INTER PARFUMS INC
Form 10-K
March 16, 2007

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

FORM 10-K

(Mark one)

x**Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the fiscal year ended December 31, 2006 or

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

Commission file no. 0-16469

Inter Parfums, Inc.
(Exact name of registrant as specified in its charter)

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of exchange on which registered
Common Stock, $.001 par value per share	The Nasdaq Stock Market, LLC

Securities registered pursuant to Section 12(g) of the Act:

None.
Title of Class

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes o No x

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filed. See definition of “accelerated filer” and “large accelerated filer” in Rule 12b-2 of the Exchange Act).

Large accelerated Filer o	Accelerated filer x	Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. $147,451,000 of voting equity and $-0- of non-voting equity.

Indicate the number of shares outstanding of the registrant's $.001 par value common stock as of the close of business on the latest practicable date March 5, 2007: 20,437,292.

Documents Incorporated By Reference: None.

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FORWARD LOOKING STATEMENTS

This report includes forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, and if incorporated by reference into a registration statement under the Securities Act of 1933, as amended, within the meaning of Section 27A such act. When used in this report, the words “anticipate,” “believe,” “estimate,” “will,” “should,” “could,” “may,” “intend,” “expect,” “plan,” “predict,” “potential,” or “continue” or similar expressions identify certa forward-looking statements. Although we believe that our plans, intentions and expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such plans, intentions or expectations will be achieved.

Actual results, performance or achievements could differ materially from those contemplated, expressed or implied by the forward-looking statements contained in this report. Important factors that could cause actual results to differ materially from our forward-looking statements are set forth in this report, including under the heading “Risk Factors”. Such factors include dependence upon Burberry for a significant portion of our sales, continuation and renewal of existing license agreements, sales and marketing efforts of The Gap, Inc., protection of our intellectual property rights, effectiveness of sales and marketing efforts and product acceptance by consumers, dependence upon third party manufacturers and distributors, dependence upon management, competition, currency fluctuation and international tariff and trade barriers, governmental regulation and possible liability for improper comparative advertising or “Trade Dress”.

These factors are not intended to represent a complete list of the general or specific factors that may affect us. It should be recognized that other factors, including general economic factors and business strategies, may be significant, presently or in the future, and the factors set forth herein may affect us to a greater extent than indicated. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements set forth in this report. Except as required by law, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise.

PART I

Item 1. Business

Introduction

We are Inter Parfums, Inc. We operate in the fragrance business, and manufacture, market and distribute a wide array of fragrances and fragrance related products. Organized under the laws of the State of Delaware in May 1985 as Jean Philippe Fragrances, Inc., we changed our name to Inter Parfums, Inc. on July 14, 1999. We have also retained our brand name, Jean Philippe Fragrances, for some of our mass-market products.

Our worldwide headquarters and the office of our three (3) wholly-owned subsidiaries, Jean Philippe Fragrances, LLC and Inter Parfums USA, LLC, both New York limited liability companies, and Nickel USA, Inc., a Delaware corporation, are located at 551 Fifth Avenue, New York, New York 10176, and our telephone number is 212.983.2640. Our consolidated wholly-owned subsidiary, Inter Parfums Holdings, S.A., its majority-owned subsidiary, Inter Parfums, S.A., and its two (2) wholly-owned subsidiaries, Inter Parfums Grand Public, S.A., and Inter Parfums Trademark, S.A., and its majority-owned subsidiary, Nickel, S.A., maintain executive offices at 4, Rond Point des Champs Elysees, 75008 Paris, France. Our telephone number in Paris is 331.5377.0000.

Our common stock is listed on The Nasdaq Global Select Market under the trading symbol "IPAR" and we are considered a “controlled company” under the applicable rules of The Nasdaq Stock Market. The common shares of our subsidiary, Inter Parfums S.A., are traded on the Euronext Exchange.

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

Summary

The following summary is qualified in its entirety by and should be read together with the more detailed information and audited financial statements, including the related notes, contained or incorporated by reference in this report.

We operate in the fragrance business and manufacture, market and distribute a wide array of fragrances and fragrance related products. We manage our business in two segments, European based operations and United States based operations. Our prestige fragrance products are produced and marketed by our European operations through our 72% owned subsidiary in Paris, Inter Parfums, S.A., which is also a publicly traded company as 28% of Inter Parfums, S.A. shares trade on the Euronext. Prestige cosmetics and prestige skin care products represent less than 3% of consolidated net sales.

We produce and distribute our prestige fragrance products primarily under license agreements with brand owners and prestige product sales represented approximately 84% of net sales for 2006. We have built a portfolio of brands, which include Burberry, Lanvin, Paul Smith, S.T. Dupont, Christian Lacroix, Quiksilver/Roxy, Van Cleef & Arpels and Nickel whose products are distributed in over 120 countries around the world. Burberry is our most significant license, sales of Burberry products represented 57%, 60% and 62% of net sales for the years ended December 31, 2006, 2005 and 2004, respectively.

Our prestige products focus on niche brands with a devoted following. By concentrating in markets where the brands are known, Inter Parfums has had many successful launches. We typically launch new fragrance families for our brands every 2-3 years, with some frequent "seasonal" fragrances introduced as well.

Our specialty retail and mass-market fragrance and fragrance related products are marketed through our United States operation and represented 16% of sales for the year ended December 31, 2006. These fragrance products are sold under trademarks owned by us or pursuant to license or other agreements with the owners of the *Gap*, *Banana Republic, Aziza* and *Jordache* trademarks.

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

Over the past five years, we have grown our business at both the top line and the bottom line. We have grown from $130.4 million in sales in 2002 to $321.1 million in 2006, representing a compounded annual growth rate of 25%. During the same period, our net income grew from $9.4 million in 2002 to $17.7 million in 2006, representing a compounded annual growth rate of 17%. Our management targets organic long term sales growth of approximately 10% (measured on an annual basis) and long term net income growth of approximately 12% - 15% (measured on an annual basis). There can be no assurance that we will achieve these targets in any particular period, or at all, however.

2006 Developments

Van Cleef & Arpels

In September 2006, our Paris-based subsidiary, Inter Parfums, S.A., and Van Cleef & Arpels Logistics SA, entered into an exclusive, worldwide license agreement for the creation, development and distribution of fragrance and related bath and body products under the Van Cleef & Arpels brand and related trademarks. The term of the license expires on December 31, 2018, and each party has the right to extend the term for five years on or before June 1, 2018 if certain sales targets are met in year 2017. Our rights under such license agreement are subject to certain minimum advertising expenditures and royalty payments as are customary in our industry.

In January 2007 Inter Parfums S.A. paid €18 million (approximately $23.4 million) to Van Cleef & Arpels Logistics SA as a lump sum, up front royalty payment, and purchased the existing inventory held by YSL Beauté, the former licensee, for approximately $2.1 million.

Quiksilver/Roxy

In March 2006 our Paris-based subsidiary, Inter Parfums S.A., and QS Holdings SARL signed an exclusive worldwide license agreement for the creation, development and distribution of fragrance, suncare, skincare and related products under the Roxy brand and suncare and related products under the Quiksilver brand. The term of the license expires in December 2017. Our rights under such license agreement are subject to certain minimum advertising expenditures and royalty payments as are customary in our industry.

Gap and Banana Republic

In March 2006, we entered into an addendum to our exclusive agreement with Gap, whereby we obtained the additional rights to develop, produce, manufacture and distribute personal care and home fragrance products for Gap Outlet and Banana Republic Factory Stores in the United States and Canada.

In September 2006, we launched the Banana Republic Discover Collection, a family of five fragrances, we developed and supply to Banana Republic's North American stores. The collection consists of three scents for women and two for men, each named after a luxurious, natural material that is both emotional and authentic. A separate family of fragrance and personal care products is also in the works for Gap's North American stores. That fragrance family is scheduled for an initial launch in May 2007, with the rollout continuing throughout the balance of the year and into 2008. In addition, we have been supplying Banana Republic and Gap stores with their existing personal care products, and we have created new holiday programs for this past holiday season.

Our Prestige Products

We produce and distribute our prestige fragrance products primarily under license agreements with brand owners and prestige product sales represented approximately 84% of net sales for 2006. We have built a portfolio of brands, which include Burberry, Lanvin, Paul Smith, S.T. Dupont, Christian Lacroix, Quiksilver/Roxy, Van Cleef & Arpels and Nickel whose products are distributed in over 120 countries around the world. Burberry is our most significant license, sales of Burberry products represented 57%, 60% and 62% of net sales for the years ended December 31, 2006, 2005 and 2004, respectively.

Under license agreements, we obtain the right to use the brand name, create new fragrances and packaging, determine positioning and distribution, and market and sell the licensed products, in exchange for the payment of royalties. Our rights under license agreements are also generally subject to certain minimum sales requirements and advertising expenditures.

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

Brand Name	**Licensed Or Owned**	**Date Acquired**	**Term, Including Option Periods**
Burberry	Licensed	July 2004	12.5 years and additional 5-year optional term that requires mutual consent
Lanvin	Licensed	July 2004	15-year
S.T. Dupont	Licensed	July 1997	Through June 30, 2011.
Paul Smith	Licensed	Dec. 1998	12 years
Celine	Licensed	May 2000	Through December 31, 2007.
Nickel	Owned	April 2004	N/A
Christian Lacroix	Licensed	March 1999	11 years
Quiksilver/Roxy	Licensed	March 2006	Through December 31, 2017
Van Cleef & Arpels	Licensed	Oct. 2006	Through December 31, 2018, plus a 5-year option if certain sales targets are met

Prestige Fragrances

BURBERRY -- Burberry is our leading prestige fragrance brand and we operate under an exclusive worldwide license with Burberry Limited that was originally entered into in 1993 and replaced by a new agreement in 2004.

We have had significant success in introducing new fragrance families under the Burberry brand name. We have introduced several fragrance families including *Burberry*, *Burberry Week End*, *Burberry Touch*, *Burberry Brit* and *Burberry London*. Successful distribution has been achieved in more than a hundred countries around the world by differentiating the positioning and target consumer of each of the families. Our success is evidenced by a 32% five-year compounded annual growth rate in sales of fragrances under the Burberry brand since 2001.

The largest Burberry fragrance family, *Burberry Brit*, of which the women's scent was launched in fall 2003 and the men's scent launched in fall 2004, has received much industry recognition. *Burberry Brit for Women* was named the Fragrance of the Year in the Women's Luxe category at the Annual Fragrance Foundation FiFi Awards in 2004. *Burberry Brit for Men* received two awards at the Annual Fragrance Foundation FiFi Awards in April 2005 for Best Men's Fragrance in the Luxe category and for Best Print National Advertising Campaign of the Year. The most recent Burberry fragrance family, *Burberry London*, of which the women's scent was launched in fall 2005 and the men's scent launched in spring of 2006, has also been well received. The success of the *Burberry London* launch and subsequent rollout was slightly offset by a modest decline by other fragrances within the brand. As the Burberry brand continues to develop and expand by attracting new customers, the Burberry fragrance portfolio follows suit expanding and continuing to post sales growth.

LANVIN -- In June 2004, Inter Parfums S.A. and Lanvin S.A. signed a worldwide license agreement to create, develop and distribute fragrance lines under the Lanvin brand name. A synonym of luxury and elegance, the Lanvin fashion house, founded in 1889 by Jeanne Lanvin, expanded into fragrances in the 1920s. Today, Lanvin fragrances occupy important positions in the selective distribution market in France, Europe and Asia, particularly with the lines *Arpège* (created in 1927), *Lanvin L'Homme* (1997) and *Eclat d'Arpège* (2002). Our first Lanvin fragrance, *Arpège pour Homme,* debuted in late 2005. *Arpège* by Lanvin won the honor of entering the Fragrance Hall of Fame at the 2005

FiFi Awards, an honor given to the best fragrance sold for at least 15 years that has been revitalized. During 2006, we began the launch *Rumeur*, our first new Lanvin fragrance for women, which was followed by a wider geographic rollout over the early months of 2007. In addition to the successful debut of Lanvin *Rumeur,* solid sales gains made by *Éclat d'Arpège* which has been a strong seller since its introduction in 2002.

PAUL SMITH -- We signed an exclusive license agreement with Paul Smith in December 1998, our first designer fragrance, for the creation, manufacture and worldwide distribution of Paul Smith perfumes and cosmetics. Paul Smith is an internationally renowned British designer who creates fashion with a clear identity. Paul Smith has a modern style which combines elegance, inventiveness and a sense of humor and enjoys a loyal following, especially in the UK and Japan. Fragrances include: *Paul Smith*, *Paul Smith Extreme* and *Paul Smith London*. *Paul Smith London for Men* was awarded a FiFi award in April 2005 for Best Men's Fragrance in the Nouveau Niche category. In the fourth quarter of 2006 we launched the men's fragrance, *Paul Smith Story*, and in the Fall of 2007, we have scheduled the launch of a new women's fragrance for Paul Smith.

