disclaimed.

(11) Consists of shares of common stock underlying options. Beneficial ownership of shares of common stock held by LV Capital USA, Inc. is disclaimed.

(12) Consists of shares of common stock underlying options.

(13) Consists of 1,700 shares held directly and options to purchase 7,000 shares.

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Name and Address of Beneficial Owner	Amount of Beneficial Ownership(1)	Approximate Percent of Class
Marcella Cacci Inter Parfums, S.A. 4, Rond Point Des Champs Elysees 75008, Paris France	-0-	NA
Frederic Garcia-Pelayo Inter Parfums, S.A. 4, Rond Point Des Champs Elysees 75008, Paris France	-0-	NA
Jack Ayer Inter Parfums, S.A. 4, Rond Point Des Champs Elysees 75008, Paris France	-0-	NA
Axel Marot Inter Parfums, S.A. 4, Rond Point Des Champs Elysees 75008, Paris France	-0-	NA
LV Capital USA, Inc. 19 East 57th Street New York, NY 10022	3,436,050(14)	17.9%
All Directors and Officers As a Group (14 Persons)	16,031,406(15)	77.1%

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

EQUITY COMPENSATION PLAN INFORMATION

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	1,842,675	7.51	1,175,804
Equity compensation plans not approved by security holders	-0-	N/A	-0-
Total	1,842,675	7.51	1,175,804

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(14) Based upon information contained in amendment 4 to Schedule 13D of LVMH Moet Hennessy Louis Vuitton, S.A. dated December 7, 2004.

(15) Consists of 11,938,856 shares held directly, and options to purchase 656,500 shares. It also includes 3,436,050 shares held by LV Capital USA, Inc., an affiliate of LVMH Moet Hennessy Louis Vuitton, S.A.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

TRANSACTIONS WITH FRENCH SUBSIDIARIES

In connection with the acquisitions by our subsidiary, Inter Parfums, S.A., of the world-wide rights under the Burberry license agreement and the Paul Smith license agreement, we guaranteed the obligations of Inter Parfums, S.A. under the Burberry and Paul Smith license agreements. In addition, Inter Parfums, S.A. has agreed to reimburse us for all of our obligations that we incur under employment agreement with Marcella Cacci.

OPTION EXERCISE PAID WITH TENDER OF SHARES

In October 2004, both the Chief Executive Officer and the President exercised an aggregate of 65,400 and 97,600 outstanding stock options, respectively, of the Company's common stock. The exercise prices of $167,000 for the Chief Executive Officer and $249,000 for the President were paid by each of them tendering to the Company 13,055 and 19,482 shares, respectively, of the Company's common stock, previously owned by them, valued at $12.805 per share, the fair market value on the date of exercise. All shares issued pursuant to these option exercises were issued from our treasury stock. In addition, the Chief Executive Officer tendered an additional 14,395 shares for payment of withholding taxes resulting from his option exercise. As a result of this transaction, the Company expects to receive a tax benefit of approximately $600,000, which has been reflected as an increase to additional paid-in capital

in the Company's consolidated financial statements for the year ended December 31, 2004.

In February 2005, both the Chief Executive Officer and the President exercised an aggregate of 511,350 and 426,850 outstanding stock options, respectively, of the Company's common stock. The exercise prices of $1,307,000 for the Chief Executive Officer and $1,091,000 for the President were paid by each of them tendering to the Company 90,513 and 75,556 shares, respectively, of the Company's common stock, previously owned by them, valued at $14.44 per share, the fair market value on the date of exercise. All shares issued pursuant to these option exercises were issued from our treasury stock. In addition, the Chief Executive Officer tendered an additional 10,388 shares for partial payment of withholding taxes resulting from his option exercise. As a result of this transaction, the Company expects to receive a tax benefit of approximately $600,000, which will be reflected as an increase to additional paid-in capital in the Company's consolidated financial statements for the year ended December 31, 2005.

REMUNERATION OF COUNSEL

Joseph A. Caccamo, a director, is a senior attorney at the law firm of Becker & Poliakoff, P.A., our general counsel. In Fiscal 2004, Becker & Poliakoff, P.A. received an aggregate of $246,692 for its services. Such amount consists of $113,391 for legal fees and reimbursement of disbursements incurred on our behalf, $58,103 paid by Inter Parfums, S.A. in connection with representation in the Burberry license matter and $75,198 realized upon exercise of options.

On 1 February 2005 in accordance with the terms of our 2000 Nonemployee Stock Option Plan, Mr. Caccamo was granted an option with a term of five years to purchase 4,000 shares at $15.20 per share, the fair market value at the time of grant. He holds this option as nominee for his firm.

SALE OF GOODS TO RELATED PARTY

The wife of the Chief Executive Officer owns and operates a Diane von Furstenberg retail store in Paris, with Diane von Furstenberg as a partner. Inter Parfums USA, LLC is the fragrance and cosmetic licensee of Diane von Furstenberg, and Inter Parfums Inc. is the guarantor of such license. The retail outlet opened in July 2004 and purchased an immaterial amount of DVF fragrances and cosmetics from Inter Parfums USA, LLC. All sales are recorded as arms' length transactions.

TRANSACTIONS WITH LVMH MOET HENNESSY LOUIS VUITTON S.A.

ACQUISITION OF COMMON STOCK AND SHAREHOLDERS' AGREEMENT

In November 1999, LV Capital, USA Inc. ("LV Capital"), a wholly-owned subsidiary of LVMH Moet Hennessy Louis Vuitton S.A., purchased shares of our common stock from management and employees. As of the date of this report, it beneficially owns approximately 18% of our outstanding common stock. Further, in return for LV Capital becoming our strategic partner, LV Capital was granted the right to buy additional shares in order to maintain its percentage ownership upon issuance of shares to third parties, subject to certain exceptions, and was granted demand registrations rights for all of its shares. In addition, LV Capital has agreed to a standstill agreement, which limits the amount of shares of common stock that LV Capital can hold to twenty-five percent (25%) of our

outstanding shares.

CELINE

In May 2000 we entered into an exclusive worldwide license agreement with Celine, S.A., a division of LVMH Moet Hennessy Louis Vuitton S.A., for the development, manufacturing and distribution of prestige fragrance lines under the Celine brand name. The term of the License Agreement is for eleven (11) years, beginning as of 1 January 2001, with an optional five (5) year renewal term, which is subject to certain minimum sales requirements, advertising expenditures and royalty payments as are customary in our industry.

CHRISTIAN LACROIX

In March 1999, we entered into an exclusive license agreement with the Christian Lacroix Company, formerly a division of LVMH Moet Hennessy Louis Vuitton S.A., for the worldwide development, manufacture and distribution of perfumes. The license agreement has an 11 year term, and is subject to certain minimum sales requirements, advertising expenditures and royalty payments as are customary in our industry.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

GENERAL

As discussed above, Eisner LLP previously was the principal accountants for the Company. On January 7, 2004, that firm was dismissed as our principal accountants and KPMG LLP was engaged as principal accountants. The decision to change accountants was approved by our audit committee. KPMG SA, an affiliate of KPMG LLP, has been engaged as the audit firm for our French subsidiaries for each of the two fiscal years ended December 31, 2001 and December 31, 2002.

Also as discussed above, on September 13, 2004 KPMG LLP, which was previously the principal accountants for Inter Parfums, Inc., resigned as the principal accountants. This decision to change accountants was communicated to the audit committee of Inter Parfums, Inc. On October 15, 2004 Mazars LLP was engaged as the principal accountants to audit the financial statements of Inter Parfums, Inc. The decision to engage Mazars LLP was approved by our audit committee.

FEES

The following sets forth the fees billed to us by each of such accounting firms, as well as discusses the services provided for the past two fiscal years, fiscal years ended December 31, 2003 and December 31, 2004.

AUDIT FEES

For year 2003, the fees billed by Eisner LLP and KPMG LLP for audit services and review of the financial statements contained in our Quarterly Reports on Form 10-Q were $15,000 by Eisner LLP and $286,000 by KPMG LLP and KPMG S.A.. For year 2004, the fees billed by KPMG LLP and KPMG S.A. for audit services and review of the financial statements contained in our Quarterly Reports on Form 10-Q were $317,000, and the fees billed by Mazars LLP and its affiliate, Mazars S.A., for review of the financial statements contained in our Quarterly Reports on Form 10-Q were $186,500. Audit fees for Mazars LLP and its affiliate, Mazars S.A., for 2004 are expected to be approximately $270,000.

AUDIT-RELATED FEES

For year 2003, the fees billed by KPMG S.A. for services that would be classified as audit-related were $61,000. In addition, for year 2003 the services performed for audit related fees for Fiscal 2003 were accounting and reporting consultations relating to Inter Parfums, S.A. dealing its it own shares, as is permissible under French law; treatment of a potential trademark acquisition; international financial reporting standards conversion; fraud risks; attestation services for warehouse services; and compliance with French securities laws.

For year 2004, no audit related fees were paid to KPMG LLP or Mazars LLP.

TAX FEES

For year 2003, Eisner LLP billed us $17,000 for tax preparation and tax consulting services. Neither KPMG LLP nor Mazars LLP billed us for tax services during 2004.

ALL OTHER FEES

For year 2003, Eisner LLP billed us $5,500, which relates to various tax matters.

For year 2003, KPMG S.A. billed us $13,000 to provide tax consultation and advice with respect to repatriation of earnings of our Company's French subsidiaries to us in the United States.

