BURBERRY

Christian Lacroix

LANVIN PARIS

NICKEL

Paul Smith

QUIKSILVER

ROXY

S.T. Dupont PARIS

Van Cleef & Arpels

annual report 2007

INTER PARFUMS

positive underlying **growth**trends

contents

2007

In 2007, the Group achieved another year of sustained growth with consolidated sales of €242.1 million, up 12% at current exchange rates and 15% at constant exchange rates.

In response to stronger than expected year-end growth, consolidated sales for 2007 marginally exceeded guidance issued in the fall.

Despite the absence of major launches, market shares achieved by Burberry fragrances over the years were reinforced by gains from its historic lines: on this basis, sales exceeded the €150 million benchmark for the first time.

Lanvin fragrances met internal targets through sustained growth by the *Eclat d'Arpège* line (+16% in 2007, +17% in 2006), the Group's top-selling fragrance, that offset the mixed performance of the *Rumeur* line launched in 2006.

Paul Smith fragrance sales were also in line with internal expectations following solid performances by the *Paul Smith Extrême* line and the promising launch of the women's fragrance Paul Smith Rose in the United Kingdom.

Van Cleef & Arpels fragrances, in the initial phase of being integrated in the Group's portfolio, achieved encouraging sales of close to €12 million.

The first fragrance line launched under the Roxy brand contributed sales of €6.6 million in the period and met with a mixed response from the market.

Western Europe (excluding France) remained the Group's largest market (more than 30% of total sales),

Continued success of Burberry fragrances in the United States fueled strong growth in volume in North America,

France (+33%) benefited from the first contributions from Van Cleef & Arpels fragrances.

letter to our shareholders

This performance was nevertheless impacted by three adverse market trends:

■ the unfavorable euro/dollar exchange rate resulting in a negative currency effect of €6.5 million despite a proactive hedging strategy;

■ unintentionally low inventories of Van Cleef & Arpels fragrances until the fall following the acquisition of this activity early in the year;

■ a slower than expected start up of our European distribution subsidiaries.

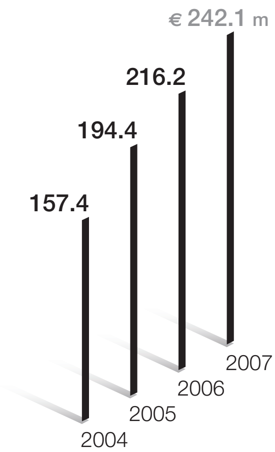
The negative currency impact was considerably limited by the successful containment of costs. As a result, Group operating profit for 2007 increased 9% over the equivalent prior-year period for an operating margin of 13.1%, outperforming the latest guidance. Net income for the period exceeded €20 million with a net margin of 8.3%, a particular high-level in the perfumes and cosmetics industry.
These results once again illustrate the effectiveness of the Group's business model that combines a strategy of achieving a balance between growth in volume and profitability with respect for brands and consistent application of the brand communications strategies and human values.

Finally with shareholders' equity of €134 million and net cash approaching €16 million at December 31, 2007, the company has maintained a very solid balance sheet with significant borrowing capacity, enabling it to take advantage of major new acquisition opportunities.

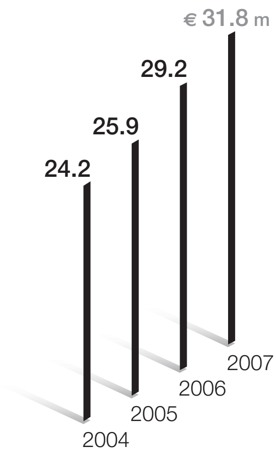
Despite the challenging economic environment, the Group remains enthusiastic about the prospects for 2008 that will benefit from high quality launch plans for notably for the Burberry, Lanvin, Van Cleef & Arpels and Quiksilver brands.

The Group expects margins to remain at current levels in 2008, despite an ambitious program of marketing and advertising investments.

philippe benacin
jean madar

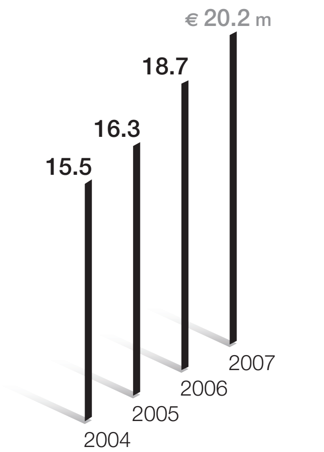


CONSOLIDATED
SALES



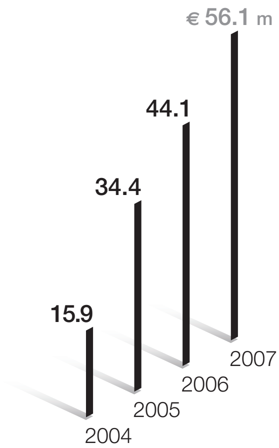
CONSOLIDATED INCOME
FROM OPERATIONS

Fiscal 2004, 2005, 2006 and 2007
are presented under IFRS



CONSOLIDATED
NET INCOME

Fiscal 2004, 2005, 2006 and 2007
are presented under IFRS



CONSOLIDATED
NET CASH

KEY CONSOLIDATED FIGURES

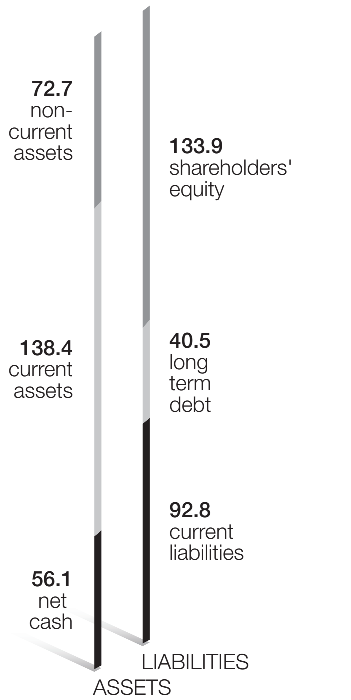
In € thousands	**2004**	**2005**	**2006**	**2007**
Sales	157,426	194,442	216,235	**242,123**
% international	*91%*	*92%*	*92%*	***91%***
Income from operations	24,207	25,913	29,182	**31,812**
Operating margin	*15.4%*	*13.3%*	*13.5%*	***13.1%***
Net Income	15,518	16,295	18,694	**20,193**
Net margin	*9.9%*	*8.4%*	*8.6%*	***8.3%***
Shareholders' equity	82,665	98,049	115,795	**134,233**
Net cash	15,857	34,390	44,072	**56,113**
Total assets	143,398	172,078	223,401	**271,544**
Workforce (at 31 December)	90	112	128	**145**

The negative currency impact was considerably limited by last quarter growth that slightly exceeded expectations combined with success in containing costs. As a result, Group operating profit for 2007 increased 9% over the equivalent prior-year period for an operating margin of 13.1% (13.5% excluding the impairment of Nickel goodwill), outperforming the latest guidance.

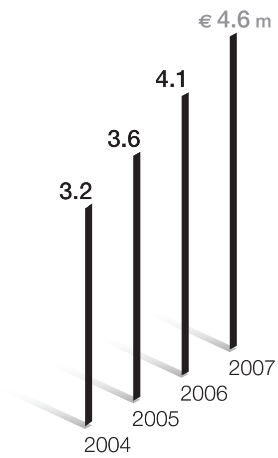
Net income of the period exceeded €20 million with a net margin of 8.3%, a particularly high level in the perfumes and cosmetics industry.

These results once again illustrate the effectiveness of the Group's business model focused on achieving a balance between growth in volume and profitability.

With net cash of €16 million and shareholders' equity of €134 million as of December 31, 2007 the company has a strong balance sheet and debt capacity enabling it to pursue potential acquisition opportunities.

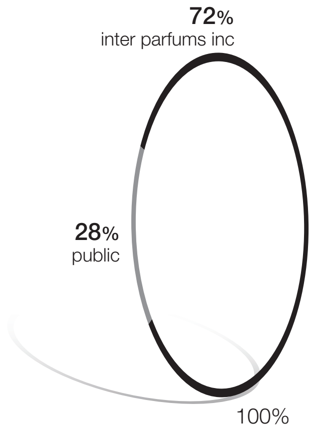


CONSOLIDATED BALANCE SHEET HIGHLIGHTS



TOTAL DIVIDENDS

operating highlightsand keyfigures



Despite relatively favorable market trends, the Inter Parfums share price was subject to significant volatility until late summer 2007. Following the publication of strong first-half sales, the share rebounded to a high for the year of €35.89.

The publication of 2007 third-quarter sales in September and 2008 guidance in November received as disappointing or overly cautious by the financial community triggered a reversal of this uptrend.

After registering a low for the year of €24.98 in early December, by year-end the share had recovered to €31.32. Over the full year the share price declined 3% in relation to the end of 2006. Trading volume in 2007 averaged 11,200 shares per day, confirming the strong interest in the stock, especially among investors specialized in MidCaps.

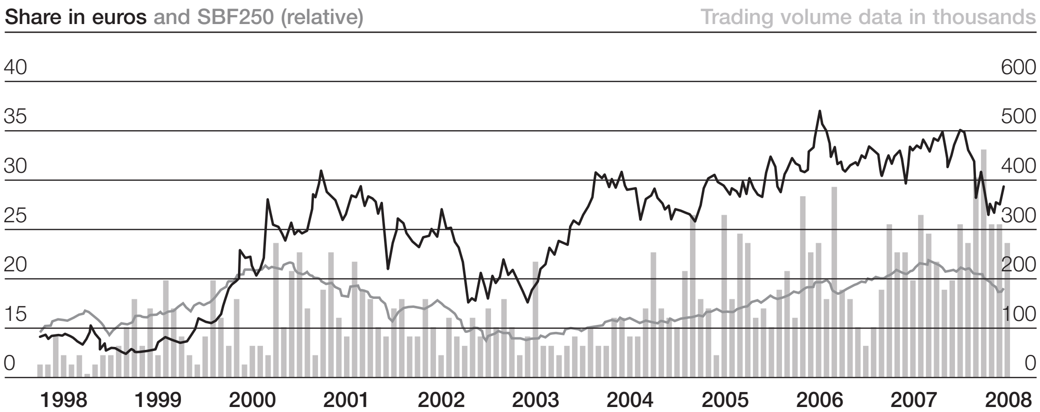
SECURITIES MARKET INFORMATION

Market: Euronext Paris
Market segment: Euronext compartment B
IPO date: November 1995
ISIN code: FR0004024222 ITP
Indexes: MidCac, CAC Small90, NextPrime, SBF250
Market maker: Oddo Midcap

OWNERSHIP AS OF DECEMBER 31, 2007

Inter Parfums has almost 5,900 individual shareholders and nearly 170 institutional shareholders (1/3 of which are not French).

SHARE PRICE AND TRADING VOLUME DATA



DIVIDENDS

	2003	2004	2005	2006	2007
Dividend per share	€0.60	€0.37	€0.37	€0.38	€0.38
Annual increase (1)	+61%	+26%	+10%	+15%	+11%
Average number of shares outstanding (2)	4,022,210	5,174,465	8,974,298	10,421,965	11,480,164

(1) In light of bonus shares. (2) Excluding treasury shares.

the stockmarket and investor relations

Since it was listed on the EuroNext Paris Second Market in November 1995, Inter Parfums regularly provides investors and the financial community with information on its situation in compliance with the principles of transparency and the best practices in financial communications. This information is provided through a variety documents and media as an annual report, a semi-annual report, a letter to shareholders, press releases and financial notices, a web side www.interparfums.fr, individual and group meetings with financial analysts, fund managers, journalists, individual shareholders and other.

Institutions providing financial research on Inter Parfums : Arkéon, Aurel Leven, Berenberg, CM-CIC Securities, CAI Indosuez Cheuvreux, Exane Bnp Paribas, Fortis Bank, Gilbert Dupont, HSBC, Ing, International Capital Bourse, Jefferies, Natexis Bleichroeder, Natixis Securities, Oddo Midcap, Portzamparc, Societe Generale.

upcoming publications and events

2008 second-quarter sales, **July 31, 2008**
2008 first-half sales and earnings, **September 8, 2008**
2008 third-quarter sales, **Mid-October 2008**
2008 letter to shareholders, **Mid-November 2008**
2008 annual sales, **Mid-January 2009**
2008 sales and earnings, **Mid-March 2009**

Presentation of 2008 first-half earnings, **September 9, 2008**
MidCaps Events trade show, Paris, **September 29 & 30, 2008**
Actionaria trade show, Paris, **November 21 & 22, 2008**

At the third edition of the Financial Communications Forum held in Paris, the company was awarded the “Investor Relations” prize for 2007 for the Mid and Small Caps category.


THE


BURBERRY
BEAT

2007 MILESTONES

positive underlying growth trends

January

Van Cleef & Arpels license agreement. The license agreement for the creation and development of exclusive fragrance lines under the Van Cleef & Arpels brand entered into effect in January 2007.

Operations of four European distribution subsidiaries launched. In the first quarter, Inter Parfums set up new distribution subsidiaries in four key European markets (Italy, Spain, Germany, United Kingdom). As these subsidiaries are 51%-owned by Inter Parfums and 49%-owned by local distributors, they are fully consolidated.

March

Launch of the Christian Lacroix *C'est la fête* line.
« *C'est la fête !* », the latest Christian Lacroix fragrance was unveiled in the spring.

June

Acquisition of la Nickel minority interests. In the second quarter of 2007, Inter Parfums acquired the remaining minority interests (32.43%) of Nickel that is henceforth a wholly-owned subsidiary.

Bonus share issue.
On June 20, the company proceeded with a bonus issue on the basis of one new share for every 10 shares held.

2008: Prospects for accelerated growth. Despite the recent strengthening of the euro, the Group maintains targets for sales of €260 million for 2008 on the basis of:

- a high-quality launch plan notably for Burberry, Lanvin, Van Cleef & Arpels and Quiksilver brands,
- positive early-2008 year trends in most markets,
- a balanced geographical sales mix,
- expanding positions in new growth markets, particularly in Russia or China.

Despite an ambitious program of marketing and advertising investment, the Group expects margins to remain at current levels in 2008.

Year 2007 was marked by significant achievements that will contribute to the Group's future development. European distribution subsidiaries were launched and the portfolio of assets was strengthened by the acquisition of Lanvin brand for class 3 products.

July

Launch of the *Roxy* line of Roxy/Quiksilver. First launch under the Roxy brand in the summer of 2007 under the partnership developed in spring 2006.

Winding up of Inter Parfums Trademark and Inter Parfums Grand Public. On July 1, 2007, Inter Parfums Trademark and Inter Parfums Grand Public, wholly-owned subsidiaries of Inter Parfums, were wound up by transferring their assets and liabilities (*transmission universelle de patrimoine*) to the Group.

July

Acquisition of the Lanvin brand name for class 3 products. On July 31, 2007, Inter Parfums acquired the Lanvin brand for fragrance products and make-up from the Jeanne Lanvin company. In conjunction with this acquisition, the license agreement concluded in June 2004 between Inter Parfums and Lanvin was terminated with immediate effect and a new agreement was concluded for the provision of technical and creative assistance to develop new fragrances effective until June 30, 2019 depending on sales volumes.

September

Launch of the *Paul Smith Rose* line of the Paul Smith brand. The Paul Smith rose especially created by his wife for his anniversary gave birth to the new women's fragrance by the British designer: *Paul Smith Rose*.

THE PRODUCTS

the**creative**
process

the creation and marketing of each product line are intimately linked to the brand, its history, positioning, clientele and, more generally, its universe.

The company creates, manufactures and distributes prestige perfumes through license agreements with leading brands in the high-end ready-to-wear, high fashion, jewelry and accessories sectors. Inter Parfums' success is based on long-term partnerships with brands, customers and suppliers, proven expertise in developing and marketing products and production processes and a streamlined organization that outsources packaging and logistics.

The product launch process is the cornerstone of the company's successful record of growth and expansion. For this reason, the decision to launch a new line is made very early on in the process with the licensor and the cycle of market research up to the product launch may range between 6 and 18 months.

The success of a product is based on the combination of a good dose of creativity and achieving an optimal fit between the following key components of the marketing mix: the brand's overall positioning, its "juice", the bottle, packaging and marketing strategy.

BURBERRY

In July 1993, Inter Parfums entered into an exclusive 10-year license agreement with Burberry Ltd. to create and produce perfumes under the Burberry name and distribute them worldwide.

In October 2004, Inter Parfums signed a new agreement for 12.5 years effective July 1, 2004 with an option for an additional five years subject to mutual agreement of the parties.

Lines distributed are:
Burberry (1995), *Burberry Week end* (1997), *Burberry Touch* (2000), *Burberry Brit* (2003/2004), *Burberry London* (2006) and *Burberry The Beat* (2008).

Burberry fragrances had sales of €152.9 million in 2007 with gains from all its historic lines and represented 63.2% of total revenue.

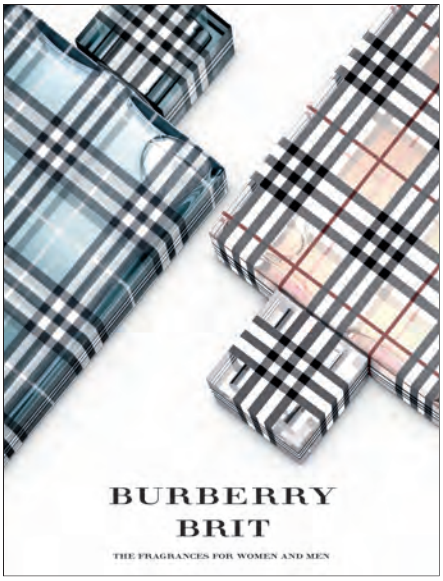
Burberry The Beat
2008

€152.9

million of sales
63.2% of total revenue

Burberry The Beat
2008

Burberry Summer
2007



Burberry Brit
2004/2003

Burberry Summer
2007

2007 awards

Best Luxe Launch for men's fragrance for *Burberry London* by the Canadian Fragrance awards.