S.T. DUPONT -- In June 1997, we signed an exclusive license agreement with S.T. Dupont for the creation, manufacture and worldwide distribution of S.T. Dupont perfumes. Fragrances include: *S.T. Dupont Paris*, *S.T. Dupont Essence Pure* and *L'Eau de S.T. Dupont*. During 2006 we extended the term of this license until June 30, 2011. In addition, during 2006 we launched the new men's fragrance, *S.T. Dupont Noir*, which was received well in Eastern Europe and the Middle East. For 2007 we are planning to launch a new women's fragrance for S.T. Dupont.

CHRISTIAN LACROIX -- In March 1999, we entered into an exclusive license agreement with the Christian Lacroix Company, formerly a division of LVMH Moet Hennessy Louis Vuitton S.A., for the worldwide development, manufacture and distribution of perfumes. For us, this association with a prestigious fashion label is another key area for growth which we expect will further strengthen our position in the prestige fragrance market. Our Christian Lacroix fragrances families for both men and women include: *Eau Florale*, *Bazar* and *Tumulte*. A new women's fragrance for is slated for Spring 2007.

VAN CLEEF & ARPELS -- In September 2006, our Paris-based subsidiary, Inter Parfums, S.A., and Van Cleef & Arpels Logistics SA, entered into an exclusive, worldwide license agreement for the creation, development and distribution of fragrance and related bath and body products under the Van Cleef & Arpels brand and related trademarks. The term of the license expires on December 31, 2018. We believe this agreement with Van Cleef & Arpels, the prestigious and legendary world-renowned jewelry designer, is an important step in our development. We also believe its growth potential will strengthen opportunities for expansion of our fragrance business in the high luxury segment. In 1976, Van Cleef & Arpels was a pioneer among jewelers with its launch of the fragrance, *First,* which exemplified the tradition of boldness of the jewelry house. We plan to build upon sales base by promoting the two strongest families, *First* and *Tsar*, and then create an entirely new line for launch in 2008.

QUIKSILVER/ROXY -- In March 2006 our Paris-based subsidiary, Inter Parfums S.A., and QS Holdings SARL signed an exclusive worldwide license agreement for the creation, development and distribution of fragrance, suncare, skincare and related products under the Roxy brand and suncare and related products under the Quiksilver brand. The term of the license expires in December 2017.

We intend to develop entirely new product categories for each of the two brands, which are important brands for the global youth market and synonymous with the heritage and culture of surfing, skateboarding and snowboarding. Quiksilver Inc.'s apparel and footwear brands represent a casual lifestyle for young-minded people that connect with its board riding culture and heritage, while its winter sports and golf brands symbolize a long-standing commitment to technical expertise and competitive success on the mountains and on the links.

Our initial plans call for the first new product family under the agreement, a Roxy fragrance family, to be introduced in late 2007, followed by a Quiksilver suncare line.

CELINE -- In May 2000, we entered into an exclusive worldwide license agreement for the development, manufacturing and distribution of fragrance lines under the Celine brand name with Celine, a division of LVMH Moet Hennessy Louis Vuitton S.A. Celine, a French luxury fashion and accessory company is known throughout the world for its luxury and quality products. By mutual agreement with Celine, we agreed to terminate the license on December 31, 2007.

Prestige Skin Care

NICKEL -- In April 2004 Inter Parfums, S.A. acquired a 67.5% interest in Nickel S.A. Established in 1996 by Philippe Dumont, Nickel has developed two innovative concepts in the world of cosmetics: spas exclusively for male customers and skin care products for men. The Nickel skin care products for the face and body are sold through prestige department and specialty stores primarily in France, the balance of Western Europe and in the United States, as well as through our men's spas in Paris and New York.

After the opening of a licensed Nickel Spa in London in spring 2006, similar initiatives for Berlin, Dubai and Moscow are currently under consideration. However, we cannot assure you that any further licensed spas will be opened, or if opened, that they will generate substantial revenue.

Specialty Retail and Mass Market Products

In July 2005, we entered into an exclusive agreement with The Gap, Inc. to develop, produce, manufacture and distribute fragrance, personal care and home fragrance products for Gap and Banana Republic brand names to be sold in Gap and Banana Republic retail stores in the United States and Canada.

In March 2006, we entered into an addendum to our exclusive agreement with The Gap, Inc, whereby we obtained the additional rights to develop, produce, manufacture and distribute fragrance, personal care and home fragrance products for Gap Outlet and Banana Republic Factory Stores in the United States and Canada.

In September 2006, we launched the Banana Republic Discover Collection, a family of five fragrances, we developed and supply to Banana Republic's North American stores. The collection consists of three scents for women and two for men, each named after a luxurious, natural material that is both emotional and authentic. A separate family of fragrance and personal care products is also in the works for Gap's North American stores. That fragrance family is scheduled for an initial launch to begin in May 2007, with the rollout continuing throughout the balance of the year and into 2008. In addition, we have been supplying Banana Republic and Gap stores with their existing personal care products, and we have created new holiday programs for this coming holiday season.

Our mass market products are also comprised of fragrances and fragrance related products. We produce a variety of alternative designer fragrances and personal care products that sell at a substantial discount from their brand name counterparts. Our alternative designer fragrances are similar in scent to highly advertised designer fragrances that are marketed at a higher retail price. Our mass market fragrance brands include several proprietary brand names as well as a license for the *Jordache* brand. We also market our *Aziza* line of low priced eye shadow kits, mascara, and pencils, focusing on the young teen market and a line of health and beauty aids under our *Intimate* brand name consisting of shampoo, conditioner, hand lotion and baby oil. All of theses products are distributed to the same mass market retailers and discount chains.

Business Strategy

Focus on prestige beauty brands. Prestige beauty brands contribute significantly to our growth. Over the past few years, prestige brands have accounted for a larger portion of our business — 84% of total business in 2006 from 68% in 2002. We focus on developing and launching quality fragrances utilizing internationally renowned brand names. By identifying and concentrating in the most receptive market segments and territories where our brands are known, and executing highly targeted launches that capture the essence of the brand, Inter Parfums has had a history of successful launches. Certain fashion designers and other licensors choose Inter Parfums as a partner because the company's size enables us to work more closely with them in the product development process as well as because of our successful track record.

Grow portfolio brands through new product development and marketing. We grow through the creation of fragrance family extensions within the existing brands in our portfolio. Every two to three years, we create a new family of fragrances for each brand in our portfolio. We frequently introduce "seasonal" fragrances as well. With new introductions, we leverage our ability and experience to gauge trends in the market and further leverage the brand name into different product families in order to maximize sales and profit potential. We have had success in introducing new fragrance families (sub-brands, or flanker brands) within our brand franchises. Furthermore, we promote the smooth and consistent performance of our prestige perfume operations through knowledge of the market, detailed analysis of the image and potential of each brand name, a "good dose" of creativity and a highly professional approach to international distribution channels.

Continue to add new brands to our portfolio, through new licenses or acquisitions. Prestige brands are the core of our business — we intend to add new prestige beauty brands to our portfolio. Over the past decade, we have built our portfolio of well-known prestige brands through acquisitions and new license agreements. We intend to further build on our success in prestige fragrances and pursue new licenses and acquire new brands to strengthen our position in the prestige beauty market. We identify prestige brands that can be developed and marketed into a full and varied product families and, with our technical knowledge and practical experience gained over time, take licensed brand names through all phases of concept development, manufacturing, and marketing.

Expand existing portfolio into new categories. We plan to broaden our product offering beyond the fragrance category and offer other personal care products such as skin care, cosmetics and hair care under some of our existing brands. We believe such product offerings meet customer needs and further strengthen customer loyalty. We also plan to draw upon the skin care product expertise that the Nickel team brings, as we explore other opportunities in the treatment side of the beauty business beyond the Nickel brand. Furthermore, the license agreement with Burberry signed in 2004 extends to skin care.

Continue to build global distribution footprint. Our business is a global business and we intend to continue to build our global distribution footprint. In order to adapt to changes in the environment and our business, we have modified our distribution model, and are in process of forming joint ventures in the major markets of the United Kingdom, Italy, Spain and Germany for distribution of prestige fragrances. Further, we may enter into future joint ventures arrangements or acquire distribution companies within other key markets to distribute certain of our licensed prestige brands. However, we cannot assure you that we will be able to enter into any future joint venture arrangements or acquire distribution companies, or if we do, that any such transaction will be successful. We believe that in certain markets vertical integration of our distribution network is key to the future growth of our company, and ownership of such distribution should enable us to better serve our customers' needs in local markets and adapt more quickly as situations may determine.

Build specialty retail through the Gap relationship. We believe the beauty industry has experienced a significant growth in specialty retail and our relationship with Gap has provided an entry into this distribution channel. We are responsible for product development, formula creation, packaging and manufacturing under Gap and Banana Republic brands. Gap, a leading international specialty retailer offering clothing, accessories and personal care products for men, women, children and babies, is responsible for marketing and selling the newly launched fragrance and fragrance related products in its stores. In addition, we have been approached by other specialty retailers to determine if there is interest in establishing a relationship whereby we would design, produce and manufacture fragrance and fragrance related products similar to our existing relationship with Gap. However, we cannot assure you that we will be able to enter into any similar future arrangements, or if we do, that any such arrangement will be successful.

Production and Supply

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

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

Suppliers who assist us with product development include**:**

- Independent perfumery design companies (Federico Restrepo, Fabien Baron, Aesthete, Ateliers Dinand);
- Perfumers (IFF, Firmenich, Robertet, Quest, Givaudan,Wessel Fragrances) which create a fragrance consistent with our expectations and, that of the fragrance designers and creators;
- Contract manufacturers of components such as glassware (Saint Gobain, Saverglass, Pochet, Nouvelles Verreries de Momignie), caps (MT Packaging, Codiplas, Risdon, Newburgh) or boxes (Printor Packaging, Draeger, Dannex Manufacturing);
- Production specialists who carry out packaging (MF Production, Brand, CCI, IKI Manufacturing) or logistics (SAGA for storage, order preparation and shipment).

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

Marketing and Distribution

Prestige Products

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

Our distributors vary in size depending on the number of competing brands they represent. This extensive and diverse network provides us with a significant presence in over 120 countries around the world. Approximately 50 distributors out of a total of over 250 active accounts represent 80% of international prestige fragrance sales. One customer represented 15% of sales for the year ended December 31, 2006.

Our business is a global business and we intend to continue to build our global distribution footprint. In order to adapt to changes in the environment and our business, we have modified our distribution model, and are in process of forming joint ventures in the major markets of the United Kingdom, Italy, Spain and Germany for distribution of prestige fragrances. Further, we may enter into future joint ventures arrangements or acquire distribution companies within other key markets to distribute certain of our licensed prestige brands. However, we cannot assure you that we will be able to enter into any future joint venture arrangements or acquire distribution companies, or if we do, that any such transaction will be successful. We believe that in certain markets vertical integration of our distribution network is key to the future growth of our company, and ownership of such distribution should enable us to better serve our customers' needs in local markets and adapt more quickly as situations may determine.

Approximately 34% of our prestige fragrance net sales are denominated in U.S. dollars. In an effort to reduce our exposure to foreign currency exchange fluctuations, we engage in a program of cautious hedging of foreign currencies to minimize the risk arising from operations. Our sales are not subject to material seasonal fluctuations.

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

- Sephora
- Marionnaud
- Nocibé
- Galeries Lafayette
- Printemps

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

Specialty Retail and Mass Market Products

We do not presently market and distribute Gap and Banana Republic specialty retail products to third parties. Marketing and distribution are the responsibility of Gap, Inc., which markets and sells the products we produce in its own retail locations.

Mass merchandisers are the target customers for our mass market products. In addition, our mass market products are sold to wholesale distributors, specialty store chains, and to multiple locations of accessory, jewelry and clothing outlets. These products are sold through a highly efficient and dedicated in-house sales team and reach approximately 12,000 retail outlets throughout the United States and abroad.

Our 140,000 square foot distribution center has provided us with the opportunity and resources to meet our customers' requirements.

Geographic Areas

Export sales from United States operations were approximately $7.2 million, $6.4 million and $9.6 million in 2006, 2005 and 2004, respectively.

Consolidated net sales to customers by region is as follows (in thousands):

	Year Ended December 31		
	2006	**2005**	**2004**
North America	$ 107,400	$ 81,800	$ 67,400
Europe	128,300	116,800	105,200
Central and South America	24,500	21,800	21,400
Middle East	21,900	19,800	17,900
Asia	37,700	32,200	22,700
Other	1,300	1,100	1,400
	$ 321,100	$ 273,500	$ 236,000

Consolidated net sales to customers in major countries is as follows (in thousands):

	Year Ended December 31		
	2006	**2005**	**2004**
United States	$104,000	$80,000	$66,000
United Kingdom	28,000	26,000	29,000
France	21,000	17,000	15,000

The Market

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

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

- Specialty retail and mass distribution - Specialty retail, or retail outlets which sell their own brand name products and mass merchandisers, discount stores and supermarkets, which sell low to moderately-priced mass market products for a broad customer base with limited purchasing power.