Neither KPMG LLP nor Mazars LLP billed us for tax services during 2004.

AUDIT COMMITTEE PRE APPROVAL POLICIES AND PROCEDURES

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

During the second quarter of 2004, the audit committee authorized the following non-audit services to be performed by our then auditors, KPMG LLP and KPMG SA:

We were authorized to retain each of KPMG LLP and KPMG SA in order to perform such review as may be necessary in order to provide their required consents in the Registration Statement on Form S-8 to incorporate by reference their reports on the audit of our financial statements which are included in the Annual Report on Form 10-K for the year ended December 31, 2003. Fees for such services are to be subject to the approval of the Audit Committee.

o We were authorized to retain each of KPMG LLP and KPMG SA in order to provide tax consultation in the ordinary course of for fiscal year ending December 31, 2004.

o We were authorized to retain each of KPMG LLP and KPMG SA in order to provide tax consultation as may be required on a project by project basis that would not be considered in the ordinary course of business, up a $5,000 fee limit per project, subject to an aggregate fee limit of $25,000 for fiscal year ending December 31, 2004. Approval of the audit committee is required for any

further tax services.

o If we require other services by KPMG LLP and KPMG SA on an expedited basis such that obtaining pre-approval of the audit committee is not practicable, then the Chairman of the Committee has authority to grant the required pre-approvals for all such services.

As discussed above, on September 13, 2004 KPMG LLP, which was previously the principal accountants for Inter Parfums, Inc., resigned as the principal accountants. This decision

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

During the third quarter of 2004, the audit committee authorized the following non-audit services to be performed by our auditors.

o We authorized the engagement of Mazars LLP if deemed necessary to provide tax consultation in the ordinary course of business for fiscal year ended December 31, 2004.

o We authorized the engagement of Mazars LLP if deemed necessary to provide tax consultation as may be required on a project by project basis that would not be considered in the ordinary course of business, of up to a $5,000 fee limit per project, subject to an aggregate fee limit of $25,000 for fiscal year ending December 31, 2004. If we require further tax services from Mazars LLP, then the approval of the audit committee must be obtained.

o If we require other services by Mazars LLP on an expedited basis such that obtaining pre-approval of the audit committee is not practicable, then the Chairman of the Committee has authority to grant the required pre-approvals for all such services.

o None of the non-audit services of either of the Company's auditors had the pre-approval requirement waived in accordance with Rule 2-01(c)(7)(i)(C) of Regulation S-X.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a)(1) Financial Statements annexed hereto	Page No.
Independent Auditors' Report	F-2
Independent Auditors' Report - Predecessor Auditor	F-3
Independent Auditors' Report - Predecessor Auditor	F-4
Independent Auditors' Report - Predecessor Auditor	F-5

Consolidated Balance Sheets as of December 31, 2004 and December 31, 2003 F-6

Consolidated Statements of Income for each of the years in the three-year period ended December 31, 2004 F-7

Consolidated Statements of Changes in Shareholders' Equity and Comprehensive Income for each of the years in the three-year period ended December 31, 2004 F-8

Consolidated Statements of Cash Flows for each of the years in the three-year period ended December 31, 2004 F-9

Notes to Consolidated Financial Statements F-10

(a)(2) Financial Statement Schedules annexed hereto:

Schedule II - Valuation and Qualifying Accounts F-27

Schedules other than those referred to above have been omitted as the conditions requiring their filing are not present or the information has been presented elsewhere in the consolidated financial statements.

(a)(3) Exhibits

The following document heretofore filed with the Commission is incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1991:

EXHIBIT NO.	DESCRIPTION
10.25	Employment Agreement between the Company and Philippe Benacin dated July 29, 1991

The following documents heretofore filed with the Commission is incorporated by reference to the Company's Registration Statement on Form S-1 (No. 33-48811):

EXHIBIT NO.	DESCRIPTION
10.26	Lease for portion of 15th Floor, 551 Fifth Avenue, New York, New York

The following documents heretofore filed with the Commission are incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1992:

EXHIBIT NO.	DESCRIPTION
4.10	Amendment to 1992 Stock Option Plan
4.11	1993 Stock Option Plan

The following documents heretofore filed with the Commission are incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993:

EXHIBIT NO.	DESCRIPTION
3.3	Articles of Incorporation of Inter Parfums Holdings, S.A.
3.3.1	English Translation of Exhibit no. 3.3, Articles of Incorporation of Inter Parfums Holding, S.A.
3.4	Articles of Incorporation of Inter Parfums, S.A.
3.4.1	English Translation of Exhibit no. 3.4, Articles of Incorporation of Inter Parfums, S.A.
4.15	1994 Nonemployee Director Stock Option Plan
10.51	Traite D'Apport Partiel D'Actif dated July 30, 1993 (Reorganization Agreement between Inter Parfums, S.A. and Selective Industrie, S.A.)

EXHIBIT NO.	DESCRIPTION
10.51.1	English translation of Exhibit no. 10.51, Traite D'Apport Partiel D'Actif dated July 30, 1993 (Reorganization Agreement between Inter Parfums, S.A. and Selective Industrie, S.A.)
10.52	Lease for portion of 4, Rond Point Des Champs Des Elysees dated September 30, 1993
10.52.1	English translation of Exhibit no. 10.52, Lease for portion of 4, Rond Point Des Champs Des Elysees dated September 30, 1993
10.53	Lease for portion of 4, Rond Point Des Champs Des Elysees dated March 2, 1994
10.53.1	English translation of Exhibit no. 1053, Lease for portion of 4, Rond Point Des Champs Des Elysees dated March 2, 1994

The following documents heretofore filed with the Commission are incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994:

EXHIBIT NO.	DESCRIPTION
4.16	1994 Nonemployee Director Supplemental Stock Option Plan (Listed as no. 4.15 therein)
10.59	Modification of Lease Agreement dated June 17, 1994 between Metropolitan Life Insurance Company and Jean Philippe Fragrances, Inc.

The following documents heretofore filed with the Commission are incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995:

EXHIBIT NO.	DESCRIPTION
10.61	Lease for 60 Stults Road, South Brunswick, NJ between Forsgate Industrial Complex, a limited partnership, and Jean Philippe Fragrances, Inc. dated July 10, 1995

The following documents heretofore filed with the Commission are incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997:

EXHIBIT NO.	DESCRIPTION
10.67	Second Modification of Lease made as of the 30th day of April, 1997 between Metropolitan Life Insurance Company as landlord and Jean Philippe Fragrances, Inc. as tenant
10.69	Exclusive License Agreement dated June 20, 1997 between S.T. Dupont, S.A. and Inter Parfums (English translation, excised form)

The following documents heretofore filed with the Commission are incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998:

EXHIBIT NO.	DESCRIPTION
3.2	Amended and Restated By-laws
4.17	1997 Nonemployee Director Stock Option Plan
10.70	License Agreement among Paul Smith Limited, Inter Parfums, S.A. and Jean-Philippe Fragrances, Inc. (excised form)
10.71	License Agreement between Christian LaCroix, a division of Group LVMH and Inter Parfums, S.A. (English translation, excised form)

The following documents heretofore filed with the Commission are incorporated by reference to the Company's current report on Form 8-K (date of event - November 22, 1999):

EXHIBIT NO.	DESCRIPTION
4.2	Shareholder's Agreement among LV Capital USA, Inc., Jean Madar and Philippe Benacin dated November 22, 1999

The following documents heretofore filed with the Commission are incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999:

EXHIBIT NO.	DESCRIPTION
3.1.4	Amendment to the Company's Restated Certificate of Incorporation, as amended, dated July 13, 1999 (listed therein as 3.1(d)

The following documents heretofore filed with the Commission are incorporated by reference to the Company's current report on Form 8-K/A no. 1 (date of event - 18 May 2000):

EXHIBIT NO.	DESCRIPTION
10.76	Celine License Agreement (French, excised form).
10.76.1	Celine License Agreement (English translation, excised form).

The following document heretofore filed with the Commission is incorporated by reference to the Company's quarterly report on Form 10-Q for the period ending 30 June 2000:

EXHIBIT NO.	DESCRIPTION
3.1.5	Amendment to the Company's Restated Certificate of Incorporation, as amended, dated 12 July 2000 (listed therein as 3.1(e))

The following documents heretofore filed with the Commission are incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000:

EXHIBIT NO.	DESCRIPTION
3.1.1	Restated Certificate of Incorporation dated September 3, 1987
3.1.2	Amendment to the Company's Restated Certificate of Incorporation dated July 31, 1992
3.1.3	Amendment to the Company's Restated Certificate of Incorporation dated July 9, 1993
4.19	2000 Nonemployee Director Stock Option Plan
10.79	Bail [Lease] for 18 avenue Franklin Roosevelt, Paris France [French Original]
10.79.1	Bail [Lease] for 18 avenue Franklin Roosevelt, Paris France [English Translation]
10.80	Credit Lyonnais Letter Agreement dated 22 March 2001 - [French Original]
10.80.1	Credit Lyonnais Letter Agreement dated 22 March 2001 - [English Translation]

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10.81	Barclays Bank Letter Agreement dated 4 June 1998 - [French Original]