Best New Men's Fragrance Print Advertisement for Burberry London by UK FiFi awards.

Best Men's Scent for *Burberry Brit* by Allure magazine's Best of Beauty awards.

Best women's and best men's fragrance in 2007 for *Burberry London* by the LILU awards in Russia.

Burberry London
2006

Burberry Brit
2004/2003

LANVIN

In July 2004, Inter Parfums entered into an exclusive agreement with the company Lanvin to create, develop and distribute fragrances under the Lanvin name.

On July 31, 2007, Inter Parfums acquired the Lanvin brand for class 3 fragrance products and make-up from the Jeanne Lanvin company. On the same day, the two companies mutually agreed to terminate the existing licensing contract signed in June 2004.

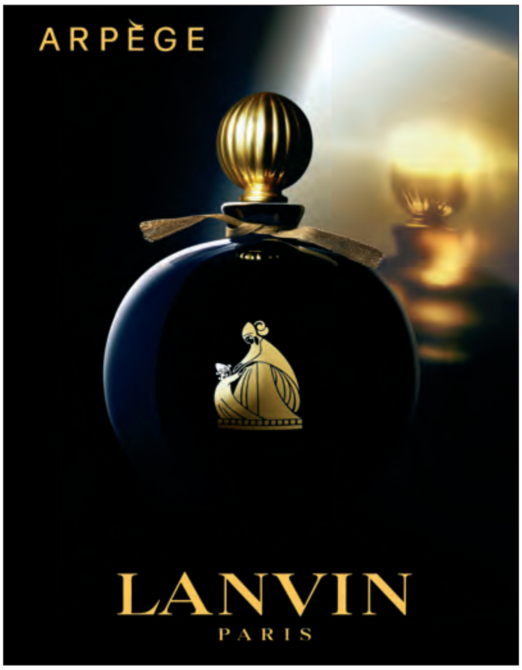
Lines distributed are:
Arpège (1927), *Lanvin L'Homme* (1997), *Eclat d'Arpège* (2002), *Arpège pour Homme* (2005), *Rumeur* (2006) and *Rumeur 2Rose* (2008).

Rumeur 2Rose
2008

€ **33.3**

million of sales
13.8% of total revenue

Rumeur
2006



Arpège
1927

Lanvin L'Homme
1997

Lanvin fragrances had sales of €33.3 million in 2007 boosted by robust growth of the *Eclat d'Arpège* line (13.8% of total revenue).

Éclat d'Arpège
2002

Rumeur
2006

Arpège pour Homme
2005

In December 1998, Inter Parfums entered into an exclusive 12-year agreement with Paul Smith to create and produce perfumes and cosmetics under the Paul Smith name and distribute them worldwide.

Lines distributed are: *Paul Smith* (2000), *Paul Smith Extrême* (2002), *Paul Smith London* (2004), *Paul Smith Story* (2006) and *Paul Smith Rose* (2007).

Paul Smith fragrances had sales of €18 million in 2007 following solid performances by the *Paul Smith Extrême* line and the launch of the *Paul Smith Rose* line (7.4% of total revenue).

€ 18.0

millions of sales

7.4% of total revenue

Paul Smith Rose
2007

Paul Smith Story
2006

Paul Smith Extreme
2002

Paul Smith
2000

Premier Bouquet
2008

First
1976

Tsar
1989

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

Lines distributed are: *First (1976), Pour Homme (1978), Tsar (1989), Van Cleef (1993) and Premier Bouquet (2008)*

Premier Bouquet
2008

Van Cleef & Arpels

Van Cleef
1994

€ 11.9

million of sales
4.9% of total revenue

In July 1997, Inter Parfums entered into an exclusive 11-year agreement with S.T. Dupont to create and produce perfumes under the S.T. Dupont name and distribute them worldwide.

In April 2006, this agreement was extended for an additional three years, i.e. until June 30, 2011.

Lines distributed are: *S.T. Dupont Paris* (1998), *S.T. Dupont Essence Pure* (2002), *L'eau de S.T. Dupont* (2004), *S.T. Dupont Noir* (2006) and *S.T. Dupont Blanc* (2007).

S.T. Dupont had sales of €11.1 million in 2007 that included contributions from the launch of *S.T. Dupont Noir* and renewed growth of the *S.T. Dupont Essence Pure* line (4.6% of total revenue).

€ 11.1

million of sales

4.6% of total revenue

S.T. Dupont Blanc Noir
2007/2006

S.T. Dupont Blanc
2007

S.T. Dupont Essence Pure
2002

S.T. Dupont Paris
1998

Roxy
2007

Launch of the first fragrance line under the Roxy brand: *Roxy* (2007) generated sales of €6.6 in 2007 (2.7% of total revenue).

€ 6.6

million of sales
2.7% of total revenue

In March 2006, Inter Parfums concluded an exclusive 12-year worldwide license agreement with Quiksilver Inc. for the creation, development and distribution of fragrance, sun care, skincare and related products under the Roxy and Quiksilver brands that runs through December 31, 2017.

In September 2007, the license agreement was extended to men's fragrances under the Quiksilver brand.

ROXY

Roxy
2007

Tumulte pour Homme
2006

Tumulte
2005

In March 1999, Inter Parfums entered into an exclusive 12-year agreement with Christian Lacroix to develop and produce perfumes under the Christian Lacroix name and distribute them worldwide.

Lines distributed are:
Eau Florale (2000), *Christian Lacroix Bazar* (2002), *Tumulte* (2005) and *C'est la fête !* (2007).

Christian Lacroix

€ 3.8

million of sales
1.6% of total revenue

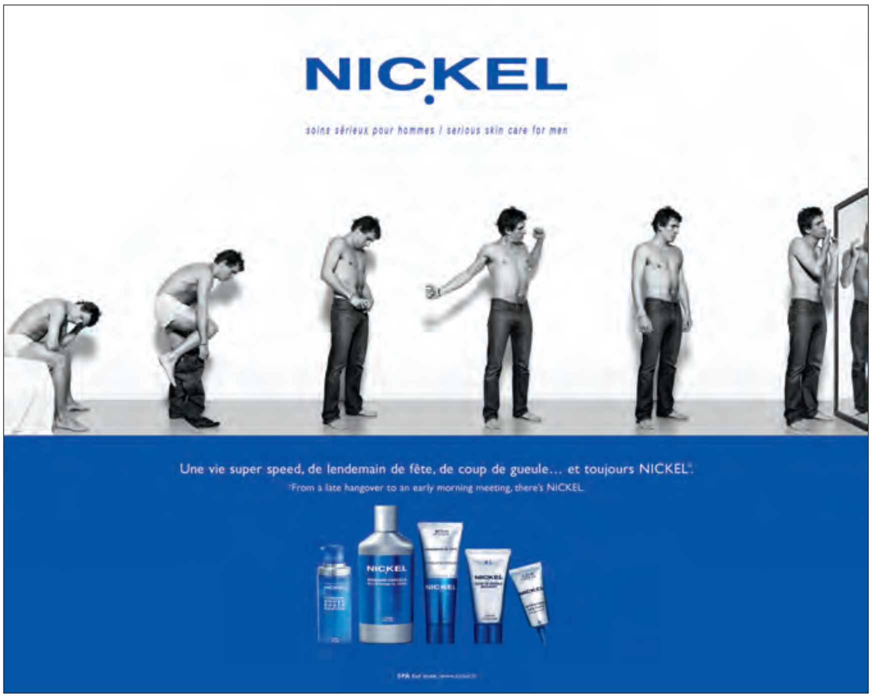
C'est la fête !
2007

Christian Lacroix Bazar
2002

Eau Florale
2000

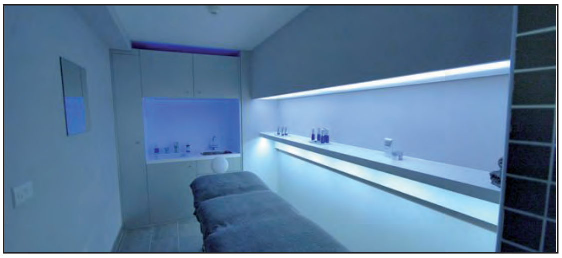
In April 2004,
Inter Parfums acquired a majority stake in Nickel, a company specialized in skincare products for men.

In June 2007,
Nickel became a wholly-owned subsidiary after Inter Parfums acquired company's remaining shares.



Super Speed
2007

Lendemain de Fête
1996



Spa Nickel, Paris
2007

NICKEL

Silicon Valley
2005

€ 3.3

million of sales
1.4% of total revenue

Stronger than expected year-end growth contributed to 2007 consolidated sales of €242.1 million, marginally exceeding guidance issued in the fall and up 12% over 2006. At constant exchange rates, this represented an increase of 15%.

This performance was nevertheless impacted by three adverse market trends:

- the unfavorable euro/dollar exchange rate,
- unintentionally low inventories of Van Cleef & Arpels fragrances until the fall,
- the slower than expected start up of the European distribution subsidiaries.

Despite the absence of major launches, market shares achieved by Burberry fragrances over the years were reinforced by gains from its historic lines: on this basis, sales exceeded the €150 million benchmark for the first time,

Lanvin fragrances met internal targets as a result of the sustained growth of the Eclat d'Arpège line (+16% in 2007, +17% in 2006), the Group's top-selling fragrance, which offset the mixed performance of the Rumeur line launched in 2006,

Paul Smith fragrance sales were also in line with internal expectations following solid performances by the Paul Smith Extrême line and the promising launch of the women's fragrance Paul Smith Rose in the United Kingdom,

Van Cleef & Arpels fragrances, in the initial phase of being integrated in the Group's portfolio, achieved encouraging sales of close to €12 million,

The first fragrance line launched under the Roxy brand contributed sales of €6.6 in the period and met with a mixed response from the market.

SALES BY BRAND

In € millions *As a % of total sales*	2003	2004	2005	2006	**2007**
Burberry	91.4 *73.3%*	118.8 *75.5%*	131.3 *67.5%*	143.3 *66.3%*	**152.9** ***63.2%***
Lanvin	- -	7.6 *4.8%*	29.5 *15.1%*	34.4 *15.9%*	**33.3** ***13.8%***
Paul Smith	11.7 *9.4%*	14.3 *9.1%*	14.5 *7.5%*	17.7 *8.2%*	**18.0** ***7.4%***
Van Cleef & Arpels	- -	- -	- -	- -	**11.9** ***1.9%***
S.T. Dupont	8.9 *7.1%*	8.9 *5.7%*	8.8 *4.5%*	10.1 *4.7%*	**11.1** ***4.6%***
Roxy	- -	- -	- -	- -	**6.6** ***2.7%***
Christian Lacroix	6.0 *4.8%*	3.7 *2.3%*	4.9 *2.5%*	4.0 *1.8%*	**3.8** ***1.6%***
Nickel	- -	1.7 *1.1%*	3.1 *1.6%*	4.1 *1.9%*	**3.3** ***1.2%***
Other	6.6 *5.4%*	2.4 *1.5%*	2.3 *1.3%*	2.6 *1.2%*	**1.2** ***0.4%***

significant

present in more than 100 countries with international markets accounting for 90% of sales

america

Argentina
Greta

Brazil
Mextra

Canada
Clarins Canada

Colombia
Grupo Wisa

United States
Procter & Gamble

Mexico
Clarins Mexico

26.5%
of sales
of which 20.2%
in the US

€64.2m

asia

China
Eternal Optical

South Korea
IPC Tong Sang

Japan
Bluebell

Singapore and Taiwan
Luxasia

13.0%
of sales

€31.6m

europe

Germany
Inter Parfums Deutschland Gmbh, Selective Beauty

Spain
Inter Espana Parfums et Cosmétiques S.L., Hevige

Italy
Inter Parfums srl

Poland
Selective Beauty

Portugal
Luso Helvetica

United Kingdom
Inter Parfums Ltd, Kenneth Green

Russia
IFD

Turkey
Te Ha Guzellik

51.9%
of sales
of which 34.4%
in Western Europe

€125.7m

middle east

Saudi Arabia
Radwa, National Marketing

Dubai
Création Alexandre, Ghadeer Trading

Kuwait
Habchi Chalhoub, Wahran Trading

7.7%
of sales

€18.6m

Western Europe (excluding France) remained the Group's largest market (more than 30% of total sales).

The continued success of Burberry fragrances in the **United States** fueled strong growth in volume in North America.

France, benefited from the first contributions from Van Cleef & Arpels fragrances (+33%).

internationalsales

an international network

International distribution is assured through independent companies, subsidiaries of major luxury goods corporations, duty-free operators (airports, airlines, etc.). They have exclusive rights to distribute one or more of the company's brands in a specific territory.

a diverse range of channels

Inter Parfums has created four majority-held European distribution subsidiaries with local partners:
- Germany, in partnership with Nobilis,
- United Kingdom, in partnership with Fragrance Factory,
- Italy, in partnership with Selective Beauty,
- Spain, in partnership with Colomer.

french distribution

The French sales team handles French distribution directly. The network of sales outlets breaks down as follows:
- integrated chains (Sephora, Marionnaud, Nocibé, etc.),
- franchise stores (Beauty Success, Passion Beauté, etc.),
- department stores (Galeries Lafayette, Printemps, Samaritaine, BHV, etc.),
- traditional perfumeries.

The French sales team also handles merchandising (shelf management, product placement in stores, sales promotion and event planning) which are key contributors to the company's growth.

continued growth in the selective distribution market in 2007

The French beauty market for all distribution channels combined (specialized points of sale, large food retailers, perfumeries, department stores, pharmacies and parapharmacies) that accounts for approximately one third the worldwide market totaled €5.6 billion in 2007, up 4% in relation to 2006.

In the selective distribution market (Sephora, Marionnaud chains, etc.), beauty grew 5% in 2007 to €2.9 billion following growth of 3% in 2006 and a retreat of 2% in 2005. This growth was driven by gains in the men's segment, price increases and the accelerating expansion of skin care lines. In volume, the market expanded 2% following flat growth in 2006 and a 5% decline in 2005.

Growth in the company's target segment of perfumes that represents two thirds of the selective distribution market was more robust, expanding 5% in value and 4% in volume. The importance of new products for men has increased significantly from one year to the next whereas the classic women's fragrances have maintained good performances.

Sources: NPD, IMS, IRI, Natixis.

market share and competition

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

Source: Internal estimates.

In an industry highly concentrated around major players with billions of euros in sales, Inter Parfums pursues a unique strategy of steadily and methodically developing a portfolio of perfumes for selective distribution based on internationally renowned brands.

Although Inter Parfums' closest competitors do not develop mass market or cosmetics products, several large corporations have perfume divisions with comparable strategies.

sustainable development

1.
social responsibility

Over the years, Inter Parfums has developed a corporate culture built around creativity, teamwork and the development of privileged relationships with clients and suppliers based on trust and respect for commitments.

Inter Parfums management and employees share strong values in respect to working conditions, equal opportunity employment, wage negotiations and employee training. These values that today represent the foundations for sustainable growth reflect the contribution of the cultural diversity and rich experience of our workforce.

	2005	2006	2007
Total workforce	112	128	**145**
officers and managers	59	68	**77**
Average age (years)	36	36	**36**
Average seniority (years)	5	6	**6**

License agreements were concluded in 2006 for the Quiksilver and Van Cleef & Arpels brands and there are a significant number of projects in the pipeline for all portfolio brands. To meet these challenges, the company has strengthened its workforce in all areas that increased in consequence 13% in 2007.

Employee representation

As required by law, elections are held every two years to select a works' committee and employee representatives. The last elections, held in early 2007, did not elect either a workers' committee or employee representatives.

The workweek organization

An agreement on the implementation of the 35-hour workweek in France was reached in 2000. Under the terms of this agreement, employees generally work on a basis of a 35-hour workweek with a 217-day work year. Members of the personnel are entitled to 10 days of reduced working hours benefits (RTT) per year.

The company's absenteeism rate was 2.7% in 2007 (4.4% in 2006) principally due to maternity leaves.

Employee compensation and benefits

Inter Parfums has a compensation policy, a system of job classifications and performance evaluations uniformly applied to all employees. These procedures guarantee equal treatment of men and women employees and ensure the general cohesion of personnel.

Employees of the company and its subsidiaries also benefit from variable incentive compensation linked to the performance of the Group.

Inter Parfums also promotes employee stock ownership through annual stock option plans available to all employees.

Statutory employee profit-sharing

In accordance with applicable legislation, an employee profit-sharing agreement was implemented on December 20, 2001. The amount paid for 2007 was €1,200,000 (compared with €990,000 in 2006).

Promoting the acquisition of new skills

All Inter Parfums employees are offered training to develop technical, management or personal skills.

Inter Parfums has also undertaken measures to ensure that eligible employees are fully informed of their rights to individual training benefits under French law (*Droit Individuel à la Formation*).

ORGANIZATION
AT MARCH 1, 2008

CHAIRMAN AND CHIEF EXECUTIVE OFFICER
Ph. Benacin

PRODUCTION & LOGISTICS	BURBERRY FRAGRANCES	LUXE & FASHION	FRENCH DISTRIBUTION	FINANCE & CORPORATE AFFAIRS
A. Marot	**H. de La Chevasnerie**	**F. Garcia-Pelayo**	**J. Ayer**	**Ph. Santi**
22 employees	24 employees	31 employees	41 employees	24 employees

Production & Logistics

The production process combines high quality and strict compliance with deadlines essential to produce several million units a year. A team of 22 under Axel Marot manages sourcing, supplier relations, quality assurance and cost control.

Burberry Fragrances

Reflecting the volume of business of the brand and distinct terms and conditions of the license agreement, the Burberry Fragrances division is specifically devoted to marketing and international distribution of this brand. Created on March 1, 2005 it has 24 employees and is headed by Hugues de La Chevasnerie.

Luxe & Fashion

Frédéric Garcia-Pelayo leads a dedicated team of 20 professionals responsible for product development, marketing and international distribution for the Paul Smith, Van Cleef & Arpels, S.T. Dupont, Christian Lacroix, Celine and Lanvin brands.