Selective Distribution

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

During 2006, the French perfume industry, which accounts for about approximately 35% of the world market, reported a 5.7% growth rate, as compared to a 4.9% growth rate in 2005 and a 2.6% growth rate in 2004.

Net sales in 2006 for the French domestic market reported a 3.5 % growth rate as compared to 2005, while the export market increased by 7.4% as compared to 2005:

The European Union: Sales increased overall by 5.4%, in this the largest market for French exports. Sales were strongest in new markets, Czech Republic (+41%), Poland (+23%) and Slovenia (+21%). Sales increased in other European Union members, Italy (+7%), Spain (+6,6%), Belgium (6,5%) and Germany(+6%).

Europe (excluding the European Union countries): Net sales increased by 35%, with substantial growth in Russia (+43.7%), Ukraine (+29.5%) and Romania (+29.5%).

Asia: Net sales increased by 5.4%. Asia is the second largest market for French cosmetics and perfumes, net sales increased in China (+39.5%), India (+11.3%), Singapore (+7.7%) and South Korea (+4%). For two years running net sales in Japan were disappointed (+0,1%).

North America: Net sales increased to 7.8% in the United States and 1.2% in Canada.

South America: Net sales to South America increased by +12.5%, a now stabilized trend for three years: Argentina (+40%), Chili (+22.6%), Mexico (13.5%) and Uruguay (+12.6%). Net sales in Brazil decreased 1.6%

While our market share, based on our internal data, is less than 1% in France, in other countries such as the United States, United Kingdom, Italy, Germany, Spain and Hong Kong, we estimate that our market share is between 1% and 4% of French perfume imports.

Specialty retail and mass Distribution

Our specialty retail and mass market products are designed for a broad customer base with a more limited purchasing power. We sell our products both in the United States and abroad. Mass merchandisers, discount stores and supermarkets are out target customers. We do not presently distribute Gap and Banana Republic specialty retail products to third parties. Gap, Inc. sells the products we produced in its own retail locations.

Competition

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

In the specialty retail market, we are presently selling products only to Gap and Banana Republic stores, so we do not have any direct competition. However, such special retail stores compete directly with other specialty retail stores such as Abercrombie & Fitch and Victoria Secret, which thereby indirectly compete with us.

We compete in the mass market for fragrances, color cosmetics health and beauty aids primarily on the basis of price. At the present time, we are aware of approximately four established companies which market alternative designer fragrances similar to ours. Many of our competitors of both mass market color cosmetics (such as L'Oreal and Revlon) and health and beauty aids (such as Proctor and Gamble) have substantial financial resources as well as national and international marketing campaigns. However, we believe that consumer recognition of our two brands, Aziza for mass market color cosmetics, and Intimate for health and beauty aids, together with competitive pricing of our products, helps us compete in those markets.

Inventory

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

Product Liability

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

Government Regulation

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

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

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

Trademarks

The market for our products depends to a significant extent upon the value associated with our trademarks and brand names. We own, or have licenses or other rights to use, the material trademark and brand name rights used in connection with the packaging, marketing and distribution of our major products both in the United States and in other countries where such products are principally sold. Therefore, trademark and brand name protection is important to our business. Although most of our brand names are registered in the United States and in certain foreign countries in which we operate, we may not be successful in asserting trademark or brand name protection. In addition, the laws of certain foreign countries may not protect our intellectual property rights to the same extent as the laws of the United States. The costs required to protect our trademarks and brand names may be substantial.

Under various license and other agreements we have the right to use certain registered trademarks throughout the world (except as otherwise noted). These registered trademarks include:

- Burberry
- Lanvin
- Gap (United States and Canada only)
- Banana Republic (United States and Canada only)
- S.T. Dupont
- Paul Smith
- Christian Lacroix
- Van Cleef & Arpels
- Quiksilver and Roxy
- Jordache

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

- Intimate
- Aziza
- Nickel
- Regal Collections, Royal Selections, Euro Collections and Apple

Employees

As of March 1, 2007 we had 235 full-time employees world-wide. Of these, 134 are full-time employees in Paris, with 92 employees engaged in sales activities and 42 in administrative, production and marketing activities. In the United States, 101 employees work full-time, and of these, 40 were engaged in sales activities and 61 in administrative, production and marketing activities.

We believe that our relationship with our employees is good.

Item 1A. Risk Factors.

You should carefully consider these risk factors, together with all of the other information contained or incorporated by reference in this report, before you decide to purchase or sell shares of our common stock. These factors could cause our future results to differ materially from those expressed or implied in forward-looking statements made by us. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also harm our business. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment.

We are dependent upon Burberry for a significant portion of our sales, and the loss of this license will have a material adverse effect on us.

Burberry is our leading prestige brand name, as sales of Burberry products represented 57% 60% and 62% of net sales for the years ended December 31, 2006, 2005 and 2004, respectively.

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

This license is subject to Inter Parfums, S.A. making required royalty payments (which are subject to certain minimums), minimum advertising and promotional expenditures and meeting minimum sales requirements. The new royalty rates, which are approximately double the rates under the prior license, commenced as of July 1, 2004. The new advertising and promotional expenditures, which commenced on January 1, 2005, as well as the minimum sales requirements, are substantially higher than under the prior license.

We are dependent upon the continuation and renewal of various licenses for a significant portion of our sales, and the loss of one or more licenses could have a material adverse effect on us.

Substantially all of our prestige fragrance brands are licensed from unaffiliated third parties and our business is dependent upon the continuation and renewal of such licenses on terms favorable to us. Each license is for a specific term and may have additional optional terms. In addition, each license is subject to us making required royalty payments (which are subject to certain minimums), minimum advertising and promotional expenditures and meeting minimum sales requirements. Just as the loss of a license may have a material adverse effect on us, a renewal on less favorable terms may also negatively impact us.

If we are unable to protect our intellectual property rights, specifically trademarks and brand names, our ability to compete could be negatively impacted.

The market for our products depends to a significant extent upon the value associated with our trademarks and brand names. We own, or have licenses or other rights to use, the material trademark and brand name rights used in connection with the packaging, marketing and distribution of our major products both in the United States and in other countries where such products are principally sold. Therefore, trademark and brand name protection is important to our business. Although most of our brand names are registered in the United States and in certain foreign countries in which we operate, we may not be successful in asserting trademark or brand name protection. In addition, the laws of certain foreign countries may not protect our intellectual property rights to the same extent as the laws of the United States. The costs required to protect our trademarks and brand names may be substantial.

The success of our products is dependent on public taste.

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

We are subject to extreme competition in the fragrance industry.

The market for fragrances and fragrance related products is highly competitive and sensitive to changing market preferences and demands. Many of our competitors in this market (particularly in the prestige fragrance industry) are larger than we are and have greater financial resources than are available to us, potentially allowing them greater operational flexibility.

Our success in the prestige fragrance industry is dependent upon our ability to continue to generate original strategies and develop quality products that are in accord with ongoing changes in the market.

In the specialty retail market, we are presently selling products only to Gap and Banana Republic stores, so we do not have any direct competition. However, such special retail stores compete directly with other specialty retail stores such as Abercrombie & Fitch and Victoria Secret, which thereby indirectly compete with us.

Our success with mass market fragrance and fragrance related products is dependent upon our ability to competitively price quality products and to quickly and efficiently develop and distribute new products.

If there is insufficient demand for our existing fragrances and fragrance related products, or if we do not develop future strategies and products that withstand competition or we are unsuccessful in competing on price terms, then we could experience a material adverse effect on our business, financial condition and operating results.

Consumers may reduce discretionary purchases of our products as a result of a general economic downturn.

We believe that consumer spending on beauty products is influenced by general economic conditions and the availability of discretionary income. Accordingly, we may experience sustained periods of declines in sales during economic downturns, or if terrorism or diseases affect customers’ purchasing patterns. In addition, a general economic downturn may result in reduced traffic in our customers’ stores which may, in turn, result in reduced net sales to our customers. Any resulting material reduction in our sales could have a material adverse effect on our business, financial condition and operating results.

We are dependent upon Gap to sell products that we develop for The Gap, Inc..

We have an exclusive agreement with The Gap, Inc. to develop, produce, manufacture and distribute personal care and home fragrance products for Gap and Banana Republic brand names to be sold in Gap and Banana Republic retail stores in the United States and Canada. Under the terms of such agreement, the products that we develop are subject to sales and marketing efforts of The Gap, Inc.

If the sales and marketing efforts of The Gap, Inc. are not successful for the products that we have developed, then our future growth potential could be negatively impacted.

If we are unable to acquire or license additional brands, or obtain the required financing for these agreements and arrangements, the growth of our business could be impaired.

Our future expansion through acquisitions or new product distribution arrangements, if any, will depend upon the capital resources and working capital available to us. We may be unsuccessful in identifying, negotiating, financing and consummating such acquisitions or arrangements on terms acceptable to us, or at all, which could hinder our ability to increase revenues and build our business.

We may engage in future acquisitions that we may not be able to successfully integrate or manage. These acquisitions may dilute our stockholders and cause us to incur debt and assume contingent liabilities.

We continuously review acquisition prospects that would complement our current product offerings, increase our size and geographic scope of operations or otherwise offer growth and operating efficiency opportunities. The financing for any of these acquisitions could significantly dilute our stockholders, result in an increase in our indebtedness or both. While there are no current agreements or negotiations underway with respect to any material acquisitions, we may acquire or make investments in businesses or products in the future. Acquisitions may entail numerous integration risks and impose costs on us, including:

- difficulties in assimilating acquired operations or products, including the loss of key employees from acquired businesses;
- diversion of management's attention from our core business;
- adverse effects on existing business relationships with suppliers and customers;
- risks of entering markets in which we have no or limited prior experience;
- dilutive issuances of equity securities;
- incurrence of substantial debt;
- assumption of contingent liabilities;
- incurrence of significant amortization expenses related to intangible assets and the potential impairment of acquired assets; and
- incurrence of significant immediate write-offs.

Our failure to successfully complete the integration of any acquired business could have a material adverse effect on our business, financial condition and operating results.

We are dependent upon Messrs. Jean Madar and Philippe Benacin, and the loss of their services could harm our business.

Jean Madar, our Chief Executive Officer, and Philippe Benacin, our President and Chief Executive Officer of Inter Parfums, S.A., are responsible for day-to-day operations as well as major decisions. Termination of their relationships with us, whether through death, incapacity or otherwise, could have a material adverse effect on our operations, and we cannot assure you that qualified replacements can be found. We maintain key man insurance on the lives of both Mr. Madar ($1 million) and Mr. Benacin ($3.6 million). However, we cannot assure you that we would be able to retain suitable replacements for either Mr. Madar or Mr. Benacin.

Our reliance on third party manufacturers could have a material adverse effect on us.

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

Our reliance on third party distributors could have a material adverse effect on us.

We sell our prestige fragrances mostly through independent distributors specializing in luxury goods. Given the growing importance of distribution, we have begun to modify our distribution model by the formation of joint ventures or company owned subsidiaries within key markets. We have little or no control over third party distributors and the failure of such third parties to provide services on a timely basis could have a material adverse effect on our business, financial condition and operating results. In addition, if we replace existing third party distributors with new third party distributors or with our own distribution arrangements, then transition issues could have a material adverse effect on our business, financial condition and operating results.

The loss of or disruption in our distribution facilities could have a material adverse effect on our business, financial condition and operating results.

We currently have one distribution facility in Paris and one in New Jersey. The loss of one or both of those facilities, as well as the inventory stored in those facilities, would require us to find replacement facilities and assets. In addition, terrorist attacks, or weather conditions, such as natural disasters, could disrupt our distribution operations. If we cannot replace our distribution capacity and inventory in a timely, cost-efficient manner, it could have a material adverse effect on our business, financial condition and operating results.

The international character of our business renders us subject to fluctuation in foreign currency exchange rates and international trade tariffs, barriers and other restrictions.

A portion of our Paris subsidiary's net sales (approximately 34% in 2006) are sold in U.S. dollars. In an effort to reduce our exposure to foreign currency exchange fluctuations, we engage in a program of cautious hedging of foreign currencies to minimize the risk arising from operations. Despite such actions, fluctuations in foreign currency exchange rates for the U.S. dollar, particularly with respect to the Euro, could have a material adverse effect on our operating results. Possible import, export, tariff and other trade barriers, which could be imposed by the United States, other countries or the European Union might also have a material adverse effect on our business.