10.81.1	Barclays Bank Letter Agreement dated 4 June 1998 - [English Translation]
10.82	Banque OBC Odier Bungener Courvoisier Letter Agreement one dated 31 July 1998 - [French Original]
10.82.2	Banque OBC Odier Bungener Courvoisier Letter Agreement one dated 31 July 1998 - [English Translation]
10.83	Banque OBC Odier Bungener Courvoisier Letter Agreement two dated 31 July 1998 - [French Original]
10.83.2	Banque OBC Odier Bungener Courvoisier Letter Agreement two dated 31 July 1998 - [English Translation]
10.84	Banque Worms Letter Agreement dated 22 December 1997 - [French Original]
10.84.1	Banque Worms Letter Agreement dated 22 December 1997 - [English Translation]
10.85	Credit Agricole ile de France Letter Agreement dated 19 June 1996 - [French Original]
10.85.1	Credit Agricole ile de France Letter Agreement dated 19 June 1996 - [English Translation]

The following documents heretofore filed with the Commission are incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001:

EXHIBIT NO.	DESCRIPTION
3.2	Amended and Restated By-laws
4.20	1999 Stock Option Plan, as amended

The following documents heretofore filed with the Commission are incorporated by reference to the Company's current report on Form 8-K (date of event - 21 May 2002):

EXHIBIT NO.	DESCRIPTION
2.1	Agreement dated 21 May 2002 between Jean Philippe Fragrances, LLC and Tristar Corporation, Debtor-in-Possession*

10.88	Noncompetition and Nonsolicicition Agreement dated 21 May 2002 among Jean Philippe Fragrances, LLC, Tristar Corporation, Debtor-in-Possession and Fragrance Impressions Corporation

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* Certain disclosure schedules and other attachments are omitted, but will be furnished supplementally to the Commission upon request.

The following documents heretofore filed with the Commission is incorporated by reference to the Company's current report on Form 8-K (date of event - 29 May 2002):

EXHIBIT NO.	DESCRIPTION
10.90	Agreement dated 29th day of May, 2002, among Diane Von Furstenberg Studio, L.P., Inter Parfums USA, LLC and Inter Parfums, Inc.*

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* Filed in excised form.

The following documents heretofore filed with the Commission are incorporated by reference to the Company's quarterly report on Form 10-Q for the period ending 30 June 2002:

EXHIBIT NO.	DESCRIPTION
10.91	Bail entre SCI et Inter Parfums, S.A. [Original in French]
10.91.1	Lease between SCI and Inter Parfums, S.A. [English Translation Version]
19.92	Third Modification of Lease dated June 17, 2002 between Metropolitan Life Insurance Company, and Jean Philippe Fragrances, LLC

The following documents heretofore filed with the Commission are incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended 31 December 2002:

EXHIBIT NO.	DESCRIPTION
10.93	Revolving Credit Agreement dated as of June 23, 2002 between HSBC Bank USA and Inter Parfums, Inc.
23.1	Consent of Eisner LLP
23.2	Consent of KPMG Audit, a division of KPMG S.A.
99.1	Certification Required by Section 906 of the Sarbanes Oxley Act

The following documents heretofore filed with the Commission are incorporated by reference to the Company's Quarterly Report for the quarterly period ended September 30, 2003:

EXHIBIT NO.	DESCRIPTION
10.97	Agreement dated as of August 8, 2003 between HSBC Bank USA and Jean Philippe Fragrances, LLC

The following documents heretofore filed with the Commission is

incorporated by reference to the Company's current report on Form 8-K (date of event - 7 January 2004):

EXHIBIT NO.	DESCRIPTION
16.	Letter of Eisner LLP dated January 7, 2004

The following documents heretofore filed with the Commission is incorporated by reference to the Company's current report on Form 8-K/A (date of event - 7 January 2004):

EXHIBIT NO.	DESCRIPTION
16.	Letter of Eisner LLP dated January 16, 2004

The following documents heretofore filed with the Commission are incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended 31 December 2003:

EXHIBIT NO.	DESCRIPTION
10.99	Agreement between Inter Parfums, S.A. and Credit Lyonnais dated 28 November 2003- French original
10.99.1	Agreement between Inter Parfums, S.A. and Credit Lyonnais dated 28 November 2003-English translation
10.100	Line of Credit Agreement between The Banque OBC-Odier Bungener Courvoisier and Inter Parfums, S.A dated 29 October 2003- French original
10.100.1	Line of Credit Agreement between The Banque OBC-Odier Bungener Courvoisier and Inter Parfums, S.A dated 29 October 2003- English translation
14	Code of Business Conduct
31	Certification Required by Rule 13a-14
32	Certification Required by Section 906 of the Sarbanes-Oxley Act

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The following documents heretofore filed with the Commission are incorporated by reference to the Company's Quarterly Report for the quarterly period ended March 31, 2004:

EXHIBIT NO.	DESCRIPTION
2.2	Offer for purchase and sale of stock of the Nickel S.A. Company under conditions precedent among Inter Parfums S.A. and Philippe Dumont et al dated March 29, 2004- French original
2.2.1	Offer for purchase and sale of stock of the Nickel S.A. Company under conditions precedent among Inter Parfums S.A. and Philippe Dumont et al dated March 29, 2004- English translation
2.3	Agreement for Sale of Equity Capital with Condition Precedent

	dated March 29, 2004- French original
2.3.1	Agreement for Sale of Equity Capital with Condition Precedent dated March 29, 2004- English Translation
10.101	Shareholders Agreement from Nickel SA Company dated March 29, 2004- French original
10.101.1	Shareholders Agreement from Nickel SA Company dated March 29, 2004-English translation
10.102	Agreement between BNP Paribas and Inter Parfums SA dated March 17, 2004- French Original
10.102.1	Agreement between BNP Paribas and Inter Parfums SA dated March 17, 2004- English translations

The following document heretofore filed with the Commission is incorporated by reference to the Company's Definitive Proxy Material filed on June 23, 2004 (and contained as Exhibit A to the Definitive Proxy Statement):

EXHIBIT NO.	DESCRIPTION
4.21	2004 Nonemployee Director Stock Option Plan

The following documents heretofore filed with the Commission are incorporated by reference to the Company's Quarterly Report for the quarterly period ended June 30, 2004:

EXHIBIT NO.	DESCRIPTION
3.1.6	Amendment to Certificate of Incorporation dated 6 August 2004
10.104	Lease dated as of 1 March 2001 for 300 West 14th Street, New York, NY
10.105	Loan Contract dated 12 July 2004 between Credit Lyonnais and Inter Parfums, S.A. (French Original)
10.105.1	Loan Contract dated 12 July 2004 between Credit Lyonnais and Inter Parfums, S.A. (English Translation)
10.106	Lease effective as of 1 April 2004 for 4-6 Rond Point des Champs Elysees, Ground and 1st Floor, Paris, France (French Original)
10.106.1	Lease effective as of 1 April 2004 for 4-6 Rond Point des Champs Elysees, Ground and 1st Floor, Paris, France (English Translation)
10.107	Lease effective as of 1 April 2004 for 4-6 Rond Point des Champs Elysees, 5th Floor-Left, Paris, France (French Original)
10.107.1	Lease effective as of 1 April 2004 for 4-6 Rond Point des Champs Elysees, 5th Floor-Left, Paris, France(English Translation)

10.108	Lease effective as of 1 April 2004 for 4-6 Rond Point des Champs Elysees, 6th Floor-Right, Paris, France (French Original)
10.108.1	Lease effective as of 1 April 2004 for 4-6 Rond Point des Champs Elysees, 6th Floor-Right, Paris, France(English Translation)

The following documents heretofore filed with the Commission are incorporated by reference to the Company's Quarterly Report for the quarterly period ended September 30, 2004:

EXHIBIT NO.	DESCRIPTION
10.109	Lease For Asnieres (92600) -- 107, Quai Du Docteur Dervaux, (French Original)
10.109.1	Lease For Asnieres (92600) -- 107, Quai Du Docteur Dervaux, (English Translation)
10.110	Lease For 48 Rue Des Francs-Bourgeois, In Paris, 3rd District (French Original)
10.110.1	Lease For 48 Rue Des Francs-Bourgeois, In Paris,, 3rd District (English Translation)

10.111	Licence Agreement among Burberry Ltd., Inter Parfums, S.A. and Inter Parfums, Inc. dated 12 October 2004 (Filed in Excised Form - Certain disclosure schedules and other attachments are omitted, but will be furnished supplementally to the Commission upon request.)
10.112	Confidential Treatment Agreement among Burberry Ltd., Inter Parfums, S.A., Inter Parfums, Inc. and LV Capital USA, Inc., et al., dated 12 October 2004
10.113	Indemnity Agreement among Burberry Ltd., Inter Parfums, S.A. and Inter Parfums, Inc. dated 12 October 2004

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

EXHIBIT NO.	DESCRIPTION
10.114	Employment Agreement Dated February 8, 2005 Between Inter Parfums, Inc. and Marcella Cacci*
10.115	Agreement dated July 29, 2004 between Credit Lyonnais and Groupe Inter Parfums (French Original)

10.115.1	Agreement dated July 29, 2004 between Credit Lyonnais and Groupe Inter Parfums (English Translation)
10.116	Logistics Service Contract (effective January 1, 2005) between Inter Parfums, S.A. and Sagatrans (French Original)
10.116.1	Logistics Service Contract (effective January 1, 2005) between Inter Parfums, S.A. and Sagatrans (English Translation)
10.117	Agreement dated July 29, 2004 between HSBC Bank USA and Jean Philippe Fragrances, LLC
21	List of Subsidiaries
23.1	Consent of Mazars LLP
23.2	Consent of KPMG LLP
23.3	Consent of Eisner LLP
23.4	Consent of KPMG Audit, a division of KPMG S.A.
31	Certification Required by Rule 13a-14
32	Certification Required by Section 906 of the Sarbanes-Oxley Act

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*Filed in excised form.