To effectively address the specificities of the Nickel brand, product development, marketing and management of the spas are managed by a team of 11 that are part of the Luxe & Fashion Division.

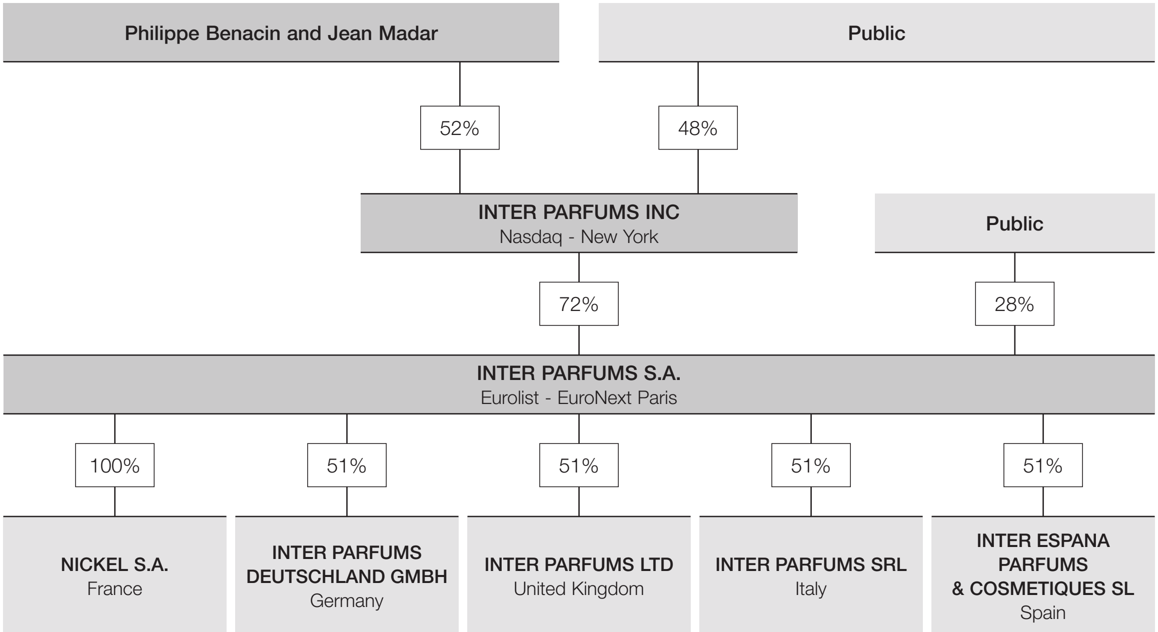
French Distribution

Jack Ayer's staff of 41 handles the company's distribution strategy and management, contract negotiations and monitors profit margins and advertising expenditures in France.

Finance & Corporate Affairs

Philippe Santi heads a staff of 24 responsible for financial strategy and communications, investor relations, accounting, budgets, cost accounting, labor relations, tax and legal services, cash management and collection.

THE OWNERSHIP STRUCTURE OF INTER PARFUMS INC. BROKE DOWN AS FOLLOWS AT DECEMBER 31, 2007:



Inter Parfums and its subsidiaries

The consolidated Group is structured around two sales companies - Inter Parfums for perfumes and Nickel for skincare.

To pursue its international development, Inter Parfums set up new distribution subsidiaries on January 1, 2007 in the four key European markets of Germany, Spain, Italy and the United Kingdom. These subsidiaries are 51%-owned by Inter Parfums and 49%-owned by local distributors.

Inter Parfums and its parent company

Founded in 1985, the U.S. company Inter Parfums Inc. is listed on NASDAQ (see company organization chart) and has business activities in two areas:

- mass market perfumes aimed mainly at the U.S. consumer market and developed by its wholly owned U.S. subsidiary, Jean-Philippe Fragrances LLC,
- prestige perfumes aimed at the global selective perfumes market and developed by its French subsidiary, Inter Parfums (72%-owned at December 31, 2007 via Inter Parfums Holding).

The US company develops and sells products under license agreements principally under the Gap, Banana Republic, New York & Company and Brooks Brothers brands.

INTER PARFUMS INC CONSOLIDATED FINANCIAL HIGHLIGHTS

In $ millions (1)	2003	2004	2005	2006	2007
Sales	185.6	236.0	273.5	321.1	**389.6**
Net income	13.8	15.7	15.3	17.7	**23.8**
Shareholders' equity	104.9	126.5	127.8	155.3	**192.7**
Net cash	59.0	41.0	59.5	71.0	**90.0**

(1) 1 Euro = 1,47 USD at December 31, 2007.

team spirit,
motivation
and commitment
in the service
of common
objectives: key
strengths of our
corporate culture

2. the environment

Inter Parfums' business focuses principally on the creation and distribution of products. For this reason, the entire production process is outsourced to manufacturing partners. These include producers of juice, glass, caps and cardboard boxes and packaging companies. With no production activities of its own, Inter Parfums does not own laboratories or manufacturing sites.

Even though it operates in a sector less polluting than other industries, Inter Parfums is committed to preserving the environment and quality of life. For this reason, it remains involved in the production process and coordinates with all subcontractors and suppliers who manufacture its products and are directly responsible for their impact on the environment.

Low energy requirements

Inter Parfums' consumption of water and energy is limited to normal office usage in the administrative premises that house 110 of its 145 employees and in commercial premises where 35 employees work.

Recycling

The company constantly strives to reduce the already low impact of its business on the environment by investing in the treatment and recycling of the packages, cardboard boxes and glass left once its customers have finished using its products. With this objective, through its participation in the "*Eco Emballage*" packaging recycling program, Inter Parfums contributes to waste management and recycling.

The minimization of environmental impact

To balance product quality and aesthetics with environmental considerations, Inter Parfums takes care to reduce packaging volumes at the source and select the appropriate materials at each stage of production to ensure optimal conditions for their recycling or disposal. Accordingly, Inter Parfums selects partners using cutting-edge design techniques with a commitment to reduce the impact of manufacturing processes on the environment.

The bottles of its products are made of recyclable glass and the production process provides for a system of recuperation, grinding and recasting of certain bottle components, which generates savings in volume of materials used of 20%. A biodegradable water-soluble solution that does not harm the environment is used in the coloring of some of its bottles. The process of coating used for certain products is compliant with the law of 2005 destined to reduce emissions of volatile organic compounds (VOC) in the air y the use of "hydro coating". This commitment to environmental responsibility is also a criteria in selecting subcontractors.

A commitment to well-being

Even though Inter Parfums does not manufacture its products itself, it nevertheless ensures their introduction on the market and is consequently responsible for ensuring their inoffensiveness to the skin and eyes. Within this framework, it ensures that its products are not subject to any tests on animals and maintains a scientific watch for the development of "alternative" tests and cell culture tests. It also ensures compliance with national and European regulations and notably the "Cosmetics Directive" which prohibits the use of certain animal derivatives such as lanolin.

Inter Parfums' actions in this area exceed that of a simple coordinator by increasing its partners' awareness of environmental issues and staying informed of the business practices of its subcontractors and suppliers. All this forms part of Inter Parfums' commitment to preserving the environment, which is, after all, everyone's responsibility.

3. risk factors

Operating risks

License agreements

The licensing system which is typical in the perfume and cosmetics industry consists of a brand name company (Christian Lacroix, Lanvin, etc.) granting the licensee (Inter Parfums) the right to use the brand name in exchange for a royalty payment typically indexed to sales. The risk pertains to the potential non-renewal of agreements upon expiration.

In the case of Inter Parfums, several factors tend to limit or eliminate this risk:

- length of contracts (10 years or more),
- possibility of early renewal,
- diversified portfolio of licensed brands,
- factors specific to the company (sophisticated marketing, distribution network, corporate organization, etc),
- limited number of potential licensees with a similar profile.

Market conditions

The creation and distribution of prestige perfumes is a highly competitive sector. The positioning of companies in the market depends on several factors including notably historical expertise, the quality of the products created and the distribution network.

Insurance

Inter Parfums has always carried adequate insurance for its activities worldwide under conditions that comply with industry standards, providing global coverage for important risks and activities.

This coverage includes:

- property damage and business interruption,
- civil liability,
- directors' and officers' liability,
- product liability,
- transport.

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

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

International business risks

Currency risks

Since 1995, Inter Parfums has applied a conservative approach in managing exchange rate risk, seeking only to hedge its exposure from operations and maintain its gross margins. Forward sales are routinely carried out mainly on the U.S. dollar and the pound sterling. In 2007 they accounted for 33% and 10% of total billings respectively. In addition, the impact of sharp fluctuations in the U.S. dollar on the gross margin can be partially offset by adjusting the products' sales prices.

Country risks

With sales in more than 100 markets, Inter Parfums regularly reassesses country risks.

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

Given our collections policies, receivables monitoring and the quality of our distributors' financial health, no country risk reserve allocations were made in the financial statements for the year ended December 31, 2007.

Employee-related risks

In light of the company's organizational structure, the role of personnel is decisive. To foster personnel retention and increase the level of expertise and service provided to customers, the company has developed a strong corporate culture and implemented a system of employee management and motivation based on a combination of tools including variable compensation, employee profit-sharing, stock options available to all personnel, annual review meetings, continuing education, etc.

The company's rate of employee turnover and absenteeism is very low (refer to the chapter "social responsibility" of this document).

Trade and financial risks

Customer risks

Trade receivable collection risks are managed from the inception of the receivable by maintaining a good knowledge of the company's market and customer base and limiting the volume of orders for new customers. In addition, this risk is further attenuated by being spread among 100 customers accounting for 80% of sales. The evolution of outstanding trade receivables is monitored daily, and collection procedures are immediately implemented. The rate of default of trade receivables is 0%.

Risks of default

The risk of not meeting its financial commitments for the company is extremely low given the ratio of non-current debt to equity of 22% and significant net cash resources representing 21% of total balance sheet.

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

Valuation risks

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

Risk associated with in adequate internal controls

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

These internal controls are reinforced in France by the Sarbanes Oxley act within the framework of the regulatory obligations of Inter Parfums Inc (parent company of Inter Parfums S.A.) and its listing on NASDAQ (refer to the section of this document on internal control).

Information technology risks

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

The company's computer system is subject to risks of breakdown, electrical power outages, computer viruses and data theft. To reduce these risks, the company has recourse to powerful systems such as power converters, firewalls, antivirus programs, etc.

corporate governance

1. corporate governance

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

The Board of Directors

In spring 2004, the company strengthened the Board of Directors, up until then with four members, by appointing new board members for renewable six year terms to benefit from their additional expertise and experience. On December 31, 2007 the Board of Directors had 10 members.

In line with recommendations applicable in France on corporate governance of the AFEP-MEDEF report, the board ensures the presence of independent directors subject to the following conditions:

- the director is not an employee or corporate officer (*mandataire social*) of the company, nor an employee or director of its parent company or of one of its consolidated subsidiaries, and has not been one during the previous five years,
- the director is not a corporate officer of a company in which the company holds, either directly or indirectly, a directorship, or in which a directorship is held by an employee of the company designated as such or by a current or former (going back five years) corporate officer of the company,
- the director is not a supplier, investment or commercial banker of the company or any company included in the scope of consolidation,
- the director does not have any close family ties with a corporate officer of the company,
- the director has not been an auditor of the company over the past five years,
- the director has not been a director of the company for more than 12 years, and
- the director does not have any legal ties with a shareholder owning directly or indirectly more than 10% of the share capital or voting rights.

On the basis of these criteria, the board includes two independent directors, Maurice Alhadève and Michel Dyens.

Composition of the board and profiles

As of December 31, 2007 the composition of the Board of Directors was as follows:

Philippe Benacin, Chairman and Chief Executive Officer of Inter Parfums (appointment renewed April 23, 2004, expiring at the close of the 2010 annual shareholders' meeting).

Philippe Benacin, 49, a graduate of the ESSEC business school and cofounder of the company with his partner Jean Madar, has served as Chairman and Chief Executive Officer of Inter Parfums S.A. since its creation in 1989.

Other appointments: Chairman of the Board of Directors of Inter Parfums Holding. Director of Nickel (appointed by the Board of Directors' meeting of October 3, 2007). President and Vice Chairman of the Board of Inter Parfums Inc (United States).

Jean Madar, Director (appointed 23 April 2004, expiring at the close of the 2010 annual shareholders' meeting).

Jean Madar, 47, a graduate of the ESSEC business school, is the cofounder of the company with his partner Philippe Benacin.

Other appointments: Chief Executive Officer of Inter Parfums Holding, Director of Nickel, Chief Executive Officer and Chairman of the Board of Inter Parfums Inc (United States).

Marianne Benacin, Director (appointment renewed April 23, 2004, expiring at the close of the 2010 annual shareholders' meeting).

Other appointments: none.

Raoul Madar, Director (appointment renewed April 23, 2004, expiring at the close of the 2010 annual shareholders' meeting).

Other appointment: Director of Inter Parfums Holding.

Maurice Alhadève, Independent Director (appointed by the shareholders' meeting of April 23, 2004, expiring at the close of the 2010 annual shareholders' meeting).

Other appointments: none.

Michel Dyens, Independent Director (appointed by the shareholders' meeting of April 23, 2004, expiring at the close of the 2010 annual shareholders' meeting).

Other appointments: Director of Direct Panel, Chief Executive Officer of Michel Dyens & Co.

Jean Levy, Director (appointed by the shareholders' meeting of April 23, 2004, expiring at the close of the 2010 annual shareholders' meeting).

Other appointments: Director of Inter Parfums Inc (United States), Director of Price Minister S.A., Director of Axcess Groupe S.A.

Patrick Choël, Director (appointed by the shareholders' meeting of December 1, 2004, expiring at the close of the 2010 annual shareholders' meeting).

Other appointments: Director of Inter Parfums Inc (United States, Director of Parfums Christian Dior, Director of Guerlain, Director of Modelabs.

Catherine Bénard-Lotz, Director (holder of an employment contract preceding the appointment by the shareholders' meeting of April 23, 2004, expiring at the close of the 2010 annual shareholders' meeting).

Other appointments: Director of Nickel.

Philippe Santi, Director and Executive Vice President (holder of an employment contract preceding the appointment by the shareholders' meeting of April 23, 2004, expiring at the close of the 2010 annual shareholders' meeting).

Philippe Santi, 46, a graduate of the *Ecole Supérieur de Commerce* of Reims and a public accountant has served as the Chief Financial Officer of Inter Parfums S.A. since 1995 and Executive Vice President since 2004.

Other appointments: Director of Nickel.

Absence of condemnations

To the best of the Company's knowledge, in the last five years none of the members of the Board of Directors have been:

- convicted for fraud or penalties for infractions rendered by statutory or regulatory authorities,
- involved in a bankruptcy, receivership or liquidation proceeding as a director or officer,
- disqualified from serving as a director or officer or participating in the management of the operations of an issuer.

Absence of potential conflicts of interest

To the best of the Company's knowledge, there exist no potential conflicts of interest between the duties towards the company and the personal interests and/or other duties of one of the members of the board.

Absence of service contracts with board members

To the best of the Company's knowledge, none of the board members is bound by service agreements with the company or one of its subsidiaries providing for the grant of benefits under its terms.

2.
management committee

Mission

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

Composition as of December 31, 2007

Philippe Benacin, Chairman and Chief Executive Officer.

Philippe Santi, Executive Vice President, Chief Financial Officer.

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

Hugues de la Chevasnerie, Vice President Burberry Fragrances.

Jack Ayer, Vice President, French Distribution.

Axel Marot, Vice President, Production & Logistics.

The Management Committee met six times in 2007 (six times in 2006) and discussed the following items of business:

January: 2006 forecasted earnings, 2007 budget, 2007 launches, new license projects, Biarritz customer seminar;

March: first-quarter sales, orders, marketing projects, creation of European subsidiaries;

May: second-quarter sales, first-half earnings, 2008 launches, Van Cleef & Arpels production and inventory, Nickel, new license projects;

July: first-half sales, first-half earnings, internal organization, acquisition of Lanvin trademarks and brands, new license projects;

October: orders, annual sales, price policy dollar impact, Paul Smith Rose and Roxy launches, joint ventures, IT projects;

November: 2007 earnings, 2008 budgets, marketing plan, 2008 launches, joint ventures, new license projects.

3.
chairman's report on the work of the board and internal control

Pursuant to the provisions of paragraph 6, article L. 225-37, of the French commercial code the Chairman of the Board of Directors hereby reports on the:

- terms and conditions governing the preparation and organization of the Board's work for the period ended December 31, 2007,
- internal control procedures implemented by the company,
- the powers of the Chairman and Chief Executive Officer.

Terms governing the preparation and organization of the Board's work

Terms governing the work of the Board of Directors

Under the company's bylaws, the Board of Directors may have three to eighteen members.

At December 31, 2007, corporate governance of the company was overseen by a Board that included 10 directors two of which qualified as independent directors. Detailed information on the composition of the Board of Directors is disclosed in the registration document (annual report) in the section on directors and officers.

Directors are appointed for six year periods that expire at the end of the ordinary general meeting called to rule on the financial statements for the period ended held in the year in which their appointment expires.

Pursuant to the decision of the Board of Directors on December 29, 2002, Philippe Benacin, who exercises the functions of Chairman of the Board of Directors, also serves as the Chief Executive Officer of the company. In relations with third parties he is vested with all powers to act in the name of the company within the limit of the powers expressly granted by shareholders' meetings to the Board of Directors.

In compliance with article 15 of the bylaws, the Board of Directors determines the strategic objectives of the company and ensures their implementation, within the scope of the corporate charter and subject to those powers expressly granted by law to shareholders' meetings. It performs all controls and verifications it considers appropriate. Each director receives all information necessary to the performance of his or her duties and may request any documents considered necessary.

The Board of Directors met nine times in 2007 with an average attendance rate of 67%.