Our business is subject to governmental regulation, which could impact our operations.

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

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

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

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

We may become subject to possible liability for improper comparative advertising or “Trade Dress.”

Brand name manufacturers and sellers of brand name products may make claims of improper comparative advertising or trade dress (packaging) with respect to the likelihood of confusion between some of our mass market products and those of brand name manufacturers and sellers. They may seek damages for loss of business or injunctive relief to seek to have the use of the improper comparative advertising or trade dress halted. However, we believe that our displays and packaging constitute fair competitive advertising and are not likely to cause confusion between our products and others. Further, we have not experienced to any material degree, any of such problems to date.

Item 1B. Unresolved Staff Comments. None.

Item 2. Properties

Use	Location	Approximate Size	Annual Rent (All are subject to escalations, except where noted)	Term Expires	Other Information
Office Space-corporate headquarters and United States operations	551 Fifth Avenue, New York, NY.	11,000 square feet	$388,000	February 28, 2013	
Distribution center	60 Stults Road Dayton, NJ	140,000 square foot	$684,000	October 31, 2010	
Office Space-Paris corporate headquarters and Paris based operations	4 Rond Point Des Champs Elysees Ground and 1st Fl. Paris, France	571 square meters	315,000 Euros	March 2013	Lessee has early termination right every 3 years on 6 months notice
Office Space-Paris corporate headquarters and Paris based operations	4 Rond Point Des Champs Elysees 4th Fl. Paris, France	531 square meters	264,000 Euros	June 2014	Lessee has early termination right every 3 years on 6 months notice
Office Space-Paris corporate headquarters and Paris based operations	4 Rond Point Des Champs Elysees 5th Fl- left Paris, France	155 square meters	75,200 Euros	March 2013	Lessee has early termination right on 3 months notice
Office Space-Paris corporate headquarters and Paris based operations	4 Rond Point Des Champs Elysees 6th Fl-Right Paris, France	157 square meters	64,627 Euros	March 2013	Lessee has early termination right every 3 years on 6 months notice
Office Space- Paris Accounting and Legal	39 avenue Franklin Roosevelt, 2nd Floor Paris, France	360 square meters	154,800 Euros to December 15, 2006; 165,600 Euros to December 15,	December 2014	Lessee has early termination right every 3 years on 6 months notice

			2007; 172,800 Euros thereafter		
Men's Spa	48 Rue des Francs Bourgeois, Paris, France	116 square meters	44,000 Euros	June 2011	Lessee has early termination right every 3 years on 6 months notice
Men's Spa	Unit C2, 300 West 14th Street, New York, N.Y.	4,500 Square Feet	$248,000	October 31, 2009	5-year term option term

Inter Parfums, S.A. has an agreement with Sagatrans, S.A. for warehousing and distribution services through September 2011. Fees are calculated based upon a percentage of sales, which are customary in the industry. Minimum future lease payments range from 2.6 million euro in 2006 increasing to 3.0 million euro in 2011.

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

Item 3. Legal Proceedings

We are not a party to any material lawsuits.

Item 4. Submissions Of Matters To A Vote Of Security Holders

Not applicable.

PART II

Item 5. Market For Registrant's Common Equity And Related Stockholder Matters

The Market for Our Common Stock

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

Fiscal 2006	High Closing Price	Low Closing Price
Fourth Quarter	$ 21.77	$ 17.63
Third Quarter	$ 19.56	$ 15.75
Second Quarter	$ 19.99	$ 15.39
First Quarter	$ 20.38	$ 17.07

Fiscal 2005	High Closing Price	Low Closing Price
Fourth Quarter	$ 19.70	$ 14.74
Third Quarter	$ 21.50	$ 18.13
Second Quarter	$ 20.89	$ 13.12
First Quarter	$ 15.92	$ 14.01

As of March 1, 2007 the number of record holders, which include brokers and broker's nominees, *etc*., of our common stock was 58. We believe there are in excess of 1,750 beneficial owners of our common stock.

Corporate Performance Graph

The following graph compares the performance for the periods indicated in the graph of our common stock with the performance of the Nasdaq Market Index and the average performance of a group of the company's peer corporations consisting of: Alberto-Culver, Avon Products Inc., Blyth Inc., CCA Industries, Inc., Colgate-Palmolive Co., Elizabeth Arden, Inc., Estee Lauder Cosmetics, Inc., Inter Parfums, Inc., Oralabs Holding Corp., Parlux Fragrances Inc., Playtex Products, Inc., Revlon, Inc., Spectrum Brands, Inc., The Stephan Company, United Guardian, Inc., and Yankee Candle Co., Inc. The graph assumes that the value of the investment in our common stock and each index was $100 at the beginning of the period indicated in the graph, and that all dividends were reinvested.

Dividends

In March 2005 our board of directors increased the cash dividend from $.12 to $.16 per share per annum, payable $0.04 on a quarterly basis. In December 2005 our board of directors authorized the continuation of our cash dividend of $.16 per share per annum, payable $.04 on a quarterly basis. In December 2006 our board of directors increased the cash dividend from $.16 to $.20 per share per annum, payable $0.05 on a quarterly basis. The first cash dividend for 2007 of $.05 per share is to be paid on April 13, 2007 to shareholders of record on March 30, 2007.

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

Sales of Unregistered Securities

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

In November 2006 both the Chief Executive Officer and the President exercised an aggregate of 100,000 outstanding stock options of the Company's common stock. The aggregate exercise prices of $0.8 million in 2006, were paid by them tendering to the Company in 2006 an aggregate of 37,278 of the Company's common stock, previously owned by them, valued at fair market value on the date of exercise. All shares issued pursuant to these option exercises were issued from treasury stock of the Company. In addition, the Chief Executive Officer tendered in 2006 an additional 7,840 shares, respectively, for payment of certain withholding taxes resulting from his option exercise.

On February 1, 2007, we granted options to purchase an aggregate of 9,500 shares for a five-year period at the exercise price of $19.845 per share, the fair market value on the date of grant, to 7 directors under our 2004 Non-Employee Director Stock Option Plan. Such options vest 25% each year over a four year period on a cumulative basis.

Repurchases of Our Common Stock

Except as set forth above with respect to the tendering of shares for the payment of the exercise price and taxes, we did not repurchase any of our Common Stock during the fourth quarter of fiscal year ended December 31, 2006.

Item 6. Selected Financial Data

The following selected financial data have been derived from our financial statements, and should be read in conjunction with those financial statements, including the related footnotes.

	Years Ended December 31,				
(In thousands except per share data)	**2006**	**2005**	**2004**	**2003**	**2002**
Income Statement Data:					
Net Sales	$ 321,054	$ 273,533	$ 236,047	$ 185,589	$ 130,352
Cost of Sales	143,855	115,827	113,988	95,449	71,630
Selling, General and Administrative	141,074	126,353	89,516	64,147	41,202
Operating Income	36,125	31,353	32,543	25,993	17,520
Income Before Taxes and Minority Interest	37,135	31,724	31,638	26,632	17,581
Net Income	17,742	15,263	15,703	13,837	9,405
Net Income per Share:					
Basic	$ 0.87	$ 0.76	$ 0.82	$ 0.73	$ 0.50
Diluted	$ 0.86	$ 0.75	$ 0.77	$ 0.69	$ 0.47
Average Common Shares Outstanding:					
Basic	20,324	20,078	19,205	19,032	18,777
Diluted	20,568	20,487	20,494	20,116	19,948

Depreciation and Amortization	$	5,347	$	4,513	$	3,988	$	3,344	$	2,220

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(In thousands except per share data)	As at December 31, 2006	2005	2004	2003	2002
Balance Sheet And Other Data:					
Cash and Cash Equivalents and Short-Term Investments	$ 71,047	$ 59,532	$ 40,972	$ 58,958	$ 38,290
Working Capital	138,547	131,084	129,866	115,970	83,828
Total Assets	333,045	240,910	230,485	194,001	129,370
Short-Term Bank Debt	6,033	989	748	121	1,794
Long-Term Debt (including current portion)	10,769	13,212	19,617	-0-	-0-
Stockholders' Equity	155,272	127,727	126,509	104,916	80,916
Dividends per Share	$ 0.16	$ 0.16	$ 0.12	$ 0.08	$ 0.06

Item 7. Management's Discussion And Analysis Of Financial Condition And Results Of Operation

Overview

We operate in the fragrance business, and manufacture, market and distribute a wide array of fragrances and fragrance related products. We manage our business in two segments, European based operations and United States based operations. Our prestige fragrance products are produced and marketed by our European operations through our 72% owned subsidiary in Paris, Inter Parfums, S.A., which is also a publicly traded company as 28% of Inter Parfums, S.A. shares trade on the Euronext. Prestige cosmetics and prestige skin care products represent less than 3% of consolidated net sales.

We produce and distribute our prestige products primarily under license agreements with brand owners and prestige product sales represented approximately 84% of net sales for 2006. We have built a portfolio of brands, which include Burberry, Lanvin, Paul Smith, S.T. Dupont, Christian Lacroix, Quiksilver/Roxy, Van Cleef & Arpels and Nickel whose products are distributed in over 120 countries around the world. Burberry is our most significant license, sales of Burberry products represented 57%, 60% and 62% of net sales for the years ended December 31, 2006, 2005 and 2004, respectively.

Our specialty retail and mass-market fragrance and fragrance related products are marketed through our United States operation and represented 16% of sales for the year ended December 31, 2006. These products are sold under trademarks owned by us or pursuant to license or other agreements with the owners of the *Gap*, *Banana Republic, Aziza* and *Jordache* trademarks.

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

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

Recent Important Events

Van Cleef & Arpels

In September 2006, we entered into an exclusive, worldwide license agreement with Van Cleef & Arpels Logistics SA, for the creation, development and distribution of fragrance and related bath and body products under the Van Cleef & Arpels brand and related trademarks. Van Cleef & Arpels is a prestigious and legendary world-renowned jewelry designer. The agreement runs through December 31, 2018. As an inducement to enter into this license agreement we agreed to pay, in January 2007, €18 million (approximately $23.4 million) to Van Cleef & Arpels Logistics SA in a lump sum, up front royalty payment, and we agreed to purchase existing inventory held by YSL Beauté, the current licensee. The license agreement became effective on January 1, 2007.

Quiksilver

In March 2006, we entered into an exclusive worldwide license agreement with Quiksilver, Inc. for the creation, development and distribution of fragrance, suncare, skincare and related products under the Roxy brand and suncare and related products under the Quiksilver brand. Quiksilver, Inc. is one of the world’s leading outdoor sports lifestyle company whose products are sold in 90 countries. The agreement runs through 2017.

The Roxy and Quiksilver names are hugely popular in the global youth market and are synonymous with the heritage and culture of surfing, skateboarding and snowboarding. Our goal is to leverage the passion and loyalty of the Roxy and Quiksilver brands as we bring their customers exciting new products. Our plans call for the first new product family under the agreement, a Roxy fragrance family, to be introduced in late 2007, followed by a Quiksilver suncare line.

Gap and Banana Republic

In July 2005, we entered into an exclusive agreement with Gap, Inc. to develop, produce, manufacture and distribute personal care and home fragrance products for Gap and Banana Republic brand names to be sold in Gap and Banana Republic retail stores in the United States and Canada. In March 2006, the agreement was amended to include Gap Outlet and Banana Republic Factory Stores in the United States and Canada.

The Banana Republic Discover Collection, a family of five fragrances was launched at Banana Republic’s North American stores in September 2006. The collection consists of three scents for women and two for men, each named after a luxurious, natural material that is both emotional and authentic. In addition, bath and body products as well as home fragrance products were created to complement the fragrance selection. A separate family of fragrance and personal care products is also in the works for Gap’s North American stores. That fragrance family is expected to launch in May 2007.

Burberry

On October 12, 2004, we entered into a new long-term fragrance license with Burberry. The agreement runs through 2016 plus an option to extend the license by an additional five years subject to mutual agreement. In connection with the new license agreement, we paid to Burberry an upfront non-recoupable license fee of approximately $3.6 million. In September 2006, Burberry agreed to certain modifications to the new long-term fragrance license and we paid to Burberry an additional upfront non-recoupable license fee of approximately $2.5 million.

Discussion of Critical Accounting Policies

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

Revenue Recognition

We sell our products to department stores, perfumeries, specialty retailers, mass-market retailers, supermarkets and domestic and international wholesalers and distributors. Sales of such products by our domestic subsidiaries are denominated in U.S. dollars and sales of such products by our foreign subsidiaries are primarily denominated in either Euros or U.S. dollars. Accounts receivable reflect the granting of credit to these customers. We generally grant credit based upon our analysis of the customer's financial position as well as previously established buying patterns. We recognize revenues when merchandise is shipped and the risk of loss passes to the customer. Net sales are comprised of gross revenues less returns, and trade discounts and allowances.