The following documents are filed with this report:

23.1	Consent of Mazars LLP
23.2	Consent of KPMG LLP
23.3	Consent of Eisner LLP
23.4	Consent of KPMG Audit, a division of KPMG S.A.
24	Power of Attorney
31	Certification Required by Rule 13a-14
32	Certification Required by Section 906 of the Sarbanes-Oxley Act

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SIGNATURES

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

Inter Parfums, Inc.

By: /s/ Jean Madar

Jean Madar, Chief Executive Officer

Date: April 22, 2005

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

Signature	Title	Date
/s/ Jean Madar -------------- Jean Madar	Chairman of the Board of Directors and Chief Executive Officer	April 22, 2005
/s/ Russell Greenberg --------------------- Russell Greenberg	Chief Financial and Accounting Officer and Director	April 22, 2005
---------------- Philippe Benacin	Director	April __, 2005
/s/ Francois Heilbronn ---------------------- Francois Heilbronn	Director	April 15, 2005
/s/ Joseph A. Caccamo --------------------- Joseph A. Caccamo	Director	April 22, 2005
/s/ Russell Greenberg as attorney-in-fact for Jean Levy --------- Jean Levy	Director	April 22, 2005
/s/ Robert Bensoussan-torres ---------------------------- Robert Bensoussan-Torres	Director	April 15, 2005
/s/ Russell Greenberg as attorney-in-fact for Daniel Piette -------------- Daniel Piette	Director	April 22, 2005
/s/ Russell Greenberg as attorney-in-fact for Jean Cailliau -------------- Jean Cailliau	Director	April 22, 2005
/s/ Russell Greenberg as attorney-in-fact for Philippe Santi -------------- Philippe Santi	Director	April 22, 2005
--------------- Serge Rosinoer	Director	April __, 2005

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INTER PARFUMS, INC. AND SUBSIDIARIES

Consolidated Financial Statements and Schedule

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Report of Independent Registered Public Accounting Firm

Report of Independent Registered Public Accounting Firm - Predecessor Auditor

Report of Independent Registered Public Accounting Firm - Predecessor Auditor

Report of Independent Registered Public Accounting Firm - Predecessor Auditor

Audited Financial Statements:

Consolidated Balance Sheets as of December 31, 2004 and 2003

Consolidated Statements of Income for each of the years in the three-year period ended December 31, 2004

Consolidated Statements of Changes in Shareholders' Equity and Comprehensive Income for each of the years in the three-year period ended December 31, 2004

Consolidated Statements of Cash Flows for each of the years in the three-year period ended December 31, 2004

Notes to Consolidated Financial Statements

FINANCIAL STATEMENT SCHEDULE:

Schedule II - Valuation and Qualifying Accounts

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheet of Inter Parfums, Inc. and subsidiaries as of December 31, 2004, and the related consolidated statements of income, shareholders' equity and comprehensive income, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Inter Parfums, Inc. and subsidiaries as of December 31, 2004, and the results of their operations and their cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In connection with our audit of the consolidated financial statements enumerated above, we audited schedule II for the year ended December 31, 2004. In our opinion, schedule II, when considered in relation to the financial statements taken as a whole, presents fairly, in all material respects, the information stated therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Inter Parfums, Inc.'s internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated April 19, 2005 expressed an unqualified opinion thereon.

Mazars LLP

New York, New York
March 4, 2005 except for the last paragraph hereof,
for which the date is April 19, 2005

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders

Inter Parfums, Inc.:

We have audited the accompanying consolidated balance sheet of Inter Parfums, Inc. and subsidiaries as of December 31, 2003, and the related consolidated statements of income, changes in shareholders' equity and comprehensive income, and cash flows for the year then ended. In connection with our audit of the consolidated financial statements we have also audited the financial statement

schedule as of December 31, 2003 as listed in the index on page F-1. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Inter Parfums, Inc. and subsidiaries as of December 31, 2003, and the results of their operations and their cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP

New York, New York

March 26, 2004

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated statements of income, changes in shareholders' equity and comprehensive income, and cash flows of Inter Parfums, Inc. and subsidiaries (the "Company") for the year ended December 31, 2002. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of Inter Parfums Holdings, S.A. and subsidiaries, consolidated foreign subsidiaries of the Company, which statements reflect net sales constituting 68% for 2002. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts for Inter Parfums Holdings, S.A. and subsidiaries, is based solely on the report of the other auditors.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan

and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditors, the financial statements enumerated above present fairly, in all material respects, the consolidated results of operations and consolidated cash flows of Inter Parfums, Inc. and subsidiaries for the year ended December 31, 2002 in conformity with U.S. generally accepted accounting principles.

In connection with our audit of the consolidated financial statements enumerated above, we audited schedule II for the year ended December 31, 2002. In our opinion, schedule II, when considered in relation to the financial statements taken as a whole, presents fairly, in all material respects, the information stated therein.

Eisner LLP

New York, New York
March 5, 2003

With respect to accounts for foreign subsidiaries
March 21, 2003

INDEPENDENT AUDITORS' REPORT

THE BOARD OF DIRECTORS AND SHAREHOLDERS
INTER PARFUMS, S.A.

We have audited the accompanying consolidated statements of income, shareholders' equity and comprehensive income, and cash flows of Inter Parfums Holdings, S.A. and subsidiaries for the year ended December 31, 2002. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated results of operations and cash flows of Inter Parfums Holdings, S.A. and subsidiaries for the year ended December 31, 2002, in conformity with U.S. generally accepted accounting principles.

Paris La Defense, March 21, 2003

KPMG Audit
A DIVISION OF KPMG S.A.

Alain Bouchet
PARTNER

INTER PARFUMS, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2004 and 2003
(In thousands except share and per share data)

ASSETS	2004	2003
Current assets:		
Cash and cash equivalents	$ 23,372	$ 41,658
Short-term investments	17,600	17,300
Accounts receivable, net of allowances of $3,230 and $1,989 in 2004 and 2003, respectively	75,382	63,467
Inventories (note 4)	61,066	54,255
Receivables, other	2,703	1,631
Other current assets	930	1,638
Income tax receivable	544	1,110
Deferred tax assets (note 12)	2,605	1,381
Total current assets	184,202	182,440
Equipment and leasehold improvements, net (note 5)	6,448	4,967
Trademarks and licenses, net (notes 3, 6, 9, and 13)	34,171	6,323
Goodwill (note 2)	5,143	--
Other assets	521	271
Total assets	$ 230,485	$ 194,001

LIABILITIES AND SHAREHOLDERS' EQUITY	2004	2003
Current liabilities:		
Loans payable - banks (note 7)	$ 748	$ 121
Current portion of long-term debt	4,359	--
Accounts payable	30,730	45,152
Accrued expenses	15,385	17,403
Income taxes payable	2,533	3,411
Dividends payable	581	383
Total current liabilities	54,336	66,470
Deferred tax liability (note 12)	2,839	1,417

Long-term debt, less current portion (note 8)	15,258	--
Put option (note 2)	838	--
Minority interest	30,705	21,198
Commitments and contingencies (notes 9 and 13)		
Shareholders' equity (notes 10 and 13):		
Preferred stock, $0.001 par value. Authorized 1,000,000 shares; none issued		
Common stock, $0.001 par value. Authorized 100,000,000 shares; outstanding 19,379,917 and 19,164,186 shares, in 2004 and 2003, respectively	19	19
Additional paid-in capital	35,538	34,363
Retained earnings	100,772	87,376
Accumulated other comprehensive income	16,431	9,404
Treasury stock, at cost, 7,064,511 and 7,180,579 common shares in 2004 and 2003, respectively	(26,251)	(26,246)
Total shareholders' equity	126,509	104,916
Total liabilities and shareholders' equity	$ 230,485	$ 194,001

See accompanying notes to consolidated financial statements.

INTER PARFUMS, INC. AND SUBSIDIARIES
Consolidated Statements of Income
Years ended December 31, 2004, 2003, and 2002
(In thousands except share and per share data)

	2004	2003
Net sales	$ 236,047	$ 185,589
Cost of sales	113,988	95,449
Gross margin	122,059	90,140
Selling, general, and administrative	89,516	64,147
Income from operations	32,543	25,993
Other expenses (income):		
Interest expense	798	271
(Gain) loss on foreign currency	360	(333)
Interest income	(782)	(946)
Loss on subsidiary's issuance of stock	529	369
	905	(639)
Income before income taxes and minority interest	31,638	26,632

Income taxes	11,542	9,403	
Income before minority interest	20,096	17,229	
Minority interest in net income of consolidated subsidiary	4,393	3,392	
Net income	$ 15,703	$ 13,837	$
Net income per share:			
Basic	$ 0.82	$ 0.73	$
Diluted	0.77	0.69	
Weighted average number of shares outstanding:			
Basic	19,204,768	19,032,460	
Diluted	20,494,038	20,116,433	

See accompanying notes to consolidated financial statements.