In the period under review, the Board of Directors addressed the following items of business:

- review of the parent company and consolidated annual and interim financial results,
- review of the fiscal 2007 budget and outlook,
- analysis of the company's strategic, economic and financial priorities,
- acquisition projects,
- acquisition of the Lanvin brand for fragrances.

Auditors attend all Board of Directors' meetings held to review the financial statements upon notification by letter or any other means provided for under the bylaws.

Information concerning directors

In accordance with provisions of the bylaws, directors are provided with all documents necessary to perform their duties. Before each board meeting, directors examine the texts and documents relating to the items of business sufficiently in advance to effectively prepare for the meetings.

In addition in connection with Board meetings, Directors may be regularly provided with all material information concerning the company.

Internal control procedures

Internal control refers to a set of processes, methods and measures defined by general management to ensure a coherent and effective system of corporate governance and management of company operations.

Internal control procedures implemented by Inter Parfums management that apply to all Group companies are destined to provide a reasonable assurance that the following objectives are met:

■ safeguarding corporate assets,

■ identifying, limiting and avoiding risks of errors and other irregularities in the management of operations,

■ ensuring the accuracy and thoroughness of accounting and financial information,

■ compliance with laws and regulations.

One of the objectives of internal control is to manage and prevent risks resulting from the activity of the company and risks of material errors or fraud, particularly in accounting and financial areas. An in-depth review of the risk factors affecting Inter Parfums is presented in the management discussion and analysis.

However, no system of internal control can provide an absolute guarantee concerning the elimination of risks and the effective implementation of procedures.

1. General overview of internal control procedures

The organization of the Inter Parfums Group is centralized at the level of the Inter Parfums company that assures the main activity of the Group. To this purpose, it possesses a significant administrative and commercial organization that it makes available to other Group companies. Relations with Inter Parfums are governed by assistance agreements, service agreements, the provision of personnel and equipment. Fees are invoiced for the latter in proportion to the level of services rendered.

Members of the Finance Department team actively participate in overseeing internal control procedures, intervening both on a top-down and a transversal basis. In consequence they play a decisive role in the way internal controls are exercised by management.

The key internal control procedures of Inter Parfums are based on the following priorities, defined in terms of their impact on assets and/or results:
■ key operating processes in the management of production, sales to distributors and the management of the company image,

■ processes and managing resources, and notably cash and currency hedges, human resources, committed fixed costs and overhead, monitoring capital expenditures and tax obligations, monitoring the settlement of trade receivables,

■ the processing and communication of accounting and financial information.

These processes generate information concerning sales objectives, risks and internal control strategies. An interface for information generated by the different units responsible for managing internal control procedures in their respective areas to general management contributes to an effective decision-making process.

Reflecting the importance of internal control, General Management has implemented a program destined to raise awareness about this issue. To this purpose, it has produced a guide of internal procedures describing in detail the main operating and financial processes covering notably sales/customers, sourcing/suppliers, inventory, IT systems and personnel/payroll. This manual also provides detailed information about the procedure for expense requests and signature authorizations for bank accounts. In addition, the company has developed an information technology charter for all personnel to ensure that information technology resources are operated in an environment that ensures the security of the company's computer network.

The Chairman and Chief Executive Officer who decides the strategic objectives of the company in terms of sales, accounting and finance, is responsible, in coordination with the Finance Department, for developing internal control procedures and resources to be deployed for this purpose and verify their application by each department. The Finance Department monitors their implementation and effectiveness.

In general, the organization of the company is assured through five main departments (Production & Logistics, Burberry Fragrances, Luxe & Fashion, French Distribution and Finance & Corporate Affairs) reporting on their activity to Executive Management on a monthly basis which constitutes the preferred system of oversight and control.

The system of monthly reporting implemented by Inter Parfums facilitates the analysis of financial performances and cash flows in addition to operating and net income forecasts for the period in progress. This reporting system provides the basis for tracking income statement aggregates for each operating entity in relation to budget and actual of prior year.

With its reporting system and streamlined decision-making channels involving direct reporting of the different operating entities to the Chairman and Chief Executive Officer, the company is able to be highly responsive be very responsive and benefits from good visibility concerning its economic and financial position in relation to budget targets and past performances.

1.1 Key operating processes: product design and development, the management of production, sales to distributors

Based on the strategic goals set by the Chairman and Chief Executive Officer, managers of each operating entity concerned produce an annual budget presented to the latter for approval. This budget will then be implemented according to a process uniformly applied to all departments.

Accordingly, as soon as the Chairman and Chief Executive Officer has decided to develop a new product, Marketing & Creation, establishes a budget for the creation and launch of the new products or promotional products subject to the agreement of the Chairman that will provide the basis for determining the amounts and allocations.

Once the process of launching the new products has been put into motion, Production & Logistics begins the production phase by developing a budget for the purchase of the components necessary for the production of the finished product according to the brief defined by Marketing & Creation. The budget process implemented is fundamental and provides a means to ensure the optimal management of production costs for products.

The strategic business units (Burberry Fragrances, Luxe & Fashion and French Distribution) produce monthly sales budgets that will serve as the basis for comparison with the subsequent monthly reporting of actual sales. A rigorous planning process for sales, regular periodic budget revisions and meetings to monitor performances by the Finance Department and Executive Management provide the basis for a reliable reporting system.

1.2 Resource management process of the Finance Department

The Finance Department is responsible for the resource management process which covers financial communications, accounting, consolidation, legal affairs, management control, cash management and information systems.

The Finance Department, is possible for centralizing Group cash management and the production of coherent Group financials ensures that all internal control procedures have been implemented to guarantee the reliability of the organization of accounting, reporting and financial statements necessary to safeguard the corporate assets, comply with the dates for recognizing transactions ensuring the reality of the transactions and the exhaustive nature of information.

In this respect, the Finance Department determines notably the framework for the management of foreign exchange, cash pooling, trade receivable risks, human resources, committed fixed costs and overhead, monitoring capital expenditures and compliance with tax obligations.

This department establishes the consolidated financial statements of all Group companies under IFRS and US GAAP and, within this framework, develops methods, standards and accounting guidelines to ensure the exhaustive nature, fair presentation and accuracy of accounting and financial information within a timetable that complies with reporting requirements imposed by financial market and legal obligations.

Accordingly, in connection with procedures for closing accounts and consolidation, the Finance Department defines for each operating and financial process, the framework for special treatment, useful information, the parties concerned and the deadlines for reporting to the accounting department.

1.3 Relations with statutory auditors

Accounting and financial information are certified by a team of two auditors that:

- perform a limited review of the interim financial statements,
- conduct a full audit of the annual financial statements.

Following the completion of their work, their analysis of the financial statements of the company are presented at meetings.

They also perform reviews of procedures which completes the internal process of evaluation by notably verifying the conditions according to which internal control procedures are managed and the effectiveness of these internal controls in respect to the accuracy of financial information.

2.
Implementation of internal controls

2.1
Operational processes

The internal controls specific to each department are notably as follows:

■ Marketing & Creation: comparing the budget with actual in relation to expenses associated with design and creation costs and advertising campaigns (Burberry Fragrances, Luxe & Fashion and French Distribution),

■ Production & Logistics: effectively managing production cost and ensuring that the quantities of components ordered are in line with production needs,

■ Burberry Fragrances, Luxe & Fashion and French Distribution: monitoring sales activity, the contribution to the company for advertising expenses by distributors and the corresponding margins.

To ensure the reliability of the entire process and the resulting financial data, the management controller works very closely with line management in developing, monitoring and approving budgets and proposing necessary adjustments in response to variances in performance. This undertaking makes it possible to respond early on in the process to fluctuations in trends and rapidly take the actions made necessary in consequence.

2.2
The resource management process

Internal controls at this level are destined to ensure that:

■ financial statements are prepared in compliance with applicable accounting rules and principles, disclosure requirements imposed by financial markets and legal obligations. Since 2004, the company has prepared its financial statements under IFRS,

■ in connection with cash management, bank reconciliations are performed monthly and reviewed and foreign exchange hedges regularly monitored,

■ the budget monitoring process ensures the reliability of the resulting financial information,

■ the monitoring of tax obligations contributes to optimal management of tax of related payments in light of their impact on the tax income and the provision for corporate income tax. Similarly, internal controls focus on determining the impact of international tax regulations in respect to the nationality of the licensors to which the company pays royalties and for which it establishes statements for withholding tax,

■ property, plant and equipment and intangible assets are regularly monitored to be remeasured in the balance sheet at fair value,

■ information systems are also regularly updated. The management of information systems risks is based notably on an effective system of the regular data backup and a process involving the regular verification of the security of the information technology organization and the different systems in place.

2.3
The processing and disclosure of financial and accounting information

Internal controls consist of:

■ conducting quarterly reconciliations of the amount of the purchase of components produced by the sales management with amounts included in the financial accounting, in order to assess the comprehensive nature of flows concerning purchasing, credit receivable and purchases prepaid before fiscal year-end (the cut-off purchasing procedure),

■ assessing the reliability of procedures for permanent and rotating inventories by performing a reconciliation of Inter Parfums' permanent inventory with the inventory available for packaging products and analyzing eventual variances,

■ determining within the framework of sales management that information on sales flows, accrued credit notes and deferred revenue d before fiscal year-end is complete (the "sales cut-off" procedure). Controls are performed by crosschecking consolidated sales with sales figures generated by the commercial management and the consolidated gross margin with the gross margin produced by the commercial management,

■ identifying at the level of the management of customer orders, sales involving credits and/or the return of merchandise, analyzing the accounting treatment at the level of incoming inventory and ensuring the effectiveness of the means implemented to determine the amount of year-end discounts,

■ ensuring a rigorous management of trade receivable risks by daily monitoring the authorized level of outstanding credit granted to customers in connection with the monitoring of the settlement of invoices,

■ ensuring strict management of advertising expenses and commitments by identifying potential budget adjustments (cancellation or postponement of campaigns, additional promotional initiatives) that may have an impact on the year-end cut-off by verifying the methodology applied to monitor advertising commitments and royalties resulting from the company's contractual obligations.

3.
Evaluation of internal control procedures

Since 2004, the company implemented measures for the self-assessment of internal controls to strengthen procedures implemented throughout the Group. It retained the consulting firm Ernst & Young to assist in an internal audit for the purpose of independently assessing the quality of the internal control procedures implemented by the Group. In line with this continuing process of self-assessment, this mission was renewed in 2005, 2006 and 2007.

The purpose of this mission, performed in accordance with standards applicable within the framework of the US Sarbanes Oxley Act (article 404) is to determine the existence and reliability of the operating processes the accuracy of reporting or information systems and identifying the key risks and associated controls for the principal operating and administrative entities.

Within the framework of this mission, the audit consists of conducting a general overview of the organization of internal control to obtain a description of the internal control system by sending managers a sample of entities selected according to the degree of risk they generate for the company when they have an impact on the company's financial statements, a self-assessment questionnaire to measure the application of internal controls on the basis of voluntary statements. If processes and the associated controls are not formalized or are considered insufficient a remediation plan is implemented by the manager concerned to complete the existing system of internal controls.

This concerns entities involved in the following processes:

- the management of orders and their settlement,
- the management of trade payables,
- inventory management,
- marketing budget management,
- the management of royalties,
- monitoring currency hedges,
- monetary compliance with social security and tax obligations,
- account cut-offs,
- information system management.

On the basis of these questionnaires, the company analyses the description provided and conducts a review of risk areas not yet identified.

These risk areas are identified when internal control procedures for processes are implemented and for which key controls are developed to provide an accurate map of risks. This undertaking is part of an ongoing proactive and preventive approach both at the level of Inter Parfums S.A. and the Group. This work has led to the creation of a strategy for conducting tests in the principal areas concerned.

Every year, after updating all company procedures and identifying, when applicable, new risk areas, the company implements a program of tests and analysis for the year in progress and repeats all tests again. In addition to the assistance by the consulting firm Ernst and Young, the company has a structured internal organization destined to ensure the independence and objectivity of company personnel when conducting these tests. After the different phases of analysis and tests have been completed, Ernst & Young issues a report summarizing control issues and highlighting eventual dysfunctions or potential dysfunctions that could result from inadequate controls. It may be accompanied by a remediation plan to complete and refine existing internal controls and when necessary an action plan to formalize, harmonize and improve internal control procedures for greater effectiveness. In addition to providing technical analysis , this report promotes increased accountability for all persons involved in internal control procedures.

Assessments of these different tests are transmitted to the Finance Department that issues an opinion concerning weaknesses that may have been identified and more generally on the quality of internal control.

4. Tests of internal control procedures conducted in 2007

In November 2007, based on information available to it and after consultation with the different concerned management, the company updated and finalized all its manuals of internal procedures.

It then identified potential risk areas and adapted in consequence the control procedures. Similarly, it reviewed existing key controls to ensure that they adequately addressed the map of risks that was produced.

It was able to validate all internal control procedures. Particular attention was focused on the volume and quality of the sampling according to the following breakdown.

The 70 controls performed based on 61 risks areas concerned the following operating entities:

- sales, 9 controls
- purchasing, 8 controls
- stocks, 8 controls
- royalties, 4 controls
- marketing / advertising, 2 controls
- payroll, 6 controls
- taxes and equivalent, 6 controls
- fixed assets, 5 controls
- cash management, 7 controls
- information systems, 6 controls
- account cut-offs processes, 9 controls

The result of these tests did not indicate any significant control deficiencies.

5. Forecasted trends for 2008

The company assures permanent oversight of organizational changes to anticipate, adapt and optimize internal control procedures in real time. Its internal control procedures are also designed to respond to both regulatory requirements and future issues facing the company.

In 2007, the supply chain planning tool implemented to optimize inventory management, production processes and sourcing from suppliers was tested on a sample of packaging suppliers. In 2008, it is to be expanded to all packaging suppliers.

Following the integration of four new European distribution subsidiaries, in early 2008 the Company adopted budget tracking procedures to facilitate the oversight of these outsourced operations.

In line with this focus on ongoing improvements in internal controls, the company will continue to set new priorities with the following objectives:

- pursue the formalization of procedures,
- strengthen controls over operating and administrative entities within the framework of remediation plans,
- extend testing to new internal control processes,
- quality financial information and effective management of the principal risks and monitoring regulatory requirements.

5. compensation of executive management

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

Cash compensation and benefits of any nature paid by both by the company and entities related thereto in accordance with the provisions of article L.233-16 of the French Commercial Code are disclosed below.

Compensation of officers

Compensation of officers consists of both fixed and variable components. Fixed compensation takes into account the level of responsibilities, experience and performance. Variable compensation is determined in relation to the company's achievement of overall performance objectives and events related to each fiscal year.

On this basis, compensation paid to executives as officers or salaried employees in connection with employment contracts concluded prior to becoming officers is disclosed below.

	Total compensation paid for 2007	Total compensation paid for 2006
Philippe Benacin		
Chairman and Chief Executive Officer		
Net fixed compensation	€153,600	€144,000
Net variable compensation	€115,200	€117,600
Benefits in-kind	€68,100	€65,440
Supplemental executive retirement plans	€7,720	€7,500
Philippe Santi (1)		
Director - Executive Vice President		
Net fixed compensation	€153,600	€144,000
Net variable compensation	€141,600	€125,600
Supplemental executive retirement plans	€7,720	€7,500
Frédéric Garcia-Pelayo (2)		
Executive Vice President		
Net fixed compensation	€153,600	€144,000
Net variable compensation	€141,600	€125,600
Supplemental executive retirement plans	€7,720	€7,500
Catherine Bénard-Lotz (3)		
Director		
Net fixed compensation	€65,300	€61,400
Net variable compensation	€42,400	€31,700
Supplemental executive retirement plans	€7,720	€6,500
Jean Madar (4)		
Director		
Gross fixed compensation	$400,000	$400,000
Gross Bonus	$100,000	-

(1) Compensation paid to Philippe Santi as a salaried employee with the position of Director of Finance and Corporate Affairs under the terms of an employment contract predating his appointment as Executive Vice President (*Directeur Général Délégué*) and Director of the Company that remained in force. Philippe Santi receives no compensation of any nature in connection with his appointment as an officer of the company.

(2) Compensation paid to Frédéric Garcia Pelayo as a salaried employee with the position of Chief International Officer under the terms of an employment contract predating his appointment as Executive Vice President (*Directeur Général Délégué*) and Director of the Company that remained in force. Frédéric Garcia Pelayo receives no compensation of any nature in connection with his appointment as an officer of the company.

(3) Compensation paid to Catherine Bénard-Lotz as a salaried employee with the position of Chief Legal Officer under the terms of an employment contract predating her appointment as Director of the Company that remained in force. Catherine Bénard-Lotz receives no compensation of any nature in connection with her appointment as a company director.

(4) Compensation paid to Jean Madar by the parent company of the Group, Inter Parfums Inc (United States) as the Chief Executive Officer of this company. Jean Madar receives no compensation of any nature from Inter Parfums S.A.

Directors' fees

Directors' fees are allocated to the Board of Directors by the shareholders' meeting for fiscal 2007 for a set amount per meeting attended of €2,500. The fifth resolution of the ordinary shareholders' meeting of April 20, 2007 set the total amount for directors' fees at €60,000.

On this basis, for fiscal 2007 a total of €37,500 was paid to four outside directors for their attendance at meetings. The other directors expressly waived their rights to receive directors' fees.

Directors	Directors' fees
Philippe Benacin (Chairman)	NA
Philippe Santi (Director Executive Vice President)	NA
Maurice Alhadève	€10,000
Marianne Benacin	NA
Catherine Bénard-Lotz	NA
Patrick Choël	€10,000
Michel Dyens	€10,000
Jean Levy	€7,500
Raoul Madar	NA
Jean Madar	NA

NA: not applicable

Stock options and other compensation

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

Benefits in-kind
Philippe Benacin received benefits in-kind for the costs of a company car and housing benefits representing a total amount of €68,100.

Executive retirement plans
Executive officers benefit from a supplemental retirement plan in the form of a defined contribution annuity fund. The benefits of this plan were subsequently extended to senior executives of the company. This contribution which is paid to a private defined contribution pension fund is paid in part by the beneficiaries and in part by the employee for an amount equal four times French Social Security ceiling. The annual contribution per beneficiary is approximately €7,700. The supplemental retirement plan is part of the overall compensation policy adopted by the company for senior executives and managers.