Sales Returns

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

Promotional Allowances

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

Inventories

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

Equipment and Other Long-Lived Assets

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

Long-lived assets, including trademarks, licenses, goodwill and other rights, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of any such asset may not be recoverable. If the sum of the undiscounted cash flows (excluding interest) is less than the carrying value, then we recognize an impairment loss, measured as the amount by which the carrying value exceeds the fair value of the asset. The estimate of undiscounted cash flow is based upon, among other things, certain assumptions about expected future operating performance. Our estimates of undiscounted cash flow may differ from actual cash flow due to, among other things, economic conditions, changes to our business model or changes in consumer acceptance of our products. In those cases where we determine that the useful life of other long-lived assets should be shortened, we would depreciate the net book value in excess of the salvage value (after testing for impairment as described above), over the revised remaining useful life of such asset thereby increasing amortization expense.

Income Taxes

Deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory tax rates applicable to future years to the difference between the financial statement carrying amounts and the tax bases of existing assets and liabilities. Tax benefits recognized are reduced by a valuation allowance where it is more likely than not that the benefits may not be realized.

Results of Operations

Net Sales

	Years ended December 31,				
	2006	% Change	2005	% Change	2004
			(in millions)		
European based product sales	$ 270.1	13%	$ 239.2	23%	$ 194.6
United States based product sales	51.0	49%	34.3	(17%)	41.4
Total net sales	$ 321.1	17%	$ 273.5	16%	$ 236.0

Net sales for the year ended December 31, 2006 increased 17% to $321.1 million. For the year ended December 31, 2005, net sales were up 16%. At comparable foreign currency exchange rates, net sales rose 17% in both 2006 and 2005.

European based prestige product sales, which were up 23% in 2005, grew an additional 13% in 2006. Burberry fragrance performed exceptionally well in 2006 with the launch and roll-out of a fifth major line, Burberry *London*. Burberry fragrance sales reached $182 million, up 10% in local currency. Excluding the discontinued Burberry limited edition *Brit Red* line, brand sales were up 20% in local currency.

In 2006 Lanvin fragrances exceeded targets with sales of $44 million, up 20% in local currency, due to strong gains by the *Eclat d'Arpège* line, which came to market in 2002. Lanvin brand sales were also boosted by the successful fall launch of its new *Rumeur* line. Similarly, Paul Smith sales increased 22% in local currency, with much of the growth coming from our first Paul Smith fragrance, which debuted in 2000 and Paul Smith *Extrême,* which came to market in 2002. In addition, the international launch of the men's Paul Smith *Story* line also contributed to brand sales growth.

Our Lanvin brand license took effect July 1, 2004 and therefore, the year ended December 31, 2005 was the first full year of sales for the brand. For the six months period ended December 31, 2004, net sales of Lanvin products aggregated approximately $10 million. For the year ended December 31, 2005, net sales of Lanvin products aggregated approximately $35 million contributing to the increase in sales for 2005.

Although there were no major new fragrance families launched in 2005 for our most significant brands, 2005 was still a very active year. In early 2005, we introduced new Christian Lacroix and Celine fragrance families. In addition, a flanker fragrance, *Paul Smith London Floral*, and a new Lanvin fragrance, *Arpege Pour Homme* were launched later in the year. Lastly, *Burberry Brit Gold* a limited edition holiday fragrance debuted in time for the holiday season.

With respect to our United States specialty retail and mass-market products, net sales were up 49% in 2006 after falling 17% in 2005. The sales gains in 2006 are primarily the effect of having commenced activities pursuant to our agreement with Gap, Inc. In early 2006, we began shipping Gap, Gap Outlet, Banana Republic and Banana Republic Factory Stores, their existing fragrance and personal care products. In August 2006 we launched the Banana Republic Discover Collection, a family of five fragrances which debuted in Banana Republic's North American stores in September. The collection consists of three scents for women and two for men. Bath and body products as well as home fragrance products were also created to complement the fragrance selection.

Sales of mass market fragrances and fragrance related products have been in a decline for several years. We believe that rising oil and gas prices are a significant cause for declining sales in the dollar store markets, as dollar store customers have less disposable cash. Although we have no plans to discontinue sales to this market, we have been and continue to consolidate our product offerings.

Looking towards 2007, a family of fragrance and personal care products is in the works for Gap Inc.'s North American stores. That family is expected to launch in May 2007. With respect to our European prestige business, our first fragrance family under the Roxy brand is scheduled for introduction in the fall of 2007. New fragrance families for women under the Paul Smith, S.T. Dupont and Christian Lacroix brands are also in the launch pipeline and finally, we are very excited about the prospects for the Van Cleef & Arpels fragrance brand which we took over on January 1, 2007. The integration of the brand in now underway and in 2008, we plan to launch a new Van Cleef & Arpels fragrance family.

Gross Margins

	Years ended December 31,		
	2006	2005	2004
		(in millions)	
Net sales	$ 321.1	$ 273.5	$ 236.0
Cost of sales	143.9	115.8	114.0
Gross margin	$ 177.2	$ 157.7	$ 122.0
Gross margin as a percent of net sales	55%	58%	52%

Gross profit margins were 55% in 2006, 58% in 2005 and 52% in 2004. Although gross margins from individual product families have remained consistent, sales of products from our European based prestige fragrances have always generated significantly higher gross profit margins than sales of our United States based specialty retail and mass-market products. Therefore fluctuations in sales product mix between our European operations and our United States operations is the primary factor influencing gross margin fluctuations. In 2006, sales from United States operations grew 49% while sales from European operations grew 13% resulting in a 3% decline in gross margin.

For 2005, the gross margin improvement over 2004 is attributable to sales of products from our European based prestige fragrance lines. In anticipation of the new terms of the Burberry license, and to mitigate the associated expenses, we have fine-tuned our operating model. This new model included increased selling prices to distributors, modified cost sharing arrangements with suppliers and distributors, and calls for the future formation of joint ventures or company-owned subsidiaries within key markets to handle future distribution. We increased our selling prices to distributors and modified our cost sharing arrangements with them in late 2004 and early 2005. The effect of these changes is the primary reason for our improved gross margin in 2005. The formation of joint ventures or company-owned subsidiaries within key markets is in our plans for 2007.

Selling, General & Administrative Expense

	Years ended December 31,		
	2006	**2005**	**2004**
		(in millions)	
Selling, general & administrative	$ 141.1	$ 126.4	$ 89.5
Selling, general & administrative as a percent of net sales	44%	46%	38%

Selling, general and administrative expense increased 12% for the year ended December 31, 2006, as compared to 2005 and 41% for the year ended December 31, 2005, as compared to 2004. As a percentage of sales selling, general and administrative expense was 44%, 46% and 38% for the years ended December 31, 2006, 2005 and 2004, respectively.

The increase in selling, general and administrative expenses as a percentage of sales for 2005 as compared to 2004, was primarily the result of increased royalties and increased advertising expenditure requirements under our new license with Burberry. Such increased requirements are reflected in both the 2006 and 2005 periods. Overall higher promotional costs were incurred in 2006 in connection with the Burberry London Women’s fragrance launch. Promotion and advertising included in selling, general and administrative expenses aggregated $46.5 million, $40.8 million and $21.8 million for the years ended December 31, 2006, 2005 and 2004, respectively. Royalty expense, included in selling, general, and administrative expenses, aggregated $31.4 million, $27.1 million and $20.9 million for the years ended December 31, 2006, 2005 and 2004, respectively.

In connection with our agreement with Gap, Inc., we continue to incur staff, product development and other start-up expenses, including those of third-party design and marketing firms. For 2006 and 2005, such expenses aggregated approximately $7.0 million and $2.0 million, respectively and are included in selling, general, and administrative.

As a result of the details discussed above with respect to gross margin and selling, general and administrative expenses, operating margins aggregated 11.3%, 11.5% and 13.8% for the years ended December 31, 2006, 2005 and 2004, respectively.

Interest expense aggregated $1.8 million, $1.0 million and $0.8 million for the years ended December 31, 2006, 2005 and 2004, respectively. We use the credit lines available to us, as needed, to finance our working capital needs as well as financing needs for acquisitions. In addition, in July 2004, Inter Parfums, S.A. entered into a € 16 million (approximately $21 million), five-year credit agreement.

Foreign currency gains or (losses) aggregated $0.2 million, ($0.3) million and ($0.4) million for the years ended December 31, 2006, 2005 and 2004, respectively. We enter into foreign currency forward exchange contracts to manage exposure related to certain foreign currency commitments.

Our effective income tax rate was 35.6%, 35.1% and 36.5% for the years ended December 31, 2006, 2005 and 2004, respectively. Our effective tax rates differ from statutory rates due to the effect of state and local taxes and tax rates in foreign jurisdictions which are slightly higher than those in the United States. In 2006, a valuation allowance of $0.8 million has been provided against certain foreign net operating loss carryforwards, as future profitable operations from certain foreign subsidiaries might not be sufficient to realize the full amount of net operating loss carryforwards available. No significant changes in tax rates were experienced nor were any expected in jurisdictions where we operate.

Net income increased 16% to $17.7 million in 2006 after declining 3% to $15.3 million in 2005. As stated above, in 2005 we incurred increased selling, general and administrative expenses, which was the result of increased royalties and increased advertising expenditure requirements under our new license with Burberry. These increased expenses were partially mitigated by improvements in our gross margin. In 2006, we were able to leverage expenses while increasing sales within our European operations and our United States operations began to see a turnaround in its business.

Diluted earnings per share aggregated $0.86, $0.75 and $0.77 in 2006, 2005 and 2004, respectively. Weighted average shares outstanding aggregated 20.3 million, 20.1 million and 19.2 million for the years ended December 31, 2006, 2005 and 2004, respectively. On a diluted basis, average shares outstanding were 20.6 million, 20.5 million and 20.5 million for the years ended December 31, 2006, 2005 and 2004, respectively.

Liquidity and Capital Resources

Our financial position remains strong. At December 31, 2006, working capital aggregated $139 million and we had a working capital ratio in excess of 2 to 1. Cash and cash equivalents and short-term investments aggregated $71 million.

In September 2006, we entered into an exclusive, worldwide license agreement with Van Cleef & Arpels Logistics SA, for the creation, development and distribution of fragrance and related bath and body products under the Van Cleef & Arpels brand and related trademarks. The agreement runs through December 31, 2018. As an inducement to enter into this license agreement, we agreed to pay € 18 million (approximately $23.4 million) to Van Cleef & Arpels Logistics SA in a lump sum, up front royalty payment and we agreed to purchase existing inventory of approximately $2.1 million held by YSL Beauté, the current licensee. The liability for the € 18 million up front payment was financed in 2007 and is included in accrued expenses on the accompanying balance sheet as of December 31, 2006. The license agreement became effective on January 1, 2007.

In April 2004, Inter Parfums, S.A. acquired a 67.5% interest in Nickel for approximately $4.5 million, net of cash acquired. In accordance with the purchase agreement, each of the minority stockholders has an option to put their remaining interest in Nickel to Inter Parfums, S.A. from January 2007 through June 2007. Based on an independent valuation, management has valued the put options as of the date of acquisition. These options are carried at fair value as determined by management.

The purchase price to be paid for the minority shares, approximately $4.6 million, is based upon a formula applied to Nickel's sales for the year ending December 31, 2006 pro rated for the minority holders' equity in Nickel. In addition, we have the right to call the stock based on the same formula and price. As of the date of this report, no determination has been made as to whether or not the put option or the call option will be exercised.

Cash provided by (used in) operating activities aggregated $13.4 million, $30.4 million and ($4.4 million) for the years ended December 31, 2006, 2005 and 2004, respectively. A significant inventory build up during the fourth quarter of 2003 was the most significant factor affecting our cash flow from operating activities in 2004 as our vendors were paid in accordance with their terms. Changes in accounts payable and accrued expenses used cash of $21.8 million in 2004. In addition, cash used in operating activities for 2004 reflects an increase in accounts receivable of $7.0 million which is reasonable considering the company's sales growth of 27% for the year ended December 31, 2004.

For 2005, cash provided by operating activities reflects an increase in accounts receivable of $17.7 million. This increase, which represented a 23% increase from the December 31, 2004 accounts receivable balance, is reasonable considering the company's sales growth of 16% for the year ended December 31, 2005.

In 2006 cash provided by operating activities shows that inventories increased 33% from December 31, 2005. Inventories were at an unusually low level as of December 31, 2005 as no major new product launches were on the calendar. Our 2006 new prestige product calendar was very ambitious, with launches of new fragrance families for our three largest prestige brands. In addition, an inventory buildup was required for new products created for the launch in Banana Republic North American stores as well as the transitioning of component sourcing and production of Gap, Inc.'s existing fragrance and personal care products to suppliers and contract fillers of the Company.