INTER PARFUMS, INC. AND SUBSIDIARIES
Consolidated Statements of Changes
in Shareholders' Equity and Comprehensive Income
Years ended December 31, 2004, 2003, and 2002
(In thousands except share data)

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	COMPREHENSIVE INCOME
	SHARES	AMOUNT			
Balance - January 1, 2002	18,692,269	$ 19	32,470	$66,788	
Comprehensive income:					
Net income	--	--	--	9,405	$ 9,405
Foreign currency translation adjustments	--	--	--	--	6,746
Change in fair value of derivatives	--	--	--	--	(97)
Total comprehensive income					$ 16,054
Dividends	--	--	--	(1,130)	
Shares issued upon exercise of stock options (including income tax benefit)	428,613	--	971	--	
Shares received as proceeds of option exercises	(144,675)	--	--	--	
Balance - December 31, 2002	18,976,207	19	33,441	75,063	
Comprehensive income:					
Net income	--	--	--	13,837	$ 13,837
Foreign currency translation adjustments	--	--	--	--	10,616
Change in fair value of derivatives	--	--	--	--	182
Total comprehensive income					$ 24,635

Dividends	--	--	--	(1,524)	
Shares issued upon exercise of stock options (including income tax benefit)	266,750	--	922	--	
Shares received as proceeds of option exercises	(78,771)	--	--	--	
Balance - December 31, 2003	19,164,186	19	34,363	87,376	
Comprehensive income:					
Net income	--	--	--	15,703	$ 15,703
Foreign currency translation adjustments	--	--	--	--	6,919
Change in fair value of derivatives	--	--	--	--	108
Total comprehensive income					$ 22,730
Dividends	--	--	--	(2,307)	
Shares issued upon exercise of stock options (including income tax benefit)	262,663	--	1,175	--	
Shares received as proceeds of option exercises	(46,932)	--	--	--	
Balance - December 31, 2004	19,379,917	$ 19	$35,538	$100,772	

See accompanying notes to consolidated financial statements.

INTER PARFUMS, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Years ended December 31, 2004, 2003, and 2002
(In thousands)

	2004	2003	2002
Cash flows from operating activities:			
Net income	$ 15,703	$ 13,837	$ 9,40
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	3,988	3,344	2,22
Provision for doubtful accounts	1,191	362	18
Minority interest in net income of consolidated subsidiary	4,393	3,392	1,89
Deferred tax provision	155	369	83
Change in fair value of put options	(174)	--	-
Loss on subsidiary's issuance of stock	529	369	6
Gain on sale of trademark	--	--	(8
Changes in:			
Accounts receivable	(6,974)	(14,199)	(5,69
Inventories	(1,703)	(15,881)	(1,18
Other assets	(10)	570	(54
Accounts payable and accrued expenses	(21,835)	23,882	3,36
Income taxes payable, net	354	3,301	2,29
Net cash provided by (used in) operating activities	(4,383)	19,346	12,74

Cash flows from investing activities:			
Purchases of short-term investments	(14,800)	(13,100)	(10,50
Proceeds from sale of short-term investments	14,500	7,600	13,70
Purchase of equipment and leasehold improvements	(3,254)	(2,545)	(1,31
Payment for licenses and trademarks acquired	(24,465)	--	(3,22
Acquisition of businesses, net of cash acquired	(4,481)	--	-
Proceeds from sale of trademark	--	--	15
Net cash used in investing activities	(32,500)	(8,045)	(1,18
Cash flows from financing activities:			
Increase (decrease) in loans payable - banks	182	(1,752)	35
Proceeds from long-term debt	19,925	--	-
Repayment of long-term debt	(1,992)	--	(1,44
Proceeds from sale of stock of subsidiary	1,622	1,105	1
Purchase of treasury stock	(184)	(184)	(19
Proceeds from exercise of options	455	274	29
Dividends paid	(2,109)	(1,428)	(84
Dividends paid to minority interest	(776)	(409)	(27
Net cash provided by (used in) financing activities	17,123	(2,394)	(2,09
Effect of exchange rate changes on cash	1,474	6,261	3,46
Net increase (decrease) in cash and cash equivalents	(18,286)	15,168	12,92
Cash and cash equivalents - beginning of year	41,658	26,490	13,56
Cash and cash equivalents - end of year	$ 23,372	$ 41,658	$ 26,49
Supplemental disclosures of cash flow information:			
Cash paid for:			
Interest	$ 495	$ 271	$ 33
Income taxes	11,535	6,518	2,04

See accompanying notes to consolidated financial statements.

INTER PARFUMS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2004 and 2003
(In thousands except share and per share data)

(1) THE COMPANY AND ITS SIGNIFICANT ACCOUNTING POLICIES

(A) BUSINESS OF THE COMPANY

Inter Parfums, Inc. and its domestic and foreign subsidiaries (the Company) manufacture and distribute prestige brand name fragrances and cosmetics and mass market fragrances, cosmetics, and personal care products.

(B) BASIS OF PREPARATION

The consolidated financial statements include the accounts of the Company including majority-owned Inter Parfums, S.A. (IPSA), a subsidiary whose stock is publicly traded in France. All material intercompany balances and transactions have been eliminated.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(C) FOREIGN CURRENCY TRANSLATION

For foreign subsidiaries with operations denominated in a foreign currency, assets and liabilities are translated to U.S. dollars at year-end exchange rates. Income and expense items are translated at average rates of exchange prevailing during the year. Gains and losses from translation adjustments are accumulated in a separate component of shareholders' equity.

(D) CASH AND CASH EQUIVALENTS

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

(E) SHORT-TERM INVESTMENTS

Short-term investments consist of available for sale auction rate securities which are comprised of preferred stock. These securities have characteristics similar to short-term investments because at predetermined intervals, generally within 28 to 49 days of the purchase, there is a new auction process. Short-term investments are stated at fair market value which is equal to cost.

(F) FINANCIAL INSTRUMENTS

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

All derivative instruments are reported as either assets or liabilities on the balance sheet measured at fair value. Generally, increases or decreases in the fair value of derivative instruments will be recognized as gains or losses in earnings in the period of change. If the derivative instrument is designated and qualifies as a cash flow hedge, the changes in fair value of the derivative instrument will be recorded as a separate component of shareholders' equity until the forcasted sale is recorded or when the hedge is determined to be ineffective.

The Company occasionally enters into foreign currency forward

exchange contracts to hedge exposure related to receivables denominated in a foreign currency and to manage risks related to future sales expected to be denominated in a foreign currency. Before entering into a

derivative transaction for hedging purposes, it is determined that a high degree of initial effectiveness exists between the change in value of the hedged item and the change in the value of the derivative instrument from movement in exchange rates. High effectiveness means that the change in the value of the derivative instrument will effectively offset the change in the fair value of the hedged item. The effectiveness of each hedged item is measured throughout the hedged period. Any hedge ineffectiveness as defined by SFAS No. 133 is recognized as a gain or loss on foreign currency in the income statement. At December 31, 2004, the Company's subsidiary had foreign currency contracts in the form of forward exchange contracts in the amount of approximately U.S. $37.2 million and GB pounds 5.4 million, which have maturities of less than a year.

(G) INVENTORIES

Inventories are stated at the lower of cost (first-in, first-out) or market.

(H) EQUIPMENT AND LEASEHOLD IMPROVEMENTS

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

(I) GOODWILL AND OTHER INTANGIBLE ASSETS

The Company reviews goodwill, trademarks with indefinite lives for impairment at least annually, and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The goodwill primarily relates to the Company's European operations. The cost of licenses acquired is being amortized by the straight-line method over the term of the respective license. The Company reviews licenses and trademarks with finite lives for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

(J) REVENUE RECOGNITION

Revenue is recognized when merchandise is shipped and the risk of loss passes to the customer. The Company, at its discretion, permits limited returns of merchandise and establishes allowances

for estimated returns based upon historic trends and relevant current data. The Company does not bill its customer's freight and handling charges and all shipping and handling costs, which aggregated $4.0 million, $3.5 million and $2.6 million in 2004, 2003 and 2002, respectively, are included in selling, general and administrative expense in the consolidated statements of income.

(K) ISSUANCE OF COMMON STOCK BY CONSOLIDATED SUBSIDIARY

The difference between the Company's share of the proceeds received by the subsidiary and the carrying amount of the portion of the Company's investment deemed sold is reflected as a gain or loss in the consolidated statements of income.

(L) STOCK-BASED COMPENSATION

The Company accounts for stock-based employee compensation under Accounting Principles Board Opinion No. 25, ACCOUNTING FOR STOCK ISSUED TO EMPLOYEES, and related interpretations (APB 25). The Company has adopted the disclosure-only provisions of SFAS No. 123, ACCOUNTING FOR STOCK-BASED

COMPENSATION, and SFAS No. 148, ACCOUNTING FOR STOCK-BASED COMPENSATION - TRANSITION AND Disclosure, which was released in December 2002 as an amendment of SFAS No. 123.

The Company applies APB 25 and related interpretations in accounting for its stock option incentive plans. The following table illustrates the effect on net income and earnings per share if the fair value based method had been applied to all awards.

	YEAR ENDED DECEMBER 31		
	2004	2003	2002
Reported net income	$ 15,703	$ 13,837	$ 9,405
Stock-based employee compensation expense included in reported net income, net of related tax effects	--	--	--
Stock-based employee compensation determined under the fair value based method, net of related tax effects	(1,224)	(1,409)	(578)
Pro forma net income	$ 14,479	$ 12,428	$ 8,827
Income per share, as reported:			
Basic	$ 0.82	$ 0.73	$ 0.50
Diluted	0.77	0.69	0.47
Pro forma net income per share:			

Basic	0.75	0.65	0.47
Diluted	0.71	0.62	0.44

The weighted average fair values of the options granted by Inter Parfums, Inc. during 2004, 2003, and 2002 are estimated as $6.22, $6.58, and $2.25 per share, respectively, on the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield 0.8% in 2004, 0.5% in 2003, and 0.8% in 2002; volatility of 50% in 2004, 2003, 2002; risk-free interest rates at the date of grant, 2.93% in 2004, 1.88% in 2003, and 1.83% in 2002; and an expected life of the option of four years in 2004 and two years in 2003 and 2002.