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

6.
special report of the board of directors on stock options

In compliance with article L. 225-184 of the French Commercial Code, this report is produced by the Board of Directors to inform the combined shareholders' meeting of April 25, 2008 of transactions carried out in fiscal 2007 by virtue of the provisions under articles L. 225-177 to L. 225-186 of said code.

1.
Options granted and exercised by each corporate officer of the company in 2007

In fiscal 2007, no new stock option plans were set up by Inter Parfums S.A.

	Number of shares granted/exercised (1)	Subscription price	Expiration date
IP Inc options granted during the period to officers (plan of December 26, 2007)			
Philippe Benacin	19,000	$18.87	12/26/2013
Jean Madar	19,000	$18.87	12/26/2013
IPSA options exercised in the period by officers			
Frédéric Garcia-Pelayo			
Plan of April 27, 2001	4,649 (1)	€17.50	04/26/2008
Plan of August 26, 2002	3,000 (1)	€10.10	08/26/2009
Catherine Bénard-Lotz			
Plan of April 27, 2001	2,760 (1)	€17.50	04/26/2008
Options IP Inc exercised in the period by officers			
Philippe Benacin	50,000	$8.03	12/19/2007
Jean Madar	50,000	$8.03	12/19/2007

(1) Number adjusted for the grant of bonus shares (1 for 10) of June 20, 2007.

2.
Information on options exercised to the ten employees of the company who are not officers having in 2007

	Number of shares granted/exercised (1)	Subscription price	Expiration date
Options exercised by the 10 employees exercising the greatest number			
Plan of March 24, 2000	€22,904	13.80	03/24/2007
Plan of April 27, 2001	€19,298	17.50	04/26/2008
Plan of August 26, 2002	€12,779	10.10	08/26/2009
Plan of August 26, 2003	€3,993	16.60	08/26/2009
Plan of March 25, 2004	€3,993	24.30	03/25/2010
Plan of May 26, 2005	€24,200	22.70	05/26/2011
Total	**€87,167**	**-**	**-**

(1) Number adjusted for the grant of bonus shares (1 for 10) of June 20, 2007.

consolidated financials

CONSOLIDATED INCOME STATEMENT

In € thousands, except per share data which is in units	Notes	2006	2007
Sales	4.1	**216,235**	**242,123**
Cost of sales	4.2	(92,334)	(94,694)
Gross margin		**123,901**	**147,429**
% of sales		*57.3%*	*60.9%*
Selling expenses	4.3	(88,194)	(106,728)
Administrative expenses	4.4	(6,525)	(8,067)
Income from current operations		**29,182**	**32,634**
% of sales		*13.5%*	*13.5%*
Other operating income and expenses	4.5	-	(822)
Income from operations		**29,182**	**31,812**
% of sales		*13.5%*	*13.1%*
Interest income		995	1,682
Interest and similar expenses		(1,223)	(2,356)
Net finance costs		**(228)**	**(674)**
Other financial income and expenses		159	(162)
Net financial expense	4.6	**(69)**	**(836)**
Income before income tax		**29,113**	**30,976**
% of sales		*13.4%*	*12.8%*
Income tax	4.7	(10,608)	(11,158)
Effective tax rate		*36.4%*	*36.0%*
Net income before minority interests		**18,505**	**19,818**
% of sales		*8.6%*	*8.2%*
Minority interests		189	375
Net income		**18,694**	**20,193**
% of sales		*8.6%*	*8.3%*
Basic earnings per share [(1)]	4.8	1.79	1.76
Fully diluted earnings per share [(1)]	4.8	1.76	1.73

(1) Not restated for bonuses issues.

CONSOLIDATED BALANCE SHEET

Assets

In € thousands	Notes	2006	2007
Non-current assets			
Net trademarks and other intangible assets	3.1	40,904	61,911
Goodwill	3.2	5,202	4,380
Net property, plant, equipment	3.3	3,688	3,368
Investments and other non-current assets		303	306
Non current financial securities		311	234
Deferred tax assets	3.11	1,287	2,482
Total non-current assets		**51,695**	**72,681**
Current assets			
Inventories and work in progress	3.4	39,335	56,346
Trade receivables and related accounts	3.5	82,137	75,610
Current income tax assets		11	-
Other receivables	3.6	5,998	6,491
Cash and cash equivalents	3.7	44,225	60,416
Total current assets		**171,706**	**198,863**
Total assets		**223,401**	**271,544**

Shareholders’ equity and liabilities

In € thousands	Notes	2006	2007
Shareholders’ equity			
Common stock		32,643	36,301
Additional paid-in capital		1,545	1,046
Retained earnings		62,913	76,693
Net income for the year		18,694	20,193
Total group shareholders’ equity		**115,795**	**134,233**
Minority interests		-	(342)
Total shareholders’ equity	3.8	**115,795**	**133,891**
Non-current liabilities			
Provisions for non-current commitments	3.9	474	546
Non-current borrowings	3.10	4,953	29,527
Other non-current debt		3,519	-
Deferred tax liabilities	3.11	1,493	1,734
Total non-current liabilities		**10,439**	**31,807**
Current liabilities			
Trade payables and related accounts		47,184	65,195
Current borrowings	3.10	3,200	11,006
Commitments and contingencies	3.9	1,551	2,280
Current income tax liabilities		947	1,981
Short-term bank loans		153	4,303
Other liabilities	3.12	44,132	21,081
Total current liabilities		**97,167**	**105,846**
Total shareholders’ equity and liabilities		**223,401**	**271,544**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

In € thousands	Number of shares	Capital stock	Paid-in capital	Retained earnings & net income	Total equity
As of December 31, 2005 (1)	**9,727,115**	**29,204**	**1,246**	**67,599**	**98,049**
Bonus issue	979,942	2,931	(1,456)	(1,475)	-
Shares issued on exercise of stock options	169,479	508	1,755	-	2,263
2006 group net income	-	-	-	18,694	18,694
2005 dividend paid in 2006	-	-	-	(3,606)	(3,606)
Treasury shares	(956)	-	-	(51)	(51)
Stock based compensation	-	-	-	380	380
Remeasurement of financial instruments at fair value	-	-	-	66	66
As of December 31, 2006 (1)	**10,872,580**	**32,643**	**1,545**	**81,607**	**115,795**
Bonus issue	1,097,541	3,293	(2,234)	(1,059)	-
Shares issued on exercise of stock options	121,746	365	1,735	-	2,100
2007 group net income	-	-	-	20,193	20,193
2006 dividend paid in 2007	-	-	-	(4,162)	(4,162)
Treasury shares	(4,120)	-	-	(82)	(82)
Stock based compensation	-	-	-	419	419
Remeasurement of financial instruments at fair value	-	-	-	(43)	(43)
Other changes through reserves	-	-	-	13	13
As of December 31, 2007 (1)	**12,087,747**	**36,301**	**1,046**	**96,886**	**134,233**

(1) Excluding treasury shares.

STATEMENT OF CASH FLOWS

In € thousands	2006	2007
Cash flows from operating activities		
Net income	18,505	19,818
Depreciation, amortization and other	3,618	1,796
Changes in deferred taxes	616	(954)
Capital (gains) losses on asset disposals	(12)	(5)
Net finance costs	(211)	(594)
Tax charge of the period	10,241	12,317
Operating cash flows	**32,757**	**32,378**
Interest expense	(1,057)	(2,418)
Tax payments	(10,510)	(11,199)
Cash flow after interest expense and tax	**21,190**	**18,761**
Change in inventories and work in progress	(8,212)	(16,047)
Change in trade receivables and related accounts	(15,564)	6,585
Changes in other receivables	(776)	(493)
Change in trade payables and related accounts	10,159	18,011
Change in other current liabilities	11,931	(2,206)
Change in working capital needs	**(2,462)**	**5,850**
Net cash provided by (used in) operating activities	**18,728**	**24,611**
Cash flows from investing activities		
Acquisition of intangible assets	(3,999)	(39,071)
Acquisition of property, plants and equipment	(1,398)	(251)
Changes in the scope of consolidation	-	(3,549)
Changes in investments and other non-current assets	63	13
Sales of fixed assets	900	-
Net cash flows provided by (used in) investing activities	**(4,434)**	**(42,858)**
Cash flows from financing activities		
Issuance of borrowings and new financial debt	-	40,000
Debt repayments	(3,200)	(7,600)
Dividends paid	(3,606)	(4,163)
Capital increases	2,265	2,101
Treasury shares	(71)	(82)
Other	-	32
Net cash flows from financing activities	**(4,612)**	**30,288**
Change in net cash	**9,682**	**12,041**
Cash and cash equivalents - beginning of year	34,390	44,072
Cash and cash equivalents - end of year	**44,072**	**56,113**

The reconciliation of net cash breaks down as follows:

In € thousands	2006	2007
Cash and cash equivalents	44,225	60,416
Short-term bank loans	(153)	(4,303)
Net cash at the end of the period	**44,072**	**56,113**

notes to the consolidated financial statements

1. significant accounting policies

1.1 Statement of compliance

In accordance with EC regulations 1606/2002 of July 19, 2002 on international accounting standards, the 2007 consolidated financial statements of the Inter Parfums Group are established in compliance with IAS/IFRS (International Accounting Standards/International Financial Reporting Standards) applicable since 2005 as endorsed by the European Union. These standards have been consistently applied over the periods presented.

Financial information presented herein has been based on:

- IFRS standards and interpretations whose application was mandatory starting in 2005,
- options retained and exemptions used by the Group for the preparation of IFRS consolidated financial statements.

The consolidated financial statements of December 31, 2007 were approved by the Board of Directors on March 6, 2008. They will be definitive when approved by the ordinary general meeting of April 25, 2008.

1.2 Changes in accounting standards

The following standards, amendments and interpretations that entered into force on January 1, 2007 have been applied by the company in preparing its consolidated financial statements:

- IFRS 7 Financial Instruments: Disclosures,
- amendment to IAS 1: Presentation of Financial Statements - Capital Disclosures,
- IFRIC 10: Interim Financial Reporting and Impairment.

The following standards, amendments and interpretations will not be applied in the consolidated financial statements of 2008:

- IFRIC 11: Group Cash-settled Share-based Payment Transactions.

The following standards, amendments and interpretations will be applied in the consolidated financial statements as of January 1, 2009 and will not be applied in advance in 2008:

- IFRS 8: Operating Segments,
- amendment to IAS 1: Presentation of Financial Statements,
- amendment to IAS 23: Borrowing Costs.

The impacts of these standards on financial statements are currently being assessed.

Because of the company's business, the following standards, amendments and interpretations will not be applied to the consolidated financial statements:

- IFRIC 7: Applying the Restatement Approach under IAS 29, 'Financial Reporting in Hyperinflationary Economies',
- IFRIC 8: Scope of IFRS 2 "Share-based Payment",
- IFRIC 9: Reassessment of Embedded Derivatives,

■ IFRIC 12: Service Concessions Arrangements,

■ IFRIC 13: Customer Loyalty Programs,

■ IFRIC: 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

1.3 Basis of consolidation

On January 1, 2007, Inter Parfums S.A. set up new distribution subsidiaries in four major European markets (Italy, Germany, Spain, United Kingdom). These subsidiaries are 51%-owned by Inter Parfums and 49%-owned by local distributors. Because Inter Parfums consequently exercises exclusive control over these companies they are fully consolidated.

In the second quarter, Inter Parfums acquired the remaining stake of Nickel held by minority shareholders for an amount provided for under the terms in the agreement (cf. note 2.2). As a result, Nickel is now a wholly-owned subsidiary. In effect, minority shareholders of Nickel and Inter Parfums benefited from a bilateral promise to purchase or sell the minority interests that may be exercised by either of the parties from January 1, 2007 to June 30, 2007.

On July 1, 2007, Inter Parfums Trademark and Inter Parfums Grand Public, wholly-owned subsidiaries of Inter Parfums, were wound up by the transfer of their assets and liabilities (*transmission universelle de patrimoine*) to the Group. This will have no impact on the consolidated financial statements.

As a result, all Group subsidiaries are fully consolidated. These include Nickel S.A., Inter Parfums Deutschland GmbH, Inter España Parfums and Cosmetiques S.L., Inter Parfums Srl and Inter Parfums Ltd.

Inter Parfums S.A.		
Nickel	France	100%
Inter Parfums Deutschland GmbH	Germany	51%
Inter España Parfums and Cosmetiques S.L.	Spain	51%
Inter Parfums Srl	Italy	51%
Inter Parfums Ltd	United Kingdom	51%

The financial statements of subsidiaries have the same fiscal year as the parent company.

1.4 Translation method

The companies operating currency and currency for the presentation of financial statements is the euro.

Transactions in foreign currencies are translated at the exchange rate in effect on the date of the transaction. Foreign currency denominated payables and receivables are translated at the exchange rate in effect as of December 31, 2007. Translation losses and gains arising from the conversion of accounts denominated in foreign currencies on December 31, 2007 are recorded in the income statement. Hedged transactions are translated at the negotiated exchange rate.

1.5 Use of estimates

The preparation of consolidated financial statements requires the use of estimates and assumptions. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates.

1.6 Revenue recognition

Revenue includes principally wholesale sales to distributors and agents and direct sales to retailers for the part registered by Group subsidiaries.

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

Revenue is recognized upon transfer of title. Amounts invoiced at year-end when the actual transfer of title occurs in the following year are not recognized under revenue of the year in progress.

1.7 Trademarks and other intangible assets

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

Trademarks that have widely recognized international notoriety and are legally protected are classified as indefinite life intangible assets and are not amortized.

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

Rights on glass molds are classified as finite life intangible assets and are amortized over a duration between three and five years.

Licenses upfront license fees are remeasured at least once a year or whenever there is an indication of impairment on the basis of value in use defined as the present value of estimated future cash flows expected to arise from the continuing use of these assets. Data used originates from the annual and multiyear budgets drawn up by Management. The discount rate before tax applied for remeasurement is the 10 year annual percentage rate (APR) of 4,47% as of December 31, 2007. A provision for impairment is recorded under income if this value declines.

Proprietary brand names are remeasured at least once a year on the basis of the present value of estimated future cash flows to infinity generated by these assets. Data used originates from annual and multiyear budgets for five-year periods. The discount rate before tax applied for remeasurement is the weighted average cost of capital (WACC) of 9% at December 31, 2007. A provision for impairment is recorded under income if this value is lower than the carrying value.

Under IAS 38.27b revised in 2004, costs generated on acquisition analyzed as directly attributable costs are included in the cost of the acquired assets.

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

1.8 Goodwill

Goodwill is defined as the difference between the purchase price of shares of consolidated companies and the Group's share in their net assets at the date of acquisition.

Positive goodwill arising from the acquisition of Nickel has been recognized in the balance sheet.

This goodwill is tested annually or whenever there exists an indication of potential impairment. It is measured at market price as determined according to the sales multiple method and the value in use determined according to the present value of estimated future cash flows to infinity. Because the carrying value of Nickel exceeds the higher of the value in use or market value, an impairment is recorded for the difference (cf. note 3.2) and recognized in “Other operating income and expenses”.

1.9
Property, plants and equipment

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

1.10
Inventories and work in progress

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

Inventories of raw materials and supplies are valued using the latest effective purchase price. Because these inventories turn over quickly, this valuation method yields the same results as those that would be obtained applying the FIFO method.

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

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

1.11
Financial instruments

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

All Group marketable securities have been classified as “available-for-sale financial assets” and presented in “Cash and cash equivalents”.

In accordance with IAS 39.55, gains and losses on “available-for-sale financial assets” are recorded at year-end in equity.

1.12
Accounts receivable

Account receivables are recorded at face value. A provision for impairment is recorded when the probable recovery value is deemed to be less than the carrying value.

1.13
Deferred tax

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

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

At December 31, 2007, a complementary impairment of deferred tax assets was recorded for Nickel for the portion recoverable after a period of five years.

1.14
Treasury shares

Inter Parfums shares held by the Group are recorded as a deduction from equity at cost. If sold, the proceeds are recorded directly under equity net of tax.

1.15
Cash and cash equivalents

Cash comprises marketable securities, cash and cash equivalents that consist of highly liquid investments with maturities of three months or less and readily convert to a known cash amount.

1.16
Commitments and contingencies

Pension benefits
This reserve is maintained to honor the company’s employee pension benefits commitments and corresponds to the present value of the payments to which employees are entitled, under the collective bargaining agreement, once they retire. It is calculated on the basis of the projected unit credit method that takes into account seniority, life expectancy and the rate of employee turnover, and makes assumptions about revaluation and discounting to present value to measure the present value of its defined benefit obligations and current service costs.

Other commitments and contingencies
Allocations are made to reserves for all clearly defined risks and expenses when past or current events render their occurrence likely. These reserves are revalued at the end of every fiscal year to reflect changes in their impact or likelihood of occurrence.

1.17
Financial instruments

Two swaps to cover interest-rate risks in connection with Lanvin loans 2004 and 2007 linked to 3 month Euribor was implemented in October 2004. In compliance with IAS 39, the difference in the market value of this instrument and the notional amount is recorded in the income statement. This same principle is applied for the associated caps and floors.

The company has recourse to forward exchange contracts and cash flow hedges. These contracts destined to hedge exposure of trade receivables in foreign currencies (primarily the US dollar and Sterling pound) have maturities of three to six months. In compliance with IAS 39, the unrealized currency gain or loss from the effective portion of the gain or loss of the hedging instrument is recognized directly in equity.

1.18
Stocks options

IFRS 2 requires that a charge be recorded in the income statement with a corresponding increase to reserves corresponding to advantages granted to beneficiaries of stocks options. The stock option plan fair value, calculated on the date of the stock options are granted is determined by applying the Black & Scholes model and spread over the vesting period of the plans.