Cash provided by operating activities in 2006 also shows that accounts receivable increased 22% from the December 31, 2005 balance which is reasonable considering that sales were up 17% for the year and 37% for the fourth quarter alone.

Cash flows used in investing activities in 2006, reflect net proceeds from the sale of short-term investments of $4.6 million, approximately $5.0 million in payments for intangible assets and approximately $3.5 million in capital expenditures. Our business is not capital intensive as we do not own any manufacturing facilities. We typically spend between $2.0 and $3.0 million per year on tools and molds, depending on our new product development calendar. The balance of capital expenditures is for office fixtures, computer equipment and industrial equipment needed at our distribution centers. Capital expenditures in 2007 are expected to be in the range of $2.5 million to $3.5 million, considering our 2007 launch schedule and the ongoing renovation of our United States corporate offices. Cash flows from investing activities also reflect the sale of the Molyneux trademark in June 2006. Such sale brought in proceeds of $1.1 million and resulted in a loss of $0.2 million.

In December 2006, our board of directors authorized an increase of our cash dividend from $0.16 to $0.20 per share, aggregating approximately $4.1 million per annum, payable $.05 per share on a quarterly basis. Our first cash dividend of $.05 per share is to be paid on April 13, 2007 to shareholders of record on March 30, 2007. Dividends paid, including dividends paid once per year to minority stockholders of Inter Parfums, S.A., aggregated $4.5 million, $4.1 million and $2.9 million for the years ended December 31, 2006, 2005 and 2004, respectively. The cash dividends paid in 2006 represented a small part of our cash position and the increased dividend for 2007 is not expected to have any significant impact on our financial position.

Our short-term financing requirements are expected to be met by available cash and short-term investments on hand at December 31, 2006, cash generated by operations and short-term credit lines provided by domestic and foreign banks. The principal credit facilities for 2007 consist of a $12.0 million unsecured revolving line of credit provided by a domestic commercial bank and approximately $45.0 million in credit lines provided by a consortium of international financial institutions. Actual borrowings under these facilities have been minimal as we typically use our working capital to finance all of our cash needs.

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

Inflation rates in the U.S. and foreign countries in which we operate did not have a significant impact on operating results for the year ended December 31, 2006.

Contractual Obligations

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

Contractual Obligations	Payments due by period				
	Total	Less than 1 year	Years 2-3	Years 4-5	More than 5 years
Long-Term Debt	$ 10,769	$ 4,214	$ 6,555		
Capital Lease Obligations					
Operating Leases	$ 31,724	$ 5,983	$ 12,384	$ 10,597	$ 2,760
Purchase Obligations					
Other Long-Term Liabilities Reflected on the Registrant's Balance Sheet under GAAP					
Minimum Royalty Obligations	$ 371,104	$ 32,196	$ 68,179	$ 69,693	$ 201,036
Total	$ 413,597	$ 42,393	$ 87,118	$ 80,290	$ 203,796

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

General

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

Foreign Exchange Risk Management

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

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

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

We believe that our risk of loss as the result of nonperformance by any of such financial institutions is remote and in any event would not be material. The contracts have varying maturities with none exceeding one year. Costs associated with entering into such contracts have not been material to our financial results. At December 31, 2006, we had foreign currency contracts at Inter Parfums, S.A. in the form of forward exchange contracts in the amount of approximately U.S. $50.6 million and GB Pounds 3.1 million.

Interest Rate Risk Management

We mitigate interest rate risk by continually monitoring interest rates, and then determining whether fixed interest rates should be swapped for floating rate debt, or if floating rate debt should be swapped for fixed rate debt. We have entered into one (1) interest rate swap to reduce exposure to rising variable interest rates, by effectively exchanging the variable interest rate of 0.6% above the three month EURIBOR rate on our long-term to a variable rate based on the 12 month EURIBOR rate with a floor of 3.25% and a ceiling of 3.85%. This derivative instrument is recorded at fair value and changes in fair value are reflected in the results of operation.

Item 8. Financial Statements and Supplementary Data

The required financial statements commence on page F-1.

Supplementary Data

Quarterly Data (Unaudited)
For the Year Ended December 31, 2006
(In Thousands Except Share and Per Share Data)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Full Year
Net Sales	$ 70,900	$ 70,285	$ 89,690	$ 90,179	$ 321,054
Gross Profit	40,296	39,670	48,688	48,545	177,199
Net Income	4,420	3,192	4,645	5,485	17,742
Impact of adoption of SFAS 123 (R)	125	98	116	104	443
Net Income per Share:					
Basic	$ 0.22	$ 0.16	$ 0.23	$ 0.27	$ 0.87
Diluted	$ 0.22	$ 0.16	$ 0.23	$ 0.27	$ 0.86
Average Common Shares Outstanding:					
Basic	20,267,000	20,315,000	20,322,000	20,392,000	20,324,000
Diluted	20,544,000	20,564,000	20,546,000	20,620,000	20,568,000

Quarterly Data (Unaudited)
For the Year Ended December 31, 2005
(In Thousands Except Share and Per Share Data)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Full Year
Net Sales	$ 71,087	$ 61,343	$ 75,446	$ 65,657	$ 273,533
Gross Profit	40,577	34,595	42,357	40,177	157,706
Net Income	4,404	3,214	3,754	3,891	15,263
Net Income per Share:					
Basic	$ 0.22	$ 0.16	$ 0.19	$ 0.19	$ 0.76
Diluted	$ 0.22	$ 0.16	$ 0.18	$ 0.19	$ 0.75
Average Common Shares Outstanding:					
Basic	19,701,000	20,179,000	20,189,000	20,245,000	20,078,000
Diluted	20,420,000	20,478,000	20,556,000	20,492,000	20,487,000

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Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer have reviewed and evaluated the effectiveness of our disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 Rule 13a-15(f)) as of the end of the period covered by this annual report on Form 10-K (the "Evaluation Date"). Based on their review and evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the Evaluation Date, our disclosure controls and procedures were adequate and effective to ensure that material information relating to our Company and its consolidated subsidiaries would be made known to them by others within those entities, so that such material information is recorded, processed and reported in a timely manner, particularly during the period in which this annual report on Form 10-K was being prepared, and that no changes were required at this time.

Management's Annual Report on Internal Control over Financial Reporting

The management of Inter Parfums, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting for the company. With the participation of the Chief Executive Officer and the Chief Financial Officer, our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework and criteria established in *Internal Control - Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management has concluded that our internal control over financial reporting was effective as of December 31, 2006.

Our independent auditor, Mazars LLP, a registered public accounting firm, has issued its report on its audit of our management's assessment of our internal control over financial reporting. This report appears below.

Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting

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

We have audited management's assessment, included in the accompanying "Management's Annual Report on Internal Control over Financial Reporting", that Inter Parfums, Inc. maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Inter Parfums, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, management's assessment that Inter Parfums, Inc. maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also in our opinion, Inter Parfums, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006 based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Inter Parfums, Inc. as of December 31, 2006 and 2005 and the related consolidated statements of income, changes in shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2006 and our report dated March 16, 2007 expressed an unqualified opinion thereon.

Mazars LLP

New York, New York
March 16, 2007

Item 9B. Other Information.

None.

PART III

Item 10. Directors and Executive Officers Of the Registrant

Executive Officers and Directors

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

Name	Position
Jean Madar	Chairman of the Board, Chief Executive Officer of Inter Parfums, Inc. and Director General of Inter Parfums, S.A.
Philippe Benacin	Vice Chairman of the Board, President of Inter Parfums, Inc. and President of Inter Parfums, S.A.
Russell Greenberg	Director, Executive Vice President and Chief Financial Officer
Philippe Santi	Director, Executive Vice President and Director General Delegue, Inter Parfums, S.A.
Francois Heilbronn	Director
Joseph A. Caccamo	Director
Jean Levy	Director
Robert Bensoussan-Torres	Director
Jean Cailliau	Director
Serge Rosinoer	Director
Patrick Choël	Director
Hugues de la Chevasnerie	Director of Burberry Fragrances, Inter Parfums, S.A.
Frederic Garcia-Pelayo	President of the Luxury and Fashion division of Inter Parfums, S.A.
Jack Ayer	Director of Distribution - France, Inter Parfums, S.A.
Axel Marot	Director of Production & Logistics, Inter Parfums, S.A.

Our directors will serve until the next annual meeting of stockholders and thereafter until their successors shall have been elected and qualified. Messrs. Jean Madar and Philippe Benacin have a verbal agreement or understanding to vote their shares in a like manner. As Messrs. Madar and Benacin beneficially own more than 50% of the outstanding shares of the Inter Parfums' common stock, Inter Parfums is considered a "controlled company" under the applicable rules of The Nasdaq Stock Market.

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

Board of Directors

Our Board of Directors has the responsibility for establishing broad corporate policies and for the overall performance of our Company. Although certain directors are not involved in day-to-day operating details, members of the Board are kept informed of our business by various reports and documents made available to them. The Board of Directors held six meetings (or executed consents in lieu thereof), including meetings of committees of the Board during 2006, and, with the exception of Messrs. Santi, Bensoussan-Torres and Piette (who stepped down in June 2006) all of the directors attended at least 75% of the meetings of the Board and committee meetings of which they were a member.

We have adopted a Code of Business Conduct, and we agree to provide to any person without charge, upon request, a copy of our Code of Business Conduct. Any person who requests a copy of our Code of Business Conduct should provide their name and address in writing to: Inter Parfums, Inc., 551 Fifth Avenue, New York, NY 10176, Att.: Shareholder Relations. In addition, our Code of Conduct is also maintained on our website, at www.interparfumsinc.com.

During Fiscal 2006, the Board of Directors had the following standing committees:

· Audit Committee – The Audit Committee has the sole authority and is directly responsible for, the appointment, compensation and oversight of the work of the independent accountants employed by the Company which prepare or issue an audit report for the Company. During 2006, the Audit Committee initially consisted of Messrs. Heilbronn, Levy and Bensoussan-Torres and Mr. Choël replaced Mr. Bensoussan-Torres in June 2006.

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

· Executive Compensation and Stock Option Committee – The Executive Compensation and Stock Option Committee oversees the compensation of the Company’s executives and administers the Company’s stock option plans. During 2006, the members of such committee initially consisted of Messrs. Heilbronn, Levy and Daniel Piette, and Mr. Choël replaced Mr. Piette in June 2006 . We presently do not have a separate charter for our Executive Compensation and Stock Option Committee.

Our Board of Directors does not maintain a standing nominating committee or a committee performing similar functions. In view of the agreement and understanding of Messrs. Jean Madar and Philippe Benacin who beneficially own more than 50% of the outstanding shares of the Inter Parfums’ common stock, our Board of Directors does not believe it necessary for the Company to have such a committee. Also as a “controlled company” under the applicable rules of The Nasdaq Stock Market, we are exempt from the nominating committee requirements. During 2006, our Board of Directors as a group agreed to nominate the same members of the board who had served last year with the exception of Mr. Choël, who was added to the Board of Directors in June 2006, replacing Mr. Piette who stepped down.

Director Independence

The following are our directors who are “independent directors” within the applicable rules of The Nasdaq Stock Market:

Francois Heilbronn

Jean Levy

Robert Bensoussan-Torres

Serge Rosinoer

Jean Cailliau

Patrick Choël

While we follow and comply with the independent director definitions as provided by The Nasdaq Stock Market rules in determining the independence of our directors, we do not presently post the rules on our company's website. However, the rules of The Nasdaq Stock Market are readily available on its website. We intend to either include the applicable independent director definition on our website or as an appendix to our proxy statement for the next annual meeting.

However, as stated above, Messrs. Jean Madar and Philippe Benacin have a verbal agreement or understanding to vote their shares in a like manner. As Messrs. Madar and Benacin beneficially own more than 50% of the outstanding shares of the Inter Parfums' common stock, Inter Parfums is considered a "controlled company" under the applicable rules of The Nasdaq Stock Market. As a controlled company, we are exempt for certain of the corporate governance rules of The Nasdaq Stock Market, such as the board of directors consisting a majority of independent directors and the requirement of a nominating committee of the board.

In addition, The Nasdaq Stock Market maintains more stringent rules relating to director independence for the members of our Audit Committee, and the members of our Audit Committee, Messrs. Heilbronn, Levy and Choël, are independent within those rules. We are not exempt from the more stringent rules relating to director independence for the members of our Audit Committee by virtue of the controlled company exception.