Stock-based employee compensation determined under the fair value based method, net of related tax effects, includes compensation incurred by our majority owned subsidiary, Inter Parfums, S.A., whose stock is publicly traded in France. The weighted average fair values of the options granted by Inter Parfums, S.A. during 2004, 2003, and 2002 are estimated as 12.48 euro, 14.62 euro and 10.96 euro per share, respectively, on the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield 1.0% in 2004 and 2003, and 0.0% in 2002; volatility of 23%, 41% and 35% in 2004, 2003 and 2002; risk-free interest rates at the date of grant, 4.2% in 2004 and 3.0% in 2003 and 2002; and an expected life of the option of four years in 2004, 2003 and 2002.

(M) EARNINGS PER SHARE

Basic earnings per share is computed using the weighted average number of shares outstanding during each year. Diluted earnings per share is computed using the weighted

average number of shares outstanding during each year, plus the incremental shares outstanding assuming the exercise of dilutive stock options using the treasury stock method.

The following table sets forth the computation of basic and diluted earnings per share:

	YEAR ENDED DECEMBER 31		
	2004	2003	2002
Numerator:			
Net income	$ 15,703	$ 13,837	$ 9,405
Denominator:			
Weighted average shares	19,204,768	19,032,460	18,776,988
Effect of dilutive securities:			

Stock options	1,289,270	1,083,973	1,171,317
Denominator for diluted earnings per share	20,494,038	20,116,433	19,948,305

Not included in the above computations is the effect of anti-dilutive potential common shares which consist of options to purchase 116,000, 204,000, and 114,000 shares of common stock for 2004, 2003, and 2002, respectively.

(N) ADVERTISING AND PROMOTION

Costs associated with advertising are expensed when incurred. Total advertising expenses, which primarily include print media and promotional expenses, such as products used as sales incentives, were $40.8 million, $31.8 million, and $18.5 million for 2004, 2003, and 2002, respectively. These amounts include expenses relating to purchase with purchase and gift with purchase promotions that are reflected in cost of sales.

Advertising and promotional expenses included in selling, general and administrative expenses were $21.8 million, $19.8 million and $10.3 million for 2004, 2003 and 2002, respectively.

The Company also has various arrangements with customers pursuant to its trade terms to reimburse them for a portion of their advertising or promotional costs, which provide advertising and promotional benefits to the Company. The costs that the Company incurs for shelf replacement costs and slotting fees are expensed as incurred and are netted against revenues on the Company's consolidated statement of income.

(O) ACCOUNTS RECEIVABLE

Accounts receivable represent payments due to the Company for previously recognized net sales, reduced by an allowance for doubtful accounts or balances, which are estimated to be uncollectible at December 31, 2004 and 2003. Accounts receivable balances are recorded against the allowance for doubtful accounts when they are deemed uncollectible. Recoveries of accounts receivable previously recorded against the allowance are recorded in the consolidated statement of income when received.

(P) RECLASSIFICATION

The Company reclassified investments in auction rate securities that were previously classified and reported as cash and cash equivalents in the accompanying consolidated balance sheets as of December 31, 2004 and 2003 to short-term investments. The consolidated statements of cash flows for the years ended December

31, 2004, 2003 and 2002 were adjusted to reflect the impact of the reclassification. Auction rate securities which are comprised of preferred stock, have characteristics similar to short-term investments because at predetermined intervals, generally within 28 to 49 days of the purchase, there is a new auction process.

In addition, certain prior year amounts in the accompanying consolidated statements of income have been reclassified to conform to current year presentation.

(Q) INCOME TAXES

The Company accounts for income taxes in accordance with the provisions of SFAS No. 109, "Accounting for Income Taxes". Deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory tax rates applicable to future years to the difference between the financial statement carrying amounts and the tax bases of existing assets and liabilities. Tax benefits recognized must be reduced by a valuation allowance where it is more likely than not that the benefits may not be realized.

(R) RECENT ACCOUNTING PRONOUNCEMENTS

In December 2003, the FASB issued FASB Interpretation Number 46-R ("FIN 46-R"), "Consolidation of Variable Interest Entities." FIN 46-R, which modifies certain provisions and effective dates of FIN 46, sets forth criteria to be used in determining whether an investment in a variable interest entity should be consolidated. These provisions are based on the general premise that if a company controls another entity through interests other than voting interests, that company should consolidate the controlled entity. The Company believes that currently, it does not have any material arrangements that meet the definition of a variable interest entity, which would require consolidation.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs - An Amendment of ARB No. 43, Chapter 4" (SFAS No. 151). SFAS No. 151 requires all companies to recognize a current-period charge for abnormal amounts of idle facility expense, freight, handling costs and wasted materials. This statement also requires that the allocation of fixed production overhead to the costs of conversion be based on the normal capacity of the production facilities. SFAS No. 151 will be effective for fiscal years beginning after June 15, 2005. The Company does not expect the adoption of this statement to have a material effect on its consolidated financial statements.

In December 2004, the FASB issued SFAS No. 123(R), "Share-Based Payment" (SFAS No. 123(R)). This statement replaces SFAS No. 123 and supersedes APB 25. SFAS 123(R) requires all stock-based compensation to be recognized as an expense in the financial statements and that such cost be measured according to the fair value of stock options. SFAS 123(R) will be effective for quarterly periods beginning after June 15, 2005. While the Company currently provides the pro forma disclosures required by SFAS No. 148 on a quarterly basis (see "Note 1 (k) - Stock-Based Compensation"), it is currently evaluating the impact this statement will have on its consolidated financial statements.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets - An Amendment of APB Opinion No. 29,

Accounting for Nonmonetary Transactions" (SFAS 153). SFAS eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets in paragraph 21(b) of APB Opinion No. 29, "Accounting for Nonmonetary Transactions," and replaces it with an exception for exchanges that do not have commercial substance. SFAS 153 specifies that a nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS 153 is effective for fiscal periods beginning

after June 15, 2005. The Company does not expect the adoption of this statement to have a material effect on its consolidated financial statements.

(2) ACQUISITION OF BUSINESS

In April 2004, IPSA acquired a 67.5% interest in Nickel S.A. (Nickel) for approximately $8.7 million in cash including a capital infusion of $2.8 million made in June 2004, aggregating approximately $4.5 million, net of cash acquired. In accordance with the purchase agreement, each of the minority shareholders has an option to put their remaining interest in Nickel to IPSA from January 2007 through June 2007. Based on an independent valuation, management has valued the put options at $0.93 million as of the date of acquisition, and has recorded a long-term liability and increased goodwill accordingly. These options are carried at fair value as determined by management, which resulted in a gain of $0.17 million, which is included in selling, general and administrative expense in the accompanying consolidated statements of income.

The purchase price for the minority shares will be based upon a formula applied to Nickel's sales for the year ending December 31, 2006, pro rated for the minority holders' equity in Nickel or at a price approximately 7% above the recent purchase price. In addition, the Company has the right to call the stock based on the same formula and price. The call does not meet the criteria of a derivative and therefore it has no effect on the accompanying consolidated financial statements. The acquisition has been accounted for as a business combination and the results of Nickel have been included in the Company's consolidated financial statements from the date of the acquisition.

Net sales of Nickel products for the period April 1, 2004 through December 31, 2004 aggregated $3.7 million and net income for the same period was insignificant. For the year ended March 31, 2004, prior to the acquisition, Nickel generated net sales of approximately $6 million.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed on April 1, 2004, the date of the acquisition adjusted for the capital infusion made in June 2004. All amounts have been translated to US dollars at the April 1, 2004 exchange rate, the date of the acquisition.

Current assets	$ 6,989
Equipment and leasehold improvements	747
Trademarks and licenses	1,840
Goodwill	4,645
Other assets	167
Assets acquired	14,388
Current liabilities	3,513
Put option	925
Minority interest	1,281
Liabilities assumed	5,719
Net assets acquired	$ 8,669

(3) ACQUISITION OF LICENSES AND TRADEMARKS

[1] In June 2004, IPSA entered into a fifteen year, exclusive, worldwide license agreement with Lanvin S.A. (Lanvin) to create, develop and distribute fragrance lines under the Lanvin brand name. The fifteen-year license agreement took effect July 1, 2004 and provided for an upfront non-recoupable license fee of $19.2 million, the purchase of existing inventory of $7.6 million, and requires advertising expenditures and royalty payments in line with industry practice, as well as, the assumption of certain pre-existing contractual obligations.

[2] In October 2004, IPSA entered into a new long-term fragrance license with Burberry. The agreement has a 12.5-year term with an option to extend the license by an additional 5-years subject to mutual agreement. This new agreement replaces the previous license and provides for an increase in the royalty rate effective as of July 1, 2004 and additional resources to be devoted to marketing commencing in 2005. In connection with the new license agreement, IPSA paid to Burberry an upfront non-recoupable license fee of approximately $3.6 million.