1.19 Registration of trademarks

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

1.20 Earnings per share

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

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

2. principles of presentation

2.1 Presentation of the income statement

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

2.2 Presentation of the balance sheet

The balance sheet of 31 December is presented based on a classification between current and non-current liabilities.

2.3 Comparability

Consolidation effective January 1, 2007 of the European subsidiaries has modified the presentation of the financial statements. The volume of sales has mechanically increased in response to the integration of the sales of subsidiaries recognized as “local gross revenue” increasing the gross margin in the same proportions. This increase in the margin is offset by additional selling expenses incurred by these subsidiaries such as advertising or charges invoiced for sales and administrative services provided by its partners.

2.4 Segment reporting

2.4.1 Primary segment reporting format: business segments

The company is organized and focused around two profit centers: selective perfume and cosmetics. The cosmetic sector currently accounts for less than 10% of sales and is expected to expand in the years ended.

Details on these two sectors for which the company possesses performance indicators are disclosed below.

2.4.2 Secondary segment reporting format: geographical segments

The company that has a significant international dimension analyzes sales by geographical segment.

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

3.
notes to the balance sheet

3.1
Trademarks and other intangible assets

In € thousands	2006	+	-	2007
Cost				
Intangible assets with indefinite life				
Nickel trademark	2,133	-	-	2,133
Lanvin trademark	-	36,401	(78)	36,323
Intangible assets with finite life				
S.T. Dupont upfront license fee	1,219	-	-	1,219
Lanvin upfront license fee	16,450	-	(16,450)	-
Burberry upfront license fee	5,000	-	-	5,000
Van Cleef & Arpels upfront license fee	18,250	-	-	18,250
Quiksilver acquisition cost	300	190	-	490
Other intangible assets				
Rights on molds for bottles	7,445	1,319	(762)	8,002
Registration of trademarks	-	440	-	440
Other	410	11	-	421
Total cost	**51,207**	**38,361**	**(17,290)**	**72,278**
Amortization and depreciation				
Intangible assets with finite life				
S.T. Dupont upfront license fee	(815)	(142)	-	(957)
Lanvin upfront license fee	(2,731)	(557)	3,288	-
Burberry upfront license fee	(676)	(450)	-	(1,126)
Van Cleef & Arpels upfront license fee	-	(1,521)	-	(1,521)
Quiksilver acquisition cost	(19)	(35)	-	(54)
Other intangible assets				
Rights on molds for bottles	(5,792)	(926)	762	(5,956)
Registration of trademarks	-	(440)	-	(440)
Other	(270)	(43)	-	(313)
Total amortization and depreciation	**(10,303)**	**(4,114)**	**4,050**	**(10,367)**
Total net	**40,904**	**34,247**	**(13,240)**	**61,911**

Nickel trademark
The Nickel trademark, acquired on April 1, 2004, was revalued on December 31, 2007 using the discounted cash flow method. No impairment was recorded.

Lanvin trademark
The Lanvin trademark and brand name acquired for class 3 products in July 2007 was revalued on December 31, 2007 on the basis of the present value of future cash flows discounted to infinity. No impairment was recorded. The upfront license fee recorded prior to the acquisition was added into this value.

S.T. Dupont upfront license fee
An upfront license fee of €869,000 paid on April 1 1997 is amortized over 11 years. In March 2006, an additional license fee of €350,000 was paid to be amortized over the remaining term of the license agreement.

Burberry upfront license fee
The upfront license fee of €3 million paid on July 1, 2004 is amortized over the 12.5 year term of the Burberry license agreement. In September 2006 an additional license fee of €2 million was paid to be amortized over the remaining term of the license agreement.

Van Cleef & Arpels license fee agreement
In 2006, the Van Cleef & Arpels and Inter Parfums groups signed a worldwide license agreement to manufacture and distribute perfumes and anciliary products under the Van Cleef & Arpels brand name with a 12-year term as of January 2007. And upfront license fee of €18 million is amortized over the term of the agreement.

Quiksilver acquisition cost
Costs incurred in connection with the acquisition of the Quiksilver license agreement of €490,000 are amortized over its 12 year term.

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

3.2
Goodwill

Goodwill from the 100% shareholding in Nickel was recognized on December 31, 2007. This goodwill corresponds to the initial acquisition of a 67.57% stake in June 2004 for €6,910,000 followed by 32.43% in June 2007 for €3,518,000. The obligation to buyout the 32.43% minority stake recognized under liabilities in the financial statements of December 31, 2006 was settled upon the completion of this transaction the first half of 2007.

At December 31, 2007, the allocation of the cost price broke down as follows (In € thousands):

Acquisition cost	**10,428**
Net equity purchased	2,879
Allocation to intangible assets	2,133
Allocation to deferred tax assets	969
Allocation to deferred tax liabilities	(755)
Fair value of acquired assets and liabilities	**(5,226)**
Goodwill	**5,202**

This goodwill was tested on December 31, 2007 resulting in the recognition of an impairment of €822,000.

3.3
Property, plant and equipment

In € thousands	**2006**	**+**	**-**	**2007**
Fixtures, improvements, fittings	2,575	142	-	2,717
Office and computer equipment and furniture	1,333	64	(27)	1,370
Molds for caps	4,341	578	(655)	4,264
Other (1)	366	385	(153)	598
Total cost	**8,615**	**1,169**	**(835)**	**8,949**
Accumulated and depreciations (1)	(4,927)	(1,366)	712	(5,581)
Total net	**3,688**	**(197)**	**(123)**	**3,368**

(1) Including fixed assets held under finance leases (vehicles) for a gross amount of €276,000 and depreciation expenses of €80,000.

3.4
Inventories and work in progress

In € thousands	**2006**	**2007**
Raw materials and components	16,769	25,004
Finished goods	27,487	35,299
Total cost	**44,256**	**60,303**
Allowance for raw materials	(2,064)	(2,111)
Allowance for finished goods	(2,857)	(1,846)
Total provisions	**(4,921)**	**(3,957)**
Total net	**39,335**	**56,346**

3.5
Trade receivables and related accounts

In € thousands	**2006**	**2007**
Total cost	83,510	76,936
Provisions	(1,373)	(1,326)
Total net	**82,137**	**75,610**

Maturities for trade receivables at December 31, 2007 break down as follows:

In € thousands	**2006**	**2007**
Outstanding	60,774	59,451
0 - 30 days	8,292	12,016
31 - 60 days	5,428	916
61 - 90 days	2,810	2,315
More than 90 days	6,206	2,238
Gross value	**83,510**	**76,936**

3.6
Other receivables

In € thousands	2006	2007
Accruals	3,831	2,896
Company current accounts	64	-
Value-added tax	1,246	1,497
Hedging instruments	-	892
Other	857	1,206
Total	**5,998**	**6,491**

3.7
Cash and cash equivalents

In € thousands	2006	2007
Certificates of deposit	22,100	34,000
Money-market mutual funds	21,567	23,221
Bank accounts	558	3,195
Cash and cash equivalents	**44,225**	**60,416**

3.8
Shareholders' equity

3.8.1 Common stock

As of December 31, 2007, Inter Parfums' capital was composed of 12,100,367 shares with a par value of €3, 72%-held by Inter Parfums Holding.

For the period under review, capital increases result from the exercise of stock options and the capital increase in connection with the bonus issue of 20 June, 2007 on the basis of one new share for every 10 shares held.

3.8.2 Stock option plans

Since 1994, the managers and employees of Inter Parfums and its subsidiaries benefit regularly from stock option plans.

At 2007 year-end, outstanding stock options broke down as follows:

Plans	Subscription price (1)	Grant date	Vesting period	Options outstanding
Plan 2001	17.50	04/27/01	4 years	39,867
Plan 2002	10.10	08/26/02	4 years	63,745
Plan 2003	16.60	08/26/03	4 years	83,786
Plan 2004	24.30	03/25/04	4 years	118,873
Plan 2005	22.70	05/26/05	4 years	118,760
Plan 2006	28.90	06/01/06	4 years	116,402
Potential number of new shares				**541,433**

(1) Subscription price adjusted for bonus issues.

Benefits granted to employees in the form of stock options recognized as additional compensation, in accordance with IFRS2, were calculated using the Black & Scholes model. The impact of this calculation represented a pre-tax charge of €639,000 as of December 31, 2007 and €580,000 as of December 31, 2006.

The estimated fair value of each stock option based on using the Black & Scholes model was calculated on the grant date on the basis of the following assumptions:

Plans	Fair value of the options	Risk-free interest rate	Dividend yield	Volatility rate	Share price retained for the calculation
Plan 2003	14.62	3.00%	1.00%	41%	44.00
Plan 2004	12.48	4.20%	1.00%	23%	64.75
Plan 2005	6.76	4.50%	1.00%	22%	30.25
Plan 2006	10.37	4.60%	0.94%	25%	35.00

For all these plans, the stock options have terms of six years.

3.8.3 Treasury shares

Within the framework of the share repurchase program authorized by the French financial market authority (*Autorité des Marchés Financiers*) on April 20, 2007, 12,620 Inter Parfums shares were held by the company as of December 31, 2007.

Management of the share repurchase program is assured by an investment services provider within the framework of a liquidity agreement in compliance with the conduct of business rules of the French association of investment firms (AFEI).

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

- the maximum purchase price is €60 per share, excluding execution costs, and the minimum sale price €10 per share excluding execution costs,
- the total number of shares acquired may not exceed 5% of the capital stock outstanding.

3.8.4 Dividends

In 1998, Inter Parfums adopted a policy with an objective of distributing an equivalent to 10% of its consolidated earnings.

After sustained rises over the last years, the dividend per share should be increased to €0.38 representing a payout ratio of 22.8% (+11.4% considering the adjustment for bonus shares granted in 2007).

3.8.5 Minority interests

Minority interests that concern the percentage not held (49%) in the European subsidiaries (Inter Parfums Deutschland GmbH, Inter España Parfums and Cosmetiques S.L., Inter Parfums Srl and Inter Parfums Ltd) break down as follows:

In € thousands	2007
Reserves attributable to minority interests	33
Earnings attributable to minority interests	(375)
Minority interests	**(342)**

Minority shareholders have an irrevocable obligation and the ability to offset losses by an additional investment.

3.9 Commitments and contingencies

In € thousands	2006	Increases	Provisions used in the period	Reversal of unused provisions	2007
Reserves for severance benefits	474	72	-	-	546
Non-current provisions	**474**	**72**	**-**	**-**	**546**
Other commitments and contingencies	1,551	773	26	18	2,280
Total	**2,025**	**845**	**26**	**18**	**2,826**

A provision for severance benefits payable on retirement has been calculated on the basis of the following assumptions:

a 5% average exit rate for the coming year, 5% average annual salary increase, a retirement age of 65, the INSEE 2000-2002 mortality table and a discount rate of 2%.

Contingencies concern primarily provisions for sales-related litigation with a supplier.

3.10 Borrowings and other financial debt

3.10.1 Analysis of borrowings

	Lanvin 2004	Lanvin 2007	Van Cleef & Arpels
Inception date	June 30, 2004	September 28, 2007	January 1, 2007
Initial amount (in € thousands)	16,000	22,000	18,000
Duration	5 years	5 years	5 years
Rate	3M Euribor +0.60%	3M Euribor +0.40%	4.1% fixed-rate
Repayment schedule	Quarterly	Quarterly	Quarterly
Amount payable at December 31, 2007 (in € thousands)	4,800	20,900	14,700

3.10.2 Additional disclosures

The floating-rate portion of the Lanvin debt contracted in June 2004 was covered by a swap. This swap at 12-month Euribor at year-end with a lower limit of 2.10% and an upper limit of 3.85% accordingly includes a cap and a floor.
At December 31, 2007, on the basis of a notional of €4.8 million, an unrealized capital gains of €60,000 was recognized in the income statement.

The floating-rate portion of the Lanvin debt contracted in September 2007 was also covered by a swap against a fixed rate of 4.42%.
At December 31, 2007, on the basis of a notional amount of €20.9 million, an unrealized capital gains of €14,000 was recognized in the income statement.

3.10.3 Covenants

Inter Parfums has undertaken with lending institutions to comply with certain covenants imposing constraints that are considered limited (ratios for net debt to net equity and net debt to cash flow).

3.11
Deferred tax

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

In € thousands	2006	Changes through reserves	Changes through income	2007
Deferred tax liabilities				
Timing differences between financial and tax accounting	367	-	(212)	155
Acquisition cost	317	-	467	784
Market value on securities	67	(23)	-	44
Stocks options	-	220	(220)	-
Gains (losses) on treasury shares	-	6	(6)	-
Loan swap	8	-	7	15
Remeasurement gains (losses)	734	-	-	734
Other	-	-	2	2
Total deferred tax liabilities	**1,493**	**203**	**38**	**1,734**
Deferred tax assets				
Timing differences between financial and tax accounting	633	-	107	740
Inventory margin	-	-	871	871
Recognition of loss carryforwards (1)	1,273	-	450	1,723
Other	14	-	32	46
Total deferred tax assets before depreciation	**1,920**	**-**	**1,460**	**3,380**
Depreciation of deferred tax (1)	(633)	-	(265)	(898)
Net deferred tax	**1,287**	**-**	**1,195**	**2,482**

(1) Tax losses recognized and depreciation concerned primarily Nickel and are carried forward indefinitely.

3.12
Other short-term liabilities

In € thousands	2006	2007
Accrued credit notes	6,827	2,326
Current account liabilities	8,965	8,531
Tax and employee-related liabilities	5,171	6,587
Van Cleef & Arpels debt	18,000	-
Other debts	5,169	3,637
Total	**44,132**	**21,081**

4.
notes to the income statement

4.1
Breakdown of consolidated sales by brand

In € thousands	2006	2007
Burberry	143,348	152,920
Lanvin	34,363	33,326
Paul Smith	17,713	18,000
Van Cleef & Arpels	-	11,899
S.T. Dupont	10,117	11,119
Roxy	-	6,560
Christian Lacroix	4,051	3,850
Nickel	4,072	3,310
Other	2,571	1,139
Total	**216,235**	**242,123**

4.2
Cost of sales

In € thousands	2006	2007
Raw materials, trade goods and packaging	(88,404)	(103,111)
Changes in inventory and allowances	5,988	18,436
POS advertising	(6,507)	(5,833)
Transportation costs	(746)	(911)
Other expenses related to the cost of sales	(2,665)	(3,275)
Total cost of sales	**(92,334)**	**(94,694)**

4.3
Selling expenses

In € thousands	2006	2007
Advertising	(36,907)	(42,413)
Royalties	(25,336)	(25,664)
Staff costs	(9,357)	(10,855)
Subcontracting	(3,024)	(13,473)
Transportation costs	(3,276)	(3,472)
Commissions	(1,645)	(2,078)
Allowances and reversals	(1,743)	(4,768)
Other selling expenses	(6,906)	(4,005)
Total selling expenses	**(88,194)**	**(106,728)**

4.4
Administrative expenses

In € thousands	2006	2007
Purchases and external costs	(2,219)	(2,664)
Staff costs	(2,370)	(2,487)
Taxes and related expenses	(347)	(1,288)
Other administrative expenses	(1,589)	(1,628)
Total administrative expenses	**(6,525)**	**(8,067)**

4.5
Other operating income and expenses

Recognition of a €822,000 impairment of goodwill that arose on the initial acquisition of the shareholding in Nickel reflected the difference between the estimated market value of Nickel at December 31, 2007 and its carrying value.

4.6
Net financial result

In € thousands	2006	2007
Interest income	995	1,682
Currency gains (losses)	140	(158)
Interest and similar expenses	(1,223)	(2,356)
Other financial income and expense	19	(4)
Net financial result	**(69)**	**(836)**

4.7
Income taxes

4.7.1 Analysis of income taxes

In € thousands	2006	2007
Current income tax	(10,231)	(12,315)
Deferred tax arising from timing differences	272	319
Deferred tax arising from consolidation adjustments	(649)	838
Total income taxes	**(10,608)**	**(11,158)**

4.7.2 Reconciliation of the effective tax expense and theoretical tax expense

The difference between the effective tax recorded and the theoretical tax expense calculated by applying the tax rate of 34.4% applicable for fiscal 2007 and 2006 to pretax income reflects the following:

In € thousands	2006	2007
Tax base	**29,113**	**30,976**
Theoretical tax calculated at the standard rate	10,024	10,665
Effect of tax rate change on deferred taxes	(28)	6
Depreciation of tax assets from loss carryforwards	633	140
Permanent nondeductible differences	(21)	347
Income taxes	**10,608**	**11,158**

4.8
Earnings per share

In € thousands except number of shares and earnings per share in euros	2006	2007
Consolidated net income	18,694	20,193
Average number of shares	10,421,965	11,480,164
Basic earnings per share (1)	**1.79**	**1.76**
Dilution effect of stock options:		
Potential fully diluted consolidated net income	212,100	182,575
Potential fully diluted average number of shares outstanding	10,634,065	11,662,738
Diluted earnings per share (1)	**1.76**	**1.73**

(1) Not adjusted for bonus shares granted in 2006 and 2007.

5.
segment reporting

5.1
Primary segment information: business lines

In € thousands		2006			2007	
	Perfumes	Cosmetics	Total	Perfumes	Cosmetics	Total
Revenue	212,163	4,072	216,235	238,813	3,310	242,123
Operating profit (loss)	29,326	(144)	29,182	33,263	(629)	32,634
Impairment	-	-	-	-	(822)	(822)
Trademarks, licenses and goodwill	38,606	7,500	46,106	59,645	6,646	66,291
Inventories	37,971	1,364	39,335	55,010	1,336	56,346
Other segment assets	135,764	2,196	137,960	147,182	1,725	148,907
Total segment assets	212,341	11,060	223,401	261,834	9,710	271,544
Segment liabilities	95,977	1,190	97,167	104,741	1,105	105,846

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

5.2
Secondary segment information: geographical sectors

Sales by geographical sector break down as follows:

In € thousands	2006	2007
North America	51,872	48,869
South America	14,562	15,289
Asia	29,759	31,621
Eastern Europe	19,853	20,486
Western Europe	65,443	83,315
France	16,559	21,953
Middle East	17,018	18,635
Other	1,169	1,955
Total	**216,235**	**242,123**

6.
other information

6.1
Off balance sheet commitments

In € thousands	2006	2007
Guaranteed minima on trademark royalties	279,901	233,175
Headquarter rental payments	6,384	5,450
Other guaranteed minima for warehousing and logistics	13,250	10,650
Firm component orders (inventories)	3,460	4,213
Total commitments given	**302,995**	**253,488**

6.2
Insurance

Inter Parfums is named as beneficiary under a €15 million life insurance policy for Philippe Benacin.