Business Experience

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

Jean Madar

Jean Madar, age 46, a Director, has been the Chairman of the Board of Directors since the Company's inception, and is a co-founder of the Company with Mr. Benacin. From inception until December 1993 he was the President of the Company; in January 1994 he became Director General of Inter Parfums, S.A., the Company's subsidiary; and in January 1997 he became Chief Executive Officer of the Company. Mr. Madar was previously the managing director of Inter Parfums, S.A., from September 1983 until June 1985. At such subsidiary, he had the responsibility of overseeing the marketing operations of its foreign distribution, including market research analysis and actual marketing campaigns. Mr. Madar graduated from The French University for Economic and Commercial Sciences (ESSEC) in 1983.

Philippe Benacin

Mr. Benacin, age 48, a Director, has been the Vice Chairman of the Board since September 1991, and is a co-founder of the Company with Mr. Madar. He was elected the Executive Vice President in September 1991, Senior Vice President in April 1993, and President of the Company in January 1994. In addition, he has been the President of Inter Parfums, S.A. for more than the past five years. Mr. Benacin graduated from The French University for Economic and Commercial Sciences (ESSEC) in 1983.

Russell Greenberg

Mr. Greenberg, age 50, the Chief Financial Officer, was Vice-President, Finance when he joined the Company in June 1992; became Executive Vice President in April 1993; and was appointed to the Board of Directors in February 1995. He is a certified public accountant licensed in the State of New York, and is a member of the American Institute of Certified Public Accountants and the New York State Society of Certified Public Accountants. After graduating from The Ohio State University in 1980, he was employed in public accounting until he joined the Company in June 1992.

Philippe Santi

Philippe Santi, age 45 and a Director since December 1999, has been the Director of Finance and the Chief Financial Officer of Inter Parfums, S.A. since February 1995. Mr. Santi became Executive Vice President of Inter Parfums, S.A. in 2004, and is a Certified Accountant and Statutory Auditor in France.

Francois Heilbronn

Mr. Heilbronn, age 46, a Director since 1988, an independent director, and a member of the audit, stock option and executive compensation committees, is a graduate of Harvard Business School with a Master of Business Administration degree and is currently the managing partner of the consulting firm of M.M. Friedrich, Heilbronn & Fiszer. He was formerly employed by The Boston Consulting Group, Inc. from 1988 through 1992 as a manager. Mr. Heilbronn graduated from Institut D' Etudes Politiques De Paris in June 1983. From 1984 to 1986, he worked as a financial analyst for Lazard Freres & Co.

Joseph A. Caccamo

Mr. Caccamo, age 51, a Director since 1992, is an attorney with the law firm of GrayRobinson, P.A., our general counsel. A member of both the New York and Florida bars, Mr. Caccamo has been a practicing attorney since 1981, concentrating in the areas of corporate and securities law, and in September 1991 he became our counsel.

Jean Levy

Jean Levy, age 74, a Director since August 1996, an independent director and a member of the audit and executive compensation and stock option committees, worked for twenty-seven years at L'Oreal, and was the President and Chief Executive Officer of Cosmair, the exclusive United States licensee of L'Oreal, from 1983 through June 1987. In addition, he is the former President and Chief Executive Officer of Sanofi Beaute (France). For the more than the past five years, Mr. Levy has been an independent advisor as well as a consultant for economic development to local governments in France. A graduate of l'Institut d'Etudes Politiques de Paris, he also attended Yale Graduate School and was a recipient of a Fulbright Scholarship. He was also a Professor at l'Institut d'Etudes Politiques de Paris. He was formerly a director of Zannier Group and Escada Beaute Worldwide and Rallye, S.A. In addition, Mr. Levy was also a director (Chairman of the Board until October 2001) of Financière d'Or, and its subsidiary, Histoire d'Or which is in the retail jewelry business. Mr. Levy was formerly a consultant to Ernst & Young, Paris through 2004. He is currently a board member of Price Minister, an internet based retainer located in Paris.

Robert Bensoussan-Torres

Robert Bensoussan-Torres, age 49, has been a Director since March 1997, and also is an independent director and during 2005 was a member of the audit committee. In November 2001, he became the Chief Executive Officer of Jimmy Choo Ltd., a luxury shoe and ready to wear accessory company. From 1999 to December 2000, he was the Managing Director of Gianfranco Ferre fashion group, based in Milano, Italy. Mr. Bensoussan-Torres is a Director of Towers Consulting Europe, Ltd. Towers Consulting Europe, Ltd. is a consulting company based in London, which specializes in strategic advise in connection with mergers and acquisitions in the luxury goods business. Mr. Bensoussan-Torres was the Chief Executive Officer of Christian Lacroix, Paris, a subsidiary of LVMH Group, from February 1993 until May 1998. Christian Lacroix is a French Haute Couture House and has activities in the field of apparel, accessories and fragrances. From December 1990 through January 1993 he was based in Munich, Germany, as the International Sales Director of The Escada Group.

Jean Cailliau

Mr. Cailliau, age 44, and a director since December 1999. The Board considers Mr. Cailliau to be independent of management, notwithstanding his prior affiliation with LV Capital USA Inc., which was dissolved in August 2006. Through June 2001, Mr. Cailliau was the Deputy General Manager of LV Capital SA, the investment arm of LVMH. In January 2001 he became a Director of L Capital Management, a private equity fund sponsored by LVMH. For the past 10 years, Mr. Cailliau has held executive positions at LVMH. He is also a Director of various European companies. Mr. Cailliau is an Engineer in Agronomics and has an MBA (1988) from Insead.

Serge Rosinoer

Mr. Rosinoer, age 75, was appointed to the Board of Directors in December 2000, as an independent director. Mr. Rosinoer has devoted most of his career to the personal care, cosmetics and fragrance industry. In 1978, Mr. Rosinoer joined the Clarins Group as Vice President and Chief Operating Officer where he was largely responsible for its rapid international expansion. As COO, then CEO since 1978, Mr. Rosinoer oversaw the transformation of Clarins into a major force in cosmetics, skin care and fragrance, with annual sales of approximately 600 million Euro and more than 4,000 employees. He retired from active duty in June of 2000, but continues to serve on the board of directors of Clarins. Earlier in his career he was President of Parfums Corday. He also held senior level executive positions at Max Factor, where he had full supervision of that cosmetics company's European production and sales. Mr. Rosinoer has served several terms as President of the French Prestige Cosmetics Association and currently serves as Conseiller du Commerce Extérieur de la France.

Patrick Choël

Mr. Choël, age 63, was appointed to the Board of Directors in June 2006, as an independent director, and is a member of both the Audit Committee and the Executive Compensation and Stock Option Committee. Mr. Choël is the manager of Université 82, a business consultant and advisor. For approximately 10 years, through March 2004, Mr. Choël worked as the President and CEO of two divisions of LVMH, first the LVMH Perfumes and Cosmetics Division, which included such well known brands as Parfums Christian Dior, Guerlain, and Parfums Givenchy, among others, and later, Parfums Christian Dior, a leading world-wide prestige beauty/fragrances business. Prior to such time, for approximately 30 years, he work at various executive positions at Unilever, including President and CEO of Elida Fabergé France and President and CEO of Chesebrough Pond's USA.

Hugues de la Chevasnerie

Hugues de la Chevasnerie, age 38, became the Director of Burberry Fragrances in December 2006. Prior to joining Burberry Fragrances, Mr. Chevasnerie was from February 2002 the Vice President of International Marketing, Davidoff & Chloé, at Coty Inc. From 1994 to 2002, he held various positions at LVMH- Parfums Christian Dior, including Group Head for Men's Perfumes from 1999 to 2002.

Frederic Garcia-Pelayo

Frederic Garcia-Pelayo, age 48, became the President of the Luxury and Fashion division of Inter Parfums, S.A. in March 2005. He was previously the Director of Marketing and Distribution for Perfume and Cosmetics for Inter Parfums, S.A. and was named Executive Vice President in 2004. Previously Mr. Garcia-Pelayo was the Director of Export Sales of Inter Parfums, S.A. from September 1994. Prior to September 1994, Mr. Garcia-Pelayo was the Export Manager for Benetton Perfumes for seven (7) years.

Jack Ayer

Jack Ayer, age 57, was a French Market Sales Manager when he joined Inter Parfums, S.A. in 1989 and has been the Director of the French Market Sales for Inter Parfums, S.A. since 1999. Prior to 1989 Mr. Ayer spent 13 years as a brand representative for L'Oréal.

Axel Marot

Axel Marot, age 33, was the Supply Chain Manager when he joined Inter Parfums, S.A. in 2003 and has been the Director of Operations for Inter Parfums, S.A. since January 2005. Prior to joining Inter Parfums, S.A., Mr. Marot was a Supply Chain Manager for Nestlé.

Section 16(a) Beneficial Ownership Reporting Compliance

Based solely upon a review of Forms 3, 4 and 5 and any amendments to such forms furnished to us, and written representations from various reporting persons furnished to us, we are not aware of any reporting person who has failed to file the reports required to be filed under Section 16(a) of the Securities Exchange Act of 1934 on a timely basis.

Item 11. Executive Compensation

The following table sets forth a summary of all compensation awarded to, earned by or paid to, our Chief Executive Officer, our Chief Financial Officer, and each of the three most highly compensated executive officers of our Company whose compensation exceeded $100,000 per annum for services rendered in all capacities to our Company and its subsidiaries during fiscal years ended December 31, 2006, December 31, 2005 and December 31, 2004. In addition, we have included the compensation information of one former executive officer who left our during 2006. For all compensation related matters disclosed in this Item 11, all amounts paid in euro have been converted to US dollars at the average rate of exchange in each year.

SUMMARY COMPENSATION TABLE									
Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Jean Madar, Chief Executive Officer	2006 2005 2004	400,000 400,000 330,000	-0- -0- -0-	-0- -0- -0-	252,000 337,000 405,000	-0- -0- -0-	-0- -0- -0-	2,974,944 [1] 6,079,952 [2] 1,291,030 [3]	3,626,944 6,816,952 2,026,030
Russell Greenberg, Chief Financial Officer	2006 2005 2004	375,000 345,000 315,000	30,000 30,000 30,000	-0- -0- -0-	167,000 132,000 158,000	-0- -0- -0-	-0- -0- -0-	304,214 [4] 548,214 [5] 222,055 [6]	876,214 1,055,214 725,055
Philippe Benacin, President of Inter Parfums, Inc. and President of Inter Parfums, S.A.	2006 2005 2004	226,206 208,874 210,000	153,174 161,629 111,250	-0- -0- -0-	252,000 337,000 405,000	-0- -0- -0-	8,800 8,700 8,700	1,298,801 [7] 5,866,935 [8] 1,697,412 [9]	1,938,981 6,583,138 2,432,362
Philippe Santi, Executive Vice President and Director General Delegue, Inter Parfums, S.A.	2006 2005 2004	226,206 208,874 149,000	197,302 161,629 126,000	-0- -0- -0-	105,000 91,000 97,000	22,621 21,655 24,000	8,800 8,700 8,700	405,801[10] 169,104[11] 429,331[12]	965,730 660,962 834,031
Frédéric Garcia-Pelayo, Director Export Sales, Inter Parfums, S.A.	2006 2005 2004	226,206 208,874 149,000	197,302 161,629 136,000	-0- -0- -0-	166,000 53,000 52,000	22,621 21,655 24,000	8,800 8,700 8,700	259,956 [13] 173,218 [14] 600,775 [15]	880,885 627,076 970,475
Marcella Cacci, Former President, Burberry Fragrances[16]	2006 2005	208,200 316,667	-0- 125,000	-0- 217,000[17]	-0- 162,000	62,500 125,000	-0- -0-	341,000 [18] 87,000 [19]	611,700 1,032,667

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[1] Consists of $654,500 realized upon the exercise of options, and $2,320,444 realized on the exercise of options of Inter Parfums, S.A.

[2] Consists of $6,079,952 realized upon the exercise of options.

[3] Consists of $670,285 realized upon the exercise of options, and $620,745 realized on the exercise of options of Inter Parfums, S.A.

[4] Consists of $2,214 for automobile expenses and $235,000 realized upon exercise of options and $67,000 realized on the exercise of options of Inter Parfums, S.A.

[5] Consists of $2,214 for automobile expenses and $467,000 realized upon exercise of options and $79,000 realized on the exercise of options of Inter Parfums, S.A.

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

[7] Consists of lodging expenses of $75,402, $8,797 for automobile expenses, $654,500 realized upon the exercise of options, and $560,102 realized on the exercise of options of Inter Parfums, S.A.

[8] Consists of lodging expenses of $208,874, $10,613 for automobile expenses, $5,072,785 realized upon the exercise of options, and $574,663 realized upon exercise of options of Inter Parfums, S.A.

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

[10] Consists of $405,801 realized on the exercise of options of Inter Parfums, S.A.

[11] Consists of $169,104 realized on the exercise of options of Inter Parfums, S.A.

[12] Consists of $429,331 realized on the exercise of options of Inter Parfums, S.A.

[13] Consists of $123,157 realized on the exercise of options of Inter Parfums, S.A.