[3] In May 2002, the Company purchased certain mass market fragrance brands and inventories of Tristar Corporation, a Debtor-in-Possession. The trademarks and related intellectual property were purchased for approximately $3.2 million, and the Company acquired certain existing inventory for approximately $3.7 million.

(4) INVENTORIES

DECEMBER 31

	2004	2003
Raw materials and component parts	$ 19,756	$ 19,776
Finished goods	41,310	34,479
	$ 61,066	$ 54,255

(5) EQUIPMENT AND LEASEHOLD IMPROVEMENTS

	DECEMBER 31	
	2004	2003
Equipment	$ 16,489	$ 15,202
Leasehold improvements	1,117	500
	17,606	15,702
Less accumulated depreciation and amortization	11,158	10,735
	$ 6,448	$ 4,967

Depreciation expense was $2.9 million, $2.5 million and $1.6 million for 2004, 2003 and 2002, respectively.

(6) TRADEMARKS AND LICENSES

	DECEMBER 31	
	2004	2003
Trademarks (indefinite lives)	$ 8,615	$ 5,752
Trademarks (finite lives)	843	684
Licenses (finite lives)	28,310	3,493
	29,153	4,177
Less accumulated amortization	3,597	3,606
	25,556	571
Total trademarks and licenses	$ 34,171	$ 6,323

During 2004, 2003, and 2002, the Company recorded charges for the impairment, included in selling, general, and administrative expense, of trademarks with indefinite useful lives aggregating $0.01 million, $0.58 million and $0.50 million, respectively, based on fair value as determined using discounted cash flows. Amortization expense was $1.0

million for 2004 and $0.2 million for both 2003 and 2002 and amortization expense is expected to approximate $1.8 million in each of the next five years.

(7) LOANS PAYABLE - BANKS

Loans payable - banks consist of the following:

The Company's foreign subsidiaries have available credit lines, including several bank overdraft facilities totaling $45 million, bearing interest at 0.6% above EURIBOR (2.12% at both December 31, 2004 and 2003). Outstanding amounts totaled $0.75 million and $0.12 million at December 31, 2004 and 2003, respectively.

The Company has borrowings available under a $12 million unsecured revolving line of credit due on demand and bearing interest at the banks' prime rate or 1.75% above LIBOR. There were no balances outstanding at December 31, 2004 and 2003.

(8) LONG-TERM DEBT

In connection with the acquisition of the Lanvin license referred to in note 3, IPSA initially financed the license fee by utilizing 15 million euro from one of its short-term credit facilities. In July 2004, IPSA converted the loan into a 16 million euro five-year credit agreement. The long-term credit facility, which bears interest at 0.60% above the three month EURIBOR rate, provides for principal to be repaid in 20 equal quarterly installments and requires the maintenance of a debt equity ratio of less than one. At December 31, 2004 exchange rates, maturities of long-term debt subsequent to December 31, 2004 are $4.4 million in 2005, 2006, 2007 and 2008, and $2.2 million in 2009.

In order to reduce exposure to rising variable interest rates, the Company entered into a swap transaction effectively exchanging the variable interest rate referred to above to a variable rate based on the 12 month EURIBOR rate with a floor of 3.25% and a ceiling of 3.85%. This derivative

instrument is recorded at fair value and changes in fair value are reflected in the results of operations.

(9) COMMITMENTS

(A) LEASES

The Company leases its office and warehouse facilities under operating leases expiring through 2013. Rental expense amounted to $6.4 million, $4.5 million and $2.5 million in 2004, 2003 and 2002, respectively. Minimum future rental payments are as follows:

2005	$ 5,062
2006	5,627
2007	5,570
2008	5,693
2009	5,693
Thereafter	10,493
	$38,138

(B) LICENSE AGREEMENTS

The Company is obligated under a number of license agreements for the use of trademarks and rights in connection with the manufacture and sale of its products. Revenues generated from one such license held by IPSA, represented 61.8%, 55.6%, and 40.6% of net sales in 2004, 2003 and 2002, respectively. Royalty expense, included in selling, general, and administrative expenses, aggregated $20.9 million, $10.4 million and $5.5 million, in 2004, 2003 and 2002, respectively. In connection with certain license agreements, the Company is subject to certain minimum annual royalties as follows:

2005	$ 25,651
2006	27,797
2007	30,768
2008	32,005
2009	33,325
Thereafter	247,346
	$ 396,892

In March 1999 and May 2000, the Company entered into two 11-year license agreements with Christian Lacroix Company and Celine S.A., respectively, divisions of LVMH Moet Hennessy Louis Vuitton, S.A. (LVMH). Both agreements have minimum sales and advertising requirements and require the Company to pay royalties, as is customary in the industry. LV Capital, USA Inc. (LV Capital) is a wholly owned subsidiary of LVMH. As of December 31, 2004, LV Capital owns approximately 18% of the outstanding common stock of the Company.

(10) SHAREHOLDERS' EQUITY

(A) ISSUANCE OF COMMON STOCK BY CONSOLIDATED SUBSIDIARY

During 2004, 2003 and 2002, 168,314, 179,056, and 32,764 shares, respectively, of capital stock of IPSA were issued as a result of employees exercising stock options. At December 31, 2004 and 2003, the Company's percentage ownership of IPSA was approximately 74%

and 75%, respectively.

The difference between the Company's share of the proceeds received by the subsidiary and the carrying amount of the portion of the Company's investment deemed sold is reflected as a gain or loss in the consolidated statements of income.

(B) STOCK OPTION PLANS

The Company maintains a stock option program for key employees, executives, and directors. The plans, all of which have been approved by shareholder vote, provide for the granting of both nonqualified and incentive options. Options granted under the plans vest immediately and are exercisable for a period of five to six years.

A summary of the Company's stock option activity, and related information follows:

	YEAR ENDED DECEMBER 31				
	2004		2003		20
	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS
Shares under option - beginning of year	1,897,862	$ 5.92	1,969,162	$ 3.90	2,198,075
Options granted	217,400	16.72	206,700	21.58	200,950
Options exercised	(262,663)	3.32	(266,750)	3.20	(428,613)
Options cancelled	(9,924)	15.40	(11,250)	3.11	(1,250)
Shares under options - end of year	1,842,675	7.51	1,897,862	5.92	1,969,162

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The following table summarizes stock option information as of December 31, 2004:

	OPTIONS OUTSTANDING		
EXERCISE PRICES	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	OPTIONS EXERCISABLE
$2.56	964,950	0.17 Years	964,950
$4.53	6,750	0.08 Years	6,750
$5.08 - $5.81	69,150	0.83 Years	69,150

$6.50 - $6.92	22,500	1.19 Years	22,500
$7.22 - $7.95	199,525	2.01 Years	199,525
$8.03	171,400	2.97 Years	171,400
$9.60	9,000	1.66 Years	9,000
$15.39	185,400	4.94 Years	185,400
$22.77	2,000	4.01 Years	2,000
$23.05 - $23.06	192,000	4.00 Years	192,000
$25.24	20,000	4.12 Years	20,000
Totals	1,842,675	1.60 Years	1,842,675

At December 31, 2004, options for 1,175,804 shares were available for future grant under the plans.

In December 2002, the Chief Executive Officer exercised 132,000 of his outstanding stock options and the President exercised 199,500 of his outstanding stock options. The purchase price of $0.38 million for the Chief Executive Officer and $0.61 million for the President was paid by them tendering to the Company an aggregate of 121,140 shares of the Company's common stock, previously owned by them, valued at $8.215 per share, the fair market value on the date of exercise. The shares issued pursuant to the options exercised were issued from treasury stock of the Company. In addition, the Chief Executive Officer tendered an additional 23,535 shares for payment of withholding taxes resulting from the exercise of the options. As a result of this transaction, the Company received tax benefits aggregating $0.6 million, which has been reflected as an increase to additional paid-in capital in the accompanying consolidated financial statements.

In April and October 2003, both the Chief Executive Officer and the President exercised an aggregate of 109,500 and 94,300 outstanding stock options, respectively, of the Company's common stock. The exercise prices of $0.34 million for the Chief Executive Officer and $0.24 million for the President were paid by each of them tendering to the Company 41,850 and 18,316 shares, respectively, of the Company's common stock, previously owned by them, valued at $6.90 and $13.16 per share in April and October, respectively, the fair market value on the dates of exercise. All shares issued pursuant to these option exercises were issued from treasury stock of the Company. In addition, the Chief Executive Officer tendered an additional 18,605 shares for payment of withholding taxes resulting from his option exercise. As a result of this transaction, the Company received tax benefits aggregating $0.54 million, which has been reflected as an increase to additional paid-in capital in the accompanying consolidated financial statements.

In October 2004, both the Chief Executive Officer and the President exercised an aggregate of 65,400 and 97,600 outstanding

stock options, respectively, of the Company's common stock. The exercise prices of $0.17 million for the Chief Executive Officer and $0.25 million for the President were paid by each of them tendering to the Company 13,055 and 19,482 shares, respectively, of the Company's common stock, previously owned by them, valued at $12.805 per share, the fair market value on the date of exercise. All shares issued pursuant to these option exercises were issued from treasury stock of the Company. In addition, the Chief Executive Officer tendered an additional 14,395 shares for payment of withholding taxes resulting from his option exercise. As a result of this transaction, the Company expects to receive a tax benefit of approximately $0.6 million, which has been reflected as an increase to additional paid-in capital in the accompanying consolidated financial statements.