6.3
Exposure to risks

The primary risks related to the Group's business and organization concerning interest rate and foreign exchange rate risks remain very limited. Quantifiable impacts of other risks that may be incurred by the company are not material.

6.3.1 Interest-rate risks

The Company's policy is to prevent fluctuations in financial expenses through hedging instruments consisting of swaps against the most unfavorable rates that are not used for speculative purposes.

At December 31, 2007, 12% of the Group's medium-term debt was subject to interest rate fluctuations though was covered by swaps with caps and floors in order to reduce this exposure.

Interest expenses recorded in the 2007 financial statements for medium-term debt represent the maximum possible interest expense under the cap under the terms of the swap. In the scenario of an instantaneous decline in the benchmark (3-month Euribor), the maximum potential gain resulting from the swap associated with this debt would be €63,000 for 2008.

6.3.2 Foreign exchange risk

Inter Parfums applies a conservative approach in managing exchange rate risk, seeking only to hedge its exposure from operations and maintain its gross margins.

Forward sales are carried out routinely for twelve moth periods, mainly on the U.S. dollar that in 2007 accounted for 33% of total billings compared with 34,1% in 2006.
In addition, the impact of sharp U.S. dollar parity fluctuations on the gross margin can be partially offset through adjustments to the products' sales.

6.4 Employee-related data

6.4.1 Employees by department

Number of employees	2006	2007
Executive management	2	2
Production & Operations	18	22
Burberry Fragrances	26	25
Luxe & Fashion	19	22
France	42	51
Finance & Corporate Affairs	21	23
Total	**128**	**145**

6.4.2 Wages and benefits

In € thousands	2006	2007
Total wages and benefits of which:	13,091	14,959
Management Committee members - wages, bonuses & social charges	1,963	2,488
Management Committee members - share based payment expenses	191	213

In addition supplemental retirement benefits for executive management of €92 million was paid in 2007.

6.5 Information on related parties

6.5.1 Management Committee

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

In € thousands	2006	2007
Wages, bonuses & social charges	1,963	2,488
Share based payment expenses	191	213

The executive officers Philippe Benacin and Jean Madar, cofounders of Inter Parfums S.A. are also executive officers and majority shareholders of the parent company Inter Parfums Inc.

In 2007, in this capacity they were granted a total of 38,000 stock options by Inter Parfums Inc.

6.5.2 Board of Directors

The 10 members of the Board of Directors exercise responsibilities in the areas of strategy, management consulting, acquisitions and oversight. With the exception of directors that have employment contracts, they are paid directors' fees:

In € thousands	2006	2007
Directors' fees (1)	30	38

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

6.5.3 Relations with the parent company

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

6.5.4 Relations with subsidiaries

Inter Parfums' subsidiaries Nickel, Inter Parfums Deutschland GmbH, Inter España Parfums and Cosmetiques S.L., Inter Parfums Srl and Inter Parfums Ltd. are fully consolidated. The main transactions are of a commercial nature and concern the sale of products of the parent company to subsidiaries that assure the distribution in their respective markets. These transactions also generate cash flows between the subsidiaries and the parent company. Subsidiary sales represents approximately 15% of total Group revenue.

6.6 Post-closing events

None.

shareholder information

1. statutory information

1. The company

Corporate name: Inter Parfums

Registered office: 4, rond-point des Champs Elysées
75008 Paris
Date of incorporation: April 5, 1989
Date of expiration: April 5, 2088

Legal form: Corporation (*société anonyme*) with a Board of Directors governed by the provisions of Livre II of the French Commercial Code and Companies Act No. 67-236 of March 23, 1967.

Corporate charter: The company's business purpose in France and all other countries includes:

- the purchase, sale, manufacture, import and export of all products related to perfumes and cosmetics,
- the use of license agreements,
- providing all services related to the above-mentioned activities,
- the company's participation by all means, directly or indirectly, in all transactions that may relate to its business purpose through the creation of new companies, the contribution, subscription or purchase of company shares or rights, mergers or other, through the creation, acquisition, rental or lease management of all rights to conduct business or establishments, and through the acquisition, operation or disposal of all procedures and patents related to these activities,
- and, generally, all commercial, industrial, financial, civil, securities and real estate transactions that relate directly or indirectly to the company's business purpose or to any similar and related activities.

Fiscal year: January 1 - December 31
Siret number: N° 350 219 382 00032
Activity code: 514 L Wholesale perfume and beauty products

2. Share account registration

At the option of their owners, shares in France are registered in a standard personal account (*compte nominatif pur*), an administered personal account (*compte nominatif adiministré*) or to the bearer identifiable at an authorized intermediary. Euro Emetteurs Finances handles share services and management exclusively for personal accounts. Questions may be addressed to the registered office.

2.
capital stock

1.
Five-year history of capital stock transactions

Year	Transaction type	Number of shares	Shares created	Total shares	Capital stock (in €)
2003	Exercise of 1997 stock options	40,482	40,482	3,839,972	11,519,916
	Exercise of 1998 stock options	47,394	47,394	3,887,366	11,662,098
	Exercise of 1999 stock options	1,652	1,652	3,889,018	11,667,054
	Bonus issue	383,180	383,180	4,272,198	12,816,594
2004	Exercise of 1997 stock options	4,039	4,039	4,276,237	12,828,711
	Exercise of 1998 stock options	41,297	41,297	4,317 534	12,952,602
	Exercise of 1999 stock options	127,017	127,017	4,444,551	13,333,653
	Bonus issue	4,282,535	4,282,535	8,727,086	26,181,258
2005	Exercise of 1998 stock options	11,402	11,402	8,738,488	26,215,464
	Exercise of 1999 stock options	29,590	29,590	8,768,078	26,304,234
	Exercise of 2000 stock options	57,118	57,118	8,825,196	26,475,588
	Exercise of 2001 stock options	33,575	33,575	8,858,771	26,576,313
	Bonus issue	875,888	875,888	9,734,659	29,203,977
2006	Exercise of 1999 stock options	28,758	28,758	9,763,417	29,290,251
	Exercise of 2000 stock options	39,559	39,559	9,802,976	29,408,928
	Exercise of 2001 stock options	43,795	43,795	9,846,771	29,540,313
	Exercise of 2002 stock options	55,486	55,486	9,902,257	29,706,771
	Exercise of 2003 stock options	484	484	9,902,741	29,708,223
	Exercise of 2004 stock options	704	704	9,903,445	29,710,335
	Exercise of 2005 stock options	363	363	9,903,808	29,711,424
	Exercise of 2006 stock options	330	330	9,904,138	29,712,414
	Bonus issue	976,942	976,942	10,881,080	32,643,240
2007	**Exercise of 2000 stock options**	**33,028**	**33,028**	**10,914,108**	**32,742,324**
	Exercise of 2001 stock options	**29,039**	**29,039**	**10,943,147**	**32,829,441**
	Exercise of 2002 stock options	**22,878**	**22,878**	**10,966,025**	**32,898,075**
	Exercise of 2003 stock options	**7,809**	**7,809**	**10,973,834**	**32,921,502**
	Exercise of 2004 stock options	**4,429**	**4,429**	**10,978,263**	**32,934,789**
	Exercise of 2005 stock options	**24,563**	**24,563**	**11,002,826**	**33,008,478**
	Bonus issue	**1,097,541**	**1,097,541**	**12,100,367**	**36,301,101**

As of December 31, 2007, Inter Parfums' capital was composed of 12,100,367 shares with a par value of €3.

2.
Ownership of Inter Parfums capital stock and voting rights

2.1 Situation at February 29, 2008

	Shares held	% of capital	Voting rights	% of voting rights
Inter Parfums Holding S.A.	9,107,916	75.24%	17,665,832	85.49%
French investors	1,292,964	10.68%	1,292,964	6.26%
Foreign investors	644,246	5.32%	644,246	3.12%
Individuals	1,039,148	8.59%	1,060,489	5.13%
Treasury shares	20,669	0.17%	-	-
Total	**12,104,943**	**100.00%**	**20,663,531**	**100.00%**

A survey of shareholder ownership identified 6,060 shareholders at February 29, 2008, down nearly 19% in one year. Excluding Inter Parfums Holding, ownership breaks down as follows:

- 120 French investors and mutual funds owning 10.7% of the capital stock compared with 170 in 2006 owning 13.6%,
- 50 foreign investors, located mainly in the U.K., Switzerland, the U.S. and Luxembourg, who own 5.3% of the capital stock compared with 60 in 2006 with 5.0%,
- 5,890 individuals owning 8.6% of the capital stock compared with 7,300 in 2006 owning 10.1%.

To the Company's knowledge, there are no other shareholders that possess directly, indirectly or together, 5% or more of the capital or voting rights.

2.2 Changes in Inter Parfums Holding's ownership over four years

At december 31	2004	2005	2006	2007
Inter Parfums Holding	73.84%	72.71%	71.56%	72.02%
Investors. free float and employees	26.16%	27.29%	28.44%	27.98%
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**

2.3 Breakdown of Inter Parfums Holding's capital stock as of December 31, 2007

Inter Parfums Holding, whose sole equity holding is Inter Parfums, is itself wholly owned by Inter Parfums Inc., listed on NASDAQ in the United States with approximately 1,300 shareholders. As of December 31, 2007 it had the following ownership structure:

Philippe Benacin and Jean Madar	52.03%
Free float	47.97%

3. Key stock market data

In number of shares and euros	2003	2004	2005	2006	2007
Shares outstanding as of December 31	4,272,198	8,727,086	9,734,659	10,881,080	12,100,367
Market capitalization as of December 31	278 M	233 M	334 M	386 M	380 M
High [(1)]	66.50	67.30	35,10	41.88	38.00
Low [(1)]	27.27	25.15	26,65	31.52	25.82
Average [(1)]	44.68	29.12	31,20	35.25	34.04
Year-end [(1)]	65.00	26.79	34,29	35.43	31.32
Average daily volume [(1)]	2,260	4,570	8,093	7,785	11,204
Earnings per share [(1)]	3.11	3.00	1.82	1.79	1.85
Dividend per share [(1)]	0.60	0.37	0.37	0.38	0.37
Average number of shares outstanding	4,055,210	5,174,465	8,968,569	10,421,965	10,931,393

(1) Historical data (not restated for bonus issues from 2002 to 2007).

4. Share price

Despite relatively favorable market trends, the Inter Parfums share price was subject to significant volatility until late summer 2007. Following the publication of strong first-half sales, the share rebounded to a high for the year of €35.89.

The publication of third-quarter sales in September and 2008 guidance in November received as disappointing or overly cautious by the financial community triggered a reversal of this uptrend. After registering a low for the year of €24.98 in early December, by year-end the share had recovered to €31.32.

Over the full year the share price declined 3% in relation to the end of 2006.

3. resolutions submitted to the combined shareholders meeting of April 25, 2008

Ordinary resolutions

FIRST RESOLUTION

Review and approval of the parent company financial statements for the period ended December 31, 2007

The shareholders, in accordance with the conditions of quorum and majority that apply at ordinary general meetings and after reviewing the reports of the Board of Directors and the Auditors on the financial statements for the period ended December 31, 2007, approve the financial statements of the parent company as presented showing a profit of €28,065,308. They also approve the transactions described in the accounts and summarized in these reports.

The shareholders further approve disallowed deductions (article 39-4 of the French General Tax code) of €38,860 for the period.

The shareholders consequently grant discharge to all directors for their management for the period ended December 31, 2007.

SECOND RESOLUTION

Review and approval of the consolidated financial statements for the period ended December 31, 2007

The shareholders, in accordance with the conditions of quorum and majority that apply at ordinary general meetings, after reviewing the reports of the Board of Directors and the Auditors on the consolidated financial statements of the Group for the period ended December 31, 2007, approve the financial statements as presented showing an IFRS net income of €20,193,000. They also approve the transactions described in the accounts and summarized in these reports.

THIRD RESOLUTION

Internal control and corporate governance - Report of the chairman and the Auditors

The shareholders duly note the presentation of the Chairman's report on internal controls presented the provisions of articles L. 225-37, paragraph 6 and L. 225-68 paragraph 7 of the French Commercial Code.

FOURTH RESOLUTION

Approval of the appropriation of net income and the distribution of the dividend

The shareholders, in accordance with the conditions of quorum and majority that apply at ordinary general meetings, approving the proposal Board of Directors, decide to appropriate net income of the period of €28,065,308 as follows:

Net income of the period	**€28,065,308**
Appropriation to the legal reserve	€152,819
Retained earnings	€23,320,400
Dividend	€4,592,089
Total appropriation	**€28,065,308**

All qualifying shares of the company will consequently receive a dividend of €0.38.

The shareholders duly note that all dividends distributed to qualifying individual shareholders that are tax residents of France confer a right to:

- a tax allowance of 40% in accordance with article 158.3.2° of the French General Tax code,
- a fixed annual tax reduction of €1,525 for taxpayers that are single, divorced, widowed or married filing separately and €3,050 for taxpayers filing jointly as married couples or by virtue of a civil union partnership (*pacte civil de solidarité*) in accordance with article 158-3-5 of the French General Tax code.

The dividend payment date is May 6, 2008.

If on the dividend payment date the company holds treasury shares, the amount corresponding to dividends not distributed for said shares will be allocated to retained earnings.

As required by law, the shareholders duly note that dividends for the last three years were as follows:

Year	Number of shares	Dividend	Tax credit or allowance (Art 158.3.2 of the General Tax Code)	Total distribution
2006	10,948,513	€0.38	40%	€0.38
2005	9,734,659	€0.37	40%	€0.37
2004	8,727,086	€0.37	50%	€0.37

FIFTH RESOLUTION

Approval of regulated agreements under articles l 225-38 et seq. of the French Commercial Code

The shareholders, in accordance with the conditions of quorum and majority that apply at ordinary general meetings and after reviewing the Auditors' special report on related-party agreements governed by articles L. 225-38 *et seq.* of the French Commercial Code, approve each of these agreements.

SIXTH RESOLUTION

Setting of directors' fees

The shareholders, in accordance with the conditions of quorum and majority that apply at ordinary general meetings, after reviewing the Board of Directors' report, set annual directors' fees for the year in progress at €60,000 and determine the criteria for allocating these fees among board members within the limit of this amount.

SEVENTH RESOLUTION

Renewal of the authorization for the company to purchase and sell its own shares on the market

The shareholders, in accordance with the conditions of quorum and majority that apply at ordinary meetings and after reviewing the report of the Board of Directors and in accordance with the provisions of article L 225-209 of the French Commercial Code et seq., grant the Board of Directors the authority, which it may further delegate, to acquire shares of the company, according to the terms and conditions set forth below.

The purpose of this authorization is to permit the company to purchase and sell its own shares for uses provided for by law. On this basis, the shareholders decide that this share repurchase program may be used for the following purposes:

- maintain an orderly market in the company's shares through an investment services provider within the framework of a liquidity agreement in compliance with the conduct of business rules of the French association of investment firms (AFEI),

■ grant to employees or officers of the company and/or the Group stock options in accordance with the provisions of articles L.225-177 *et seq*. of the French Commercial Code and/or bonus shares in accordance with articles L 225-197-1 *et seq.* of the French Commercial Code,

■ remittance of shares pursuant to the exercise of rights attached to securities conferring rights by redemption, conversion, exchange, presentation of warrants or any other means to grants of the company's shares,

■ use such shares for payment or exchange in connection with financial transactions or acquisitions in compliance with the financial market regulations,

■ cancel shares to increase the return on equity and earnings per share and/or eliminate the impact of dilution for shareholders from capital increases subject to adoption of the fourteenth resolution of this extraordinary general meeting,

■ permit the company to buy and sell its own shares for any other authorized purpose or practice admitted by the market or which may be subsequently authorized or admitted by applicable laws and regulations.

Shares acquired shall be subject to the following limits:

■ the maximum purchase price is €60 per share and the minimum sale price €10 per share, excluding execution costs,

■ the total number of shares acquired may not exceed 5% of the capital stock outstanding on the date of this meeting. This 5% limit applies to an amount of capital that will be adjusted as applicable for corporate actions affecting the capital stock after this meeting, whereby acquisitions by the company shall under no circumstances increase its holding, directly and indirectly through indirect subsidiaries, to more than 5% of the capital stock. At December 31, 2007, the company held 12,100,367 equity shares. On this basis, the company would be authorized to repurchase no more than 605,018 of its own shares,

■ pursuant to the above, the maximum potential aggregate amount of funds that may be raised under this share repurchase program may not exceed €36,301,101.

The Board of Directors may adjust the above-mentioned prices pursuant to modifications in the par value of the share, the capitalization of retained earnings and bonus issues, stock splits or reverse splits, repayment or reduction of capital, distribution of retained earnings or other assets and any other transactions involving the company's capital stock, to reflect the impact of these transactions on the share's value.

In accordance with applicable regulations, said shares may be purchased, held, sold or transferred, according to the case, through one or more transactions, at any time the Board of Directors so chooses including when tender offers are in effect subject to applicable regulations, by any means, on or off market, and notably through block trades.

Shares held by the Company must, in compliance with the law, be maintained in registered form. In addition said shares that will not confer preemptive rights or entitlement to dividends shall be deprived of voting rights.

The shareholders grant all powers to the Board of Directors that may in turn delegate such authority to:
■ place all stock orders on or off the market,

■ sign any agreements notably with a view to maintaining purchases and sales,
■ submit all declarations to the *Autorité des Marchés Financiers* (AMF) or any other such entity, carry out all formalities and, in general, make all necessary arrangements.

This authorization is granted to the Board of Directors for 18 months from the date of the shareholders' meeting and cancels and supersedes the previous share repurchase program authorized under the tenth resolution of the general meeting of April 20, 2007.

The Board of Directors will notify the general meeting of all transactions carried out under this resolution.

EIGHTH RESOLUTION
Powers

All powers are granted to the bearer of copies or extracts of the minutes of this shareholders' meeting to perform all legal formalities relating to the above resolutions.

Extraordinary resolutions

NINTH RESOLUTION
Authorization and powers granted to the Board of Directors to grant options to subscribe for or purchase shares

The shareholders, in accordance with the conditions of quorum and majority that apply at extraordinary shareholders' meetings, and after reviewing the report of the Board of Directors and the special report of the Auditors:

■ authorize, in compliance with the provisions of articles L 225-177 to L.225-185 of the French Commercial Code, the Board of Directors to grant, on one or more occasions, stock options conferring rights to subscribe for new shares of the Company to be issued in connection with a capital increase as provided for by law and stock options conferring rights to purchase existing shares of the company acquired through share repurchase programs as provided for by law,

■ decide that beneficiaries shall consist of employees and directors and officers or certain of them, of the Company or any of its affiliates as defined under article L. 225-180 of the French Commercial Code and the Board of Directors may grant said options to all or part of these persons,

■ decide that the number of options that may be granted to subscribe for or purchase shares on one or more occasions shall not confer rights to acquire ordinary shares representing on the grant date more than 3% of the share capital on the date of the shareholders' meeting. It is furthermore decided that the amount of the capital increase that may result from the subscription for new shares is separate and distinct from those set forth and not included under the limits provided for by the thirteenth, fourteenth and seventeenth resolutions of the shareholders' meeting of April 20, 2007 as well as those provided for below by the tenth and thirteenth resolutions,

■ decide that the shares subscription price of new shares shall be set by the Board of Directors on the grant date and may not be less than 80% the average share price for the last 20 trading days preceding the grant date and no option may be granted within 20 trading days following the detachment of a coupon conferring rights to dividends or a capital increase,

■ decide that the purchase price for existing shares through the exercise of stock purchase options shall be set by the Board of Directors on the corresponding grant date and may not be less than 80% of the average purchase price for the shares held by the Company under the provisions articles L. 225-208 and L. 225-209 of the French Commercial Code,

■ decide that the exercise price for options as determined above may not be modified unless the company carries out financial transactions or securities transactions provided for under article L.225-181 of the French Commercial Code. In this event, and in accordance with applicable laws, the Board of Directors shall take all necessary measures to protect the interests of option grantees in accordance with article L.228-99 of the French Commercial Code,

■ duly note that this authorization entails express waiver by shareholders in favor of beneficiaries of options of their preemptive subscription rights to subscribe for new shares to be issued as the options are exercised,

■ decide that options granted must be exercised within six years from their grant date,

■ decide that each option granted will confer a right to subscribe for or purchase one share of the company,

■ decide that this authorization shall be valid for 38 months from the date of this meeting,

■ grant all powers to the Board of Directors to implement the provisions of this authorization and notably to:

- establish the list of beneficiaries of options or categories thereof and the amounts to be granted to each,

- determine the terms and conditions of the options, and notably (i) the duration of the stock option plans, (ii) the dates or periods for exercising stock options with the possibility to defining in advance stock option exercise dates or periods, (iii) the provisions imposing restrictions on the immediate resale of all or part of the shares which may not exceed three years following the exercise date,

- limit, suspend, restrict or prohibit the exercise of options or the transfer of shares resulting from the exercise of options in the event of financial transactions involving the exercise of a share right during certain periods or upon the occurrence of any event that may have a material effect on the situation and prospects of the company,

- decide from which date new shares resulting from the exercise of stock options shall be entitled to dividends, including retroactively,

- and in general, with the possibility of delegating such tasks where provided for by law, conclude all agreements, draw up all documents, record all capital increases resulting from the exercise of options, amend the bylaws in consequence, complete all formalities and filings and undertake all other measures that may be necessary,

■ decide that the Board of Directors shall be granted full authority, which it may further delegate in accordance with the law, to record the capital increase for the amount corresponding to the actual number of the shares subscribed from the exercise of options, amend the bylaws in consequence, and under its sole authority if it deems appropriate, charge the cost of the capital increase to the corresponding share premium, and undertake all filings and in general, take all appropriate and useful measures for the transactions in question.

TENTH RESOLUTION

Authority granted to the Board of Directors to freely grant existing shares or shares of the Company to be issued to employees and directors and officers of the company and/or the group or certain categories thereof

The shareholders, in accordance with the conditions of quorum and majority that apply at extraordinary shareholders' meetings, and after reviewing the report of the Board of Directors and the special report of the Auditors, established in accordance with articles L.225-197-1 *et seq.* of the French Commercial Code:

■ authorize the Board of Directors to freely grant on one or more occasions ordinary shares from existing or future stock to salaried employees (or certain categories thereof) of the company and/or directors and officers (or certain of them) of the company as defined under article L. 225-197-1 and affiliated companies as understood by article L. 225-197-2 of the French Commercial Code,

■ decide that the number of shares that may be granted shall not represent more than 3% of the share capital on the date of the Board of Directors' meeting, that the amount of the capital increase resulting from the issue of new shares is separate and distinct from and not included under the maximum amounts set forth in the thirteenth, fourteenth and seventeenth resolutions of the shareholders' meeting of April 20, 2007 nor those of the ninth and thirteenth resolutions of this meeting,

■ decide that share rights shall be subject to a vesting period of at least two years, except in the case of the death of the beneficiary in which case heirs may request the grant of shares within six months following the date of death. In the case of disability of the beneficiary of categories two and three of article L. 341-4 of the French Social Security Code, shares will be immediately vested before the vesting date,

■ decide that after shares have been vested, they must be held by their beneficiaries for at least two years. If however the latter meet the conditions of a disability of categories two and three of article L. 341-4 of the French Social Security Code, the shares may be freely sold,

■ decide that the Board of Directors may increase the vesting and holding periods,

■ authorize the Board of Directors, when applicable, during the vesting period, to adjust the number of shares associated with capital transactions that may be undertaken by the company in order to take into account the impact of transactions on the capital and, notably determine the conditions according to which the number of ordinary shares granted shall be adjusted in order to maintain the rights of beneficiaries,

■ authorize the Board of Directors, either alternatively or cumulatively, within the number of shares authorized above, to grant shares originating from buybacks undertaken by the company in accordance with the provisions of articles L. 225-208 and L. 225-209 of the French Commercial code and/or to grant shares issued pursuant to capital increases. In this case the Board of Directors is authorized to increase the share capital by the maximum nominal amount corresponding to the actual number of shares ultimately granted,

■ duly note that, in respect to bonus shares to be issued, this decision entails the waiver of shareholders' preemptive rights to subscribe for shares that will be issued as the shares become fully vested, and any rights attached to ordinary shares freely granted under this authorization,

The shareholders grant full powers to the Board of Directors to:

- establish the list of beneficiaries of share grants or categories thereof,

- determine the criteria and conditions for share grants, such as, though not restricted to, seniority, conditions requiring that shares be held for the duration of the appointments of corporate officers and any other financial condition or criteria of individual or collective performance,

- set, for the grant of shares to be created, the amount and nature of reserves, earnings and additional paid-in capital to be capitalized and deduct amounts required from reserves to pay up the nominal value of shares to be issued to beneficiaries, and increase the share capital in consequence by the nominal amount of the bonus shares,

- fulfill or have fulfilled all measures and formalities to record completion of the capital increase or increases to be undertaken under this resolution, amending the bylaws in consequence,

- and finally, conclude all agreements, draw all documents, complete all formalities and filings, and in general undertake all measures that may be necessary that may moreover be delegated in accordance with applicable laws and regulations.

The Board of Directors will inform the shareholders every year of grants made under this authorization in compliance with applicable regulations.

This authorization is granted for thirty eight months from the date of this shareholders' meeting and replaces and supersedes the previous authorization granted by the combined shareholders' meeting of April 22, 2005 and unused to date.

ELEVENTH RESOLUTION

Authorization to the Board of Directors to issue bonds with redeemable share warrants (OBSAAR) suspending shareholders' preemptive rights in favor of selected categories of beneficiaries

The shareholders, in accordance with the conditions of quorum and majority that apply at extraordinary shareholders' meetings, and after reviewing the report of the Board of Directors and the special report of the Auditors, and in compliance with articles L. 228-91 *et seq.*, L. 225-129 *et seq.* and L. 225-138 of the French Commercial Code:

- vest the Board of Directors with the authority, which the latter may further delegate in accordance with applicable laws and regulations, to increase the capital through one or more transactions and at such times it chooses, through the issue of bonds with equity warrants (OBSAAR) with the warrants being detachable from the bonds of the OBSAAR issue,

- decide that the nominal value of the OBSAAR bond issue under this authorization may not exceed €20 million,

- decide that the maximum nominal amount of present or future capital increases under this authorization shall be €2 million, excluding however additional shares when applicable that may be issued to preserve in accordance with the law rights of holders of securities conferring rights to equity securities of the company. This limit shall not be included under the maximum amount provided for by the thirteenth, fourteenth and seventeenth resolutions of the shareholders' meeting of April 20, 2007 or the ninth, tenth and thirteen resolutions of this meeting,

- decide, in accordance with the provisions of article L. 225-138 of the French Commercial Code to cancel shareholders preemptive rights to the OBSAAR bonds with equity warrants and reserve the right to place the issue with European financial institutions that on the issue date have provided regular financing to the company. If use is made of this authorization, the Board of Directors will report to the shareholders at the next ordinary general meeting on the conditions in accordance with article L.225-138 of the French Commercial Code,

- decide that the Board of Directors, or the Chief Executive Officer under the authority vested upon him by the Board, shall determine from the selected financial institutions mentioned above, beneficiaries of the suspension of preemptive rights to the OBSAAR bonds with equity warrants, the exact list of financial institutions and the number of OBSAAR bonds with equity warrants to be issued in favor of each of these institutions,

- duly note that the financial institutions subscribing to the OBSAAR issue will propose to one or more categories of employees and/or corporate officers of the company (or any French or foreign subsidiary of the Company as defined by article L. 233-3 of the French Commercial Code), the possibility to acquire BSAAR warrants according to identical terms and conditions, within the maximum number of BSAAR warrants able to be proposed to each category for acquisition by said underwriting institutions as determined by the Board of Directors. The categories referred to above and the specific list of employees and/or corporate officers concerned shall be determined by the Board of Directors when the terms and conditions of the OBSAAR bond issue are determined. The shareholders also duly note that if the total number of BSAAR warrants has not been sold by these underwriting institutions, the Company may acquire or cancel them at a price determined when the terms and conditions of the OBSAAR bond issue are set,

- duly note that the decision to proceed with a OBSAAR bond issue entails automatic waiver by shareholders of their preemptive rights to shares to be issued following the exercise of BSAAR warrants in favor of holders of these warrants in compliance with the provisions of the last subsection of article L.225-132 of the French Commercial Code,

- decide that the Board of Directors shall set the nominal unit issue value of the OBSAAR bonds with equity warrants as well as the price to subscribe for or purchase shares following the exercise of BSAAR warrants and their date of record,

- duly note that the price of shares acquired through BSAAR warrants shall not be less than 100% of the average closing price of the share of the Company on Eurolist Compartment B of Euronext Paris S.A. for the 20 trading sessions preceding the date of the Board of Directors' meeting that set the terms and conditions of the OBSAAR bond issue,

- decide that the Board of Directors shall determine all characteristics of the OBSAAR bonds, the terms and conditions of the issue and the issuance agreement,

- vest the Board of Directors with all powers to take all necessary measures, conclude all agreements and perform all formalities required to proceed with the proposed

OBSAAR bond issue, record completion of the resulting capital increases, amend the bylaws in consequence, and modify in the future, when necessary, and subject to approval of the bondholders and warrants holders, the issuance agreement for the bonds and warrants,

■ decide in compliance with article 225-138 III of the French Commercial Code, that the issue may no longer be completed after eighteen (18) months from the date of this meeting.

TWELFTH RESOLUTION
Authority granted to the board of directors to proceed with capital increases reserved for employees in accordance with article L.225-129 -6 of the french commercial code and entailing the suspension of shareholders' preemptive rights (€500,000)

The shareholders by virtue of the preceding resolutions, in accordance with the conditions of quorum and majority applicable to extraordinary shareholders' meetings and after reviewing the Board of Directors' report and the Auditors' special report in accordance with articles L.225-129-2, L.225-129-6, L.225-138 and L. 225-138-1 of the French Commercial Code and L. 443-1 and L. 443-5 of the French Labor Code:

■ grant authority to the Board of Directors Board of Directors, which the latter may further delegate as permitted by law, at its sole discretion, to increase the capital, through one or more transactions in amounts and at times of its choosing to issue common stock reserved for employees of the company or affiliated companies in accordance with applicable laws and belonging to a company savings plan,

■ waive in favor of employees eligible for rights issues that may be decided by virtue of this authorization, the preemptive rights of shareholders to new shares that shall be issued,

■ limit the maximum nominal amount of capital increases under this authorization to €500,000, it being specified that (i) this amount may be increased as necessary by the nominal amount of additional securities that must be issued to preserve, as required by law the rights of holders of securities conferring access to equity securities of the company and (ii) the nominal amount of capital increases permitted under this authorization shall separate and distinct from those set forth and not included under the maximum amounts provided for by thirteenth, fourteenth and seventeenth resolutions of the shareholders' meeting of April 20, 2007 nor those of the ninth and thirteenth resolutions of this meeting,

■ vest the Board of Directors with full powers to proceed with said capital increases within the above limits and define the conditions in accordance with the provisions of the company's bylaws and applicable laws and notably to:

- determine the list of beneficiaries of the suspension of preemptive rights under this authorization, the number of shares to be granted to each qualifying employee and the issue price, subject to the limits imposed by article L.225-138-1 of the French Commercial Code and L.443-5 of the French Labor Code, that may not exceed the average price of the 20 trading days preceding the decision setting the beginning of the subscription period, nor less than 20% this average (or 30% when the waiting period provided for by the plan in accordance with article L. 443-6 of the French Labor Code is greater than or equal to 10 years),

- determine the dates and procedures for the capital increase(s),

- receive applications for shares and determine procedures for their payment,

- produce a supplemental report describing the final terms of the offering, and in general, take all measures and undertake all formalities required for the issue, the listing of the securities and custodial and related services for securities covered by this authorization and amend the articles of the bylaws in consequence.

■ grant the authorization provided herein for 26 months from the date of this meeting.

THIRTEENTH RESOLUTION
Authorization granted to the Board of Directors to reduce the capital by the cancellation of treasury shares

The shareholders, in accordance with the conditions of quorum and majority that apply at extraordinary shareholders meetings, and after reviewing the report of the Board of Directors and the special report of the Auditors and the seventh resolution of the ordinary general meeting of this day authorizing the company to purchase its own shares:

■ authorize the Board of Directors to cancel, at its own discretion, through one or more transactions, at amounts and times of its choosing, treasury shares acquired within the framework of article L. 225-209 of the French Commercial Code, not to exceed 5% of the common stock outstanding and by periods of 24 months, reducing the authorized capital in due proportion, in accordance with applicable laws and regulations;

■ this authorization is granted for 18 months from this meeting and replaces the previous authorization by the shareholders' meeting of April 20, 2007 that was not used;

■ grant full authority to the Board of Directors, with the possibility of further delegating to any person so authorized by law, through one or more transactions, to reduce the capital, to notably determine the final amount of the capital reduction and the terms and procedures and record the completion of the capital reduction, amending in consequence the bylaws, performing all necessary formalities, and notably filings with all bodies and in general doing everything necessary.

FOURTEENTH RESOLUTION
Powers

All powers are granted to the bearer of copies or extracts of the minutes of this shareholders' meeting to perform all legal formalities relating to the above resolutions.

auditors andcertificates

1.
Auditors

The statutory auditors having issued reports on the parent company and consolidated financial statements are:

Mazars

61 rue Henri Regnault - 92400 Courbevoie
represented by Denis Grison
appointed by the AGM of December 1, 2004, reappointed by the AGM of April 20, 2007, expiration date: 2013 AGM

SFECO & Fiducia Audit

50 rue de Picpus - 75012 Paris
represented by Gilbert Métoudi
appointed by the AGM of May 19, 1995, reappointed by the AGM of April 20, 2007, expiration date: 2013 AGM

The alternate auditors are respectively:
Guillaume Potel
61 rue Henri Regnault - 92400 Courbevoie
appointed by the AGM of December 1, 2004, reappointed by the AGM of April 20, 2007, expiration date: 2013 AGM
Serge Azan
16 rue Daubigny - 75017 Paris
appointed by the AGM of May 19, 1995, reappointed by the AGM of April 20, 2007, expiration date: 2013 AGM

2.
Auditors' fees

In € thousands	Mazars				SFECO & Fiducia Audit			
	2006	%	2007	%	2006	%	2007	%
Work as statutory auditors and certification of individual and consolidated financial statements								
- of the Issuer	160	100%	195	63%	84	100%	84	100%
- of fully consolidated subsidiaries	-	-	116	37%	-	-	-	-
- other directly related assignments	-	-	-	-	-	-	-	-
Other services rendered by members of the auditor's network to fully consolidated subsidiaries	-	-	-	-	-	-	-	-
Total	**160**	**100%**	**311**	**100%**	**84**	**100%**	**84**	**100%**

3.
Certificate of the officer responsible for the document

I declare, having taken reasonable care to ensure that such as the case, that the information contained in the document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

Philippe Benacin
Chairman and Chief Executive Officer

4.
Responsibility for financial information

Philippe Santi
Executive Vice President & Chief Financial Officer

To receive information or be added
to the company's financial communications
mailing list contact the Investor Relations
department (attention: Karine Marty)

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by agence marc praquin

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