(C) TREASURY STOCK

The board of directors of the Company has authorized a stock repurchase program whereby the Company purchases shares of its stock to be held in treasury. As of December 31, 2004, the Company is authorized to purchase an additional 404,350 treasury shares in the open market. The Company has not repurchased any treasury shares during the three year period ended December 31, 2004.

(D) DIVIDENDS

The Company declared dividends of $0.12, $0.08, and $0.06 per share per annum in 2004, 2003, and 2002, respectively. The quarterly dividend of $0.6 million declared in December 2004 was paid January 14, 2005.

(11) SEGMENTS AND GEOGRAPHIC AREAS

The Company manages its business in two segments, European based operations and United States based operations. The European assets are located, and operations are conducted, in France. European operations primarily represent the sales of the prestige brand name fragrances and United States operations primarily represent the sale of mass-market products. Information on the Company's operations by geographical areas is as follows.

	2004	2003	2002
Net sales:			
United States	$ 41,435	$ 44,747	$ 41,972
Europe	196,088	141,192	88,565
Eliminations	(1,476)	(350)	(185)
	$ 236,047	$ 185,589	$ 130,352
Net income:			

United States	$ 1,657	$ 2,807	$ 3,013
Europe	14,184	11,036	6,396
Eliminations	(138)	(6)	(4)
	$ 15,703	$ 13,837	$ 9,405
Depreciation and amortization expense:			
United States	$ 358	$ 385	$ 380
Europe	3,630	2,959	1,840
	$ 3,988	$ 3,344	$ 2,220
Interest income:			
United States	$ 274	$ 183	$ 245
Europe	508	763	383
	$ 782	$ 946	$ 628
Interest expense:			
United States	$ 9	$ 4	$ 88
Europe	788	267	306
	$ 797	$ 271	$ 394
Income tax expense:			
United States	$ 774	$ 1,519	$ 1,656
Europe	10,872	7,888	4,629
Eliminations	(104)	(4)	(3)
	$ 11,542	$ 9,403	$ 6,282
Total assets:			
United States	$ 51,511	$ 52,407	
Europe	188,729	150,639	
Eliminations	(9,755)	(9,045)	
	$ 230,485	$ 194,001	
Additions to long-lived assets:			
United States	$ 279	$ 192	
Europe	31,921	2,353	
	$ 32,200	$ 2,545	
Total long-lived assets:			
United States	$ 5,300	$ 4,861	
Europe	40,462	6,429	
	$ 45,762	$ 11,290	
Deferred tax assets:			
United States	$ 415	$ 588	
Europe	2,190	793	
	$ 2,605	$ 1,381	

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United States export sales were approximately $9.6 million in 2004 and $11 million in both 2003 and 2002. Consolidated net sales to customers in the United States, United Kingdom and France, for the year ended December 31, 2004, aggregated $66 million, $29 million and $15 million, respectively. Consolidated net sales for the year ended December 31, 2004 by region is as follows:

North America	$ 67,400
Europe	105,200
Central and South America	21,400
Middle East	17,900
Asia	22,700
Other	1,400
	$236,000

(12) INCOME TAXES

The components of income before income taxes and minority interest consist of the following:

	YEAR ENDED DECEMBER 31		
	2004	2003	2002
U.S. operations	$ 2,431	$ 4,326	$ 4,670
Foreign operations	29,207	22,306	12,911
	$ 31,638	$ 26,632	$ 17,581

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

	YEAR ENDED DECEMBER 31		
	2004	2003	2002
Current:			
Federal	$ 402	$ 834	$ 700
State and local	197	174	(75)
Foreign	10,788	7,910	4,827
	11,387	8,918	5,452

Deferred:			
Federal	(163)	408	731
State and local	337	102	297
Foreign	(19)	(25)	(198)
	155	485	830
Total income tax expense	$ 11,542	$ 9,403	$ 6,282

Deferred taxes are provided principally for reserves, and certain other expenses that are recognized in different years for financial reporting and income tax purposes.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	DECEMBER 31,	
	2004	2003
Deferred tax assets:		
State net operating loss carryforwards	$ 537	$ 448
Foreign net operating loss carryforwards	1,400	290
Alternative minimum tax credit carryforwards	369	
Inventory and accounts receivable	197	270
Profit sharing	125	228
Other	377	145
Total gross deferred tax assets	3,005	1,381
Less valuation allowance	(400)	--
Net deferred tax assets	2,605	1,381
Deferred tax liabilities:		
Property, plant, and equipment	(1,518)	(1,372)
Trademarks and licenses	(985)	
Other	(336)	(45)
Total deferred tax liabilities	(2,839)	(1,417)
Net deferred tax assets (liabilities)	$ (234)	$ (36)

At December 31, 2004, the Company had state net operating loss carryforwards, subject to applicable state apportionment, for New York State and New York City tax purposes of

approximately $7.4 million and for New Jersey tax purposes of

approximately $10.2 million, which expire in 2010 and beyond. In 2004, a valuation allowance of $0.4 million has been provided on the deferred tax asset arising from the state net operating loss carryforwards as the Company determined that future tax benefits from option compensation deductions might prevent the state net operating loss carryforwards from being fully utilized.

No valuation allowances have been provided on the Company's other deferred tax assets, as management believes that it is more likely than not that the asset will be realized in the reduction of future taxable income.

The Company has not provided for U.S. deferred income taxes or foreign withholding taxes on $63 million of undistributed earnings of its non-U.S. subsidiaries as of December 31, 2004 since the Company has no present intention to repatriate these earnings.

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

	YEAR ENDED DECEMBER 31		
	2004	2003	2002
Statutory rates	34.0%	34.0%	34.0%
State and local taxes, net of Federal benefit	1.1	0.7	1.0
Effect of foreign taxes in excess of U.S. statutory rates	2.7	1.1	1.3
Other	(1.3)	(0.5)	(0.6)
Effective rates	36.5%	35.3%	35.7%

(13) OTHER MATTERS

(A) As previously reported, IPSA was a party to litigation with Jean Charles Brosseau, S.A. (Brosseau), the owner of the Ombre Rose trademark. In October 1999, IPSA received notice of a judgment in favor of Brosseau, which awarded damages of approximately $0.85 million (at current exchange rates).

In February 2004, in accordance with a Court of Appeal order IPSA paid total damages of $0.39 million. Brosseau had until the end of May 2004 to appeal this decision. No appeal has been filed, and therefore, in May 2004, IPSA reversed its remaining litigation reserve aggregating approximately $0.46 million. This reversal is included as a reduction of administrative expenses in the accompanying consolidated statement of income.

(B) IPSA is the subject of tax audits commenced by the French Tax Authorities. As of December 31, 2003, approximately $0.4 million in assessments had been issued and reserves for the full amount had been set up by IPSA. During 2004, the Company settled certain of these assessments and, as a result, the balance open as of December 31, 2004 was approximately $0.1 million, which amount is fully reserved for.

(C) On November 22, 1999, the Chief Executive Officer and the President of the Company entered into and closed a Stock Purchase Agreement with LV Capital, USA Inc. (LV Capital), a wholly owned subsidiary of LVMH Moet Hennessy Louis Vuitton, S.A. (LVMH). As of

December 31, 2004, LV Capital owns approximately 18% of the outstanding common stock of the Company. In accordance with the terms of the Stock Purchase Agreement and in return for LV Capital becoming a strategic partner of the Company, LV Capital was granted the right to maintain its percentage ownership of the outstanding shares of Common Stock,

by receiving an option to purchase shares of the Company's common stock for cash upon issuance of shares to any party other than LV Capital at the price paid by the purchaser, subject to certain exceptions such as the exercise of stock options previously granted and the grant of new stock options up to a certain limit. There have been no common stock or option transactions through December 31, 2004, which affected the LVMH option. LVMH was also granted demand registration rights for all shares of common stock it holds. Finally, LV Capital has agreed to a standstill agreement, which includes a limitation on the amount of shares that LV Capital can hold equal to 25% of the outstanding shares of common stock of the Company.

(D) In February 2005, both the Chief Executive Officer and the President exercised an aggregate of 511,350 and 426,850 outstanding stock options, respectively, of the Company's common stock. The exercise prices of $1,307,000 for the Chief Executive Officer and $1,091,000 for the President were paid by each of them tendering to the Company 90,513 and 75,556 shares, respectively, of the Company's common stock, previously owned by them, valued at $14.44 per share, the fair market value on the date of exercise. All shares issued pursuant to these option exercises were issued from treasury stock of the Company. In addition, the Chief Executive Officer tendered an additional 10,388 shares for partial payment of withholding taxes resulting from his option exercise. As a result of this transaction, the Company expects to receive a tax benefit of approximately $0.6 million, which will be reflected as an increase to additional paid-in capital in the Company's consolidated financial statements for the year ended December 31, 2005.

SCHEDULE II

INTER PARFUMS, INC. AND SUBSIDIARIES

Valuation and Qualifying Accounts

(In thousands)

COLUMN A	COLUMN B	COLUMN C	
		ADDITIONS	
		(1)	(2)
DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	CHARGED OTHE ACCOUNT DESCRI
Year ended December 31, 2004:			
Allowances for sales returns and doubtful accounts	$ 1,989	1,191	228 (
Year ended December 31, 2003:			
Allowances for sales returns and doubtful accounts	$ 1,875	362	264 (
Year ended December 31, 2002:			
Allowances for sales returns and doubtful accounts	$ 1,914	184	205 (

(a) Write off of bad debts and sales returns, net of acquired reserves.

(b) Foreign currency translation adjustment.

See accompanying independent auditors' reports.