[14] Consists of $173,218 realized on the exercise of options of Inter Parfums, S.A.

[15] Consists of $600,775 realized on the exercise of options of Inter Parfums, S.A.

[16] Ms. Cacci became President of Burberry Fragrances on March 15, 2005 and left the company as of June 30, 2006.

[17] Under the terms of her employment agreement, Ms. Cacci was issued 5,000 restricted shares of Inter Parfums, S.A., to vest ratably over a three-year period. When she left the employ of Inter Parfums S.A., the vesting restrictions lapsed. During 2006, in lieu of issuance of such restricted shares, we paid her the fair market value of such shares.

[18] Consists of severance pay of $293,750 and housing allowance of $48,000. Under the terms of her employment agreement, Ms. Cacci was granted options to purchase 24,200 shares of Inter Parfums, S.A. to vest ratably over a three-year period. When she left the employ of Inter Parfums S.A., the vesting restrictions lapsed.

[19] Under the terms of her employment agreement, the Company paid Ms. Cacci a housing allowance of $40,000 and reimbursement of attorneys' fees of $47,000.

Compensation Discussion and Analysis

General

The Executive Compensation and Stock Option Committee oversees the compensation of the Company's executives and administers the Company's stock option plans. The members of such committee are Messrs. Heilbronn, Levy and Choël. Mr. Choël replaced Mr. Piette on such committee in June 2006.

During 2006, the Executive Compensation and Stock Option Committee took action 3 times by the execution of written consents in lieu of meetings.

In addition to the members of the Executive Compensation Committee, the following persons participated in discussions concerning executive compensation during 2006: Jean Madar, the Chairman of our Board of Directors and Chief Executive Officer; Philippe Benacin, a Director, President, and President of Inter Parfums, S.A., our company's indirect French operating subsidiary; Russell Greenberg, an Executive Vice President, Chief Financial Officer and a Director; Philippe Santi, the Chief Financial Officer of Inter Parfums, S.A. Generally, Mr. Madar, the Chairman and Chief Executive Officer, takes the initiative and recommends executive compensation levels for executives in the United States, and Mr. Benacin, the President of Inter Parfums, S.A., takes the initiative and recommends for executive compensation levels for executives in Paris. Further, all cash compensation for each of Messrs. Benacin, Santi and Garcia-Pelayo's are paid to them in euros by our French operating subsidiary, and all cash compensation for each of Messrs. Madar and Greenberg are paid from United States Operations. Also as a general rule, all executive officers have their compensation reviewed annually.

The objectives of our compensation program are designed to strike a balance between offering sufficient compensation to either retain existing or attract new executives on the one hand, and keeping compensation at reasonable levels on the other hand. Although our business is growing, as evidenced by our increased sales and growing portfolio of brand names, we do not have the resources comparable to the cosmetic giants in our industry, and accordingly cannot afford to pay excessive executive compensation. In furtherance of these objectives, our executive compensation packages generally include a base salary, as well as annual incentives tied to individual performance and long-term incentives tied to our operating performance. Further, Messrs. Madar and Benacin, in addition to being executive officers and directors are our largest shareholders, which aligns their interests with our shareholder base in keeping executive compensation at a reasonable level.

The following sets forth information regarding compensation and benefits provided to our Chief Executive Officer, Chief Financial Officer, each of the three most highly compensated executive officers other than our Chief Executive Officer and Chief Financial Officer, whose total compensation exceeded $100,000. In addition, we have included the compensation information of one former executive officer who left our company during 2006. The executive officers being discussed for 2006 are: Jean Madar (the Chief Executive Officer), Russell Greenberg (the Chief Financial Officer), Philippe Benacin, Philippe Santi and Frederic Garcia-Pelayo (the three highly compensated officers) and Marcella Cacci, former executive officer who left our company during 2006.

Base Salary

Base salaries for executive officers are initially determined by evaluating the responsibilities of the position held and the experience of the individual, and by reference to the competitive market place for executive talent. Base salaries for executive officers are reviewed on an annual basis, and adjustments are determined by evaluating our operating performance, the performance of each executive officer, as well as whether the nature of the responsibilities of the executive has changed.

As stated above, Mr. Madar, the Chairman and Chief Executive Officer, takes the initiative and recommends executive compensation levels for executives in the United States, and Mr. Benacin, the President of Inter Parfums, S.A., takes the initiative and recommends for executive compensation levels for executives in Paris.

Mr. Madar, the Chief Executive Officer, did not receive an increase in his base salary of $400,000.

Upon recommendation of our Chairman and Chief Executive Officer, the Executive Compensation and Stock Option Committee determined to increase the base salary of Mr. Greenberg, the Chief Financial Officer, by $30,000 from $345,000 to $375,000, a, 8.7% increase. Mr. Greenberg has received the same salary increase of $30,000 for the past two years.

Upon the recommendation of Mr. Benacin, the base salaries of Mr. Philippe Santi, the Chief Financial Officer of Inter Parfums, S.A., and Mr. Frederic Garcia-Pelayo, was each increased from 168,000 euros in 2005 to 180,000 euros in 2006, a 7% increase. Likewise, Mr. Benacin’s base compensation was increased to from 168,000 euros in 2005 to180,000 euros in 2006.

In February 2005 we entered into an employment agreement with Marcella Cacci to act as the President of Burberry Fragrances, a division of Inter Parfums, S.A. for a three year period. Such employment agreement was approved by this Committee. Further, as a negotiated term of her employment agreement, United States operation paid her compensation, although she was residing and working in Paris for Burberry Fragrances, a division of Inter Parfums, S.A. Ms. Cacci was terminated without cause, and for 2006 her pro-rated based salary was $208,200.

After a thorough review, the Chairman of the Board determined that the base salaries paid to such executives were fair in the view of their responsibilities, length of service with us, performance and compensation levels to peers, as to which the Executive Compensation and Stock Option Committee concurs.

Bonus Compensation/ Annual Incentives

As the result of their efforts in increasing the profitability of our company, bonuses were awarded as follows. For European operations, each of Messrs. Santi and Garcia-Pelayo received a cash bonus of $197,302 (157,000 euros) and Mr. Benacin received a cash bonus of $153,174 (122,000 euros). For Unites States operations, Mr. Greenberg received a cash bonus of $30,000. In order for Mr. Madar to receive a cash bonus, United States operations has to achieve after tax profit target. However, our Chief Executive Officer did not receive a cash bonus primarily due to the expenses incurred by United States operations with respect to start up costs for our Gap and Banana Republic fragrance products, and the downward sales trend in the mass market. However, the Executive Compensation Committee has determined to use the same after tax profit target for our company’s United States operations that will be used to calculate Mr. Madar’s bonus for 2007.

Under the terms of her employment agreement, Marcella Cacci was also entitled to a pro rated bonus of $62,500 as Burberry Fragrances reached certain sales targets.

Long Term Incentives

The long-term incentives are geared towards linking benefits to corporate performance through the grant of stock options. All options are granted with an exercise price equal to the fair market value of the underlying shares of our common stock on the date of grant, and terminate on or shortly after severance of the executive’s relationship with us. Unless the market price of our common stock increases, corporate executives will have no tangible benefit. Thus, they are provided with the extra incentive to increase individual performance with the ultimate goal of increased our overall performance. In addition, Inter Parfums, S.A. maintains a profit sharing plan for its employees. We believe that enhanced executive incentives which result in increased corporate performance tend to build company loyalty. As a general rule, the number of options granted is determined by several factors, both individual and company operating results for the past year, as well as past option grants to such executives.

Under the terms of her employment agreement, Ms. Cacci received the following benefits:

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

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

However, as the result of her termination without cause in 2006, all vesting restrictions on the option grant and restricted shares lapsed and became fully vested.

During 2006, upon the recommendation of the company’s Chief Executive Officer, the Executive Compensation and Stock Option Committee granted options to purchase 40,000 shares our common stock to each of Jean Madar and Philippe Benacin, 25,000 shares to Mr. Greenberg, and 5,000 to each of Messrs. Santi and Garcia- Pelayo, all at the fair market value on the date of grant. However, commencing in 2006 we granted nonqualified stock options with a term of 6 years rather than the 5 years as had been done over the past several years, because the option grants vest now ratably of a 5-year period on a cumulative basis, so that the option will become fully exercisable at the beginning of the sixth year from the date of grant.

We believe that the vesting period of these options serves a dual purpose: 1. executives will not receive any benefit if they leave prior to such portion of the option vesting; and 2. as options granted to employees are now required to be accounted as a compensation expense, the compensation expense to our company is thereby lessened.

Under our stock option plan, non-qualified stock options granted to executives terminate immediately upon the executive's termination of association with our company. This termination provision coupled with vesting may reduce certain benefits afforded to an executive when an executive officer leaves our employ.

For 2006, the option grants to Messrs. Madar and Benacin were actually less in number than the option grants made for the past several years, while the option grant to Mr. Greenberg was commensurate with his option grant in 2005. Our company has not in the past routinely granted options to executive officers of Inter Parfums, S.A. other than Mr. Benacin, but rather such grants are handled on a case by case basis each year.

Over the past few years as our company has grown and the market price or our common stock has increased, Messrs. Madar and Benacin have realized substantial compensation as the result of the exercise of their options. As the two executives most responsible for continued growth and success of our company, the Committee believes the granting of options is an appropriate tool to tie a substantial portion of their compensation to the success of our company and is completely warranted.

In addition, Inter Parfums, SA maintains its own stock option plan, profit sharing plan and a relatively small pension plan, which provide long term benefits to the executive officers of our European operations.

The actual compensation realized as the result of the exercise of options, as well as the future potential of such rewards, are powerful incentives for increased individual performance, and ultimately increased company performance. In view of the fact that these executive officers contribute significantly to our profitable operations, the Executive Compensation and Stock Option Committee believes these incentives to be fair to these executive officers and to our shareholders.

Conclusion

The Executive Compensation and Stock Option Committee believes that its present policies to date, with its emphasis on rewarding performance, has served to focus the efforts of our executives to achieve a high rate of growth and profitability, which management believes will result in a substantial increase in value to our shareholders.

Francois Heilbronn
Jean Levy and
Daniel Piette (through June 2006) and Patrick Choël (after June 2006)

Plan Based Awards

The following table sets certain information relating to each grant of an award made to the executive officers of our company listed in the Summary Compensation Table during the past fiscal year.

		Grants of Plan-Based Awards								
Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)
		Threshold ($)	Target ($)	Maximum ($)	Threshold ($)	Target ($)	Maximum ($)			
Jean Madar	12/15/06	-0-	-0-	-0-	-0-	-0-	-0-	-0-	40,000	19.655
Jean Madar	6/1/2006 *	-0-	-0-	-0-	-0-	-0-	-0-	-0-	11,000	39.96
Russell Greenberg	12/15/06	-0-	-0-	-0-	-0-	-0-	-0-	-0-	25,000	19.655
Russell Greenberg	6/1/2006 *	-0-	-0-	-0-	-0-	-0-	-0-	-0-	880	39.96
Philippe Benacin	12/15/06	-0-	-0-	-0-	-0-	-0-	-0-	-0-	40,000	19.655
Philippe Benacin	6/1/2006 *	-0-	-0-	-0-	-0-	-0-	-0-	-0-	11,000	39.96
Philippe Santi	12/15/06	-0-	-0-	-0-	-0-	-0-	-0-	-0-	5,000	19.655
Philippe Santi	6/1/2006 *	-0-	-0-	-0-	-0-	-0-	-0-	-0-	6,600	39.96
Frédéric Garcia-Pelayo	12/15/06	-0-	-0-	-0-	-0-	-0-	-0-	-0-	5,000	19.655
Frédéric Garcia-Pelayo	6/1/2006 *	-0-	-0-	-0-	-0-	-0-	-0-	-0-	11,000	39.96
Marcella Cacci	NA	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

*Represent options to purchase ordinary shares of Inter Parfums, S.A. at the then current market price of the Inter Parfums, S.A. ordinary shares

As discussed above, commencing in 2006 we granted nonqualified stock options with a term of 6 years rather than the 5 years as had been done over the past several years, because the option grants vest now ratably of a 5-year period on a cumulative basis, so that the option will become fully exercisable at the beginning of the sixth year from the date of grant.

In addition, options were granted to purchase ordinary shares of Inter Parfums, S.A. at the then current market price of the Inter Parfums, S.A. ordinary shares. Such options vest after a four year period.

We believe that the vesting period of these options serves a dual purpose: 1. executives will not receive any benefit if the leave prior to such portion of the option vesting; and 2. as options granted to employees are now required to be accounted as a compensation expense, the compensation expense to our company is thereby lessened.

Outstanding Equity Awards At Fiscal Year-End

The following table sets certain information relating to outstanding equity awards in our company held by the executive officers of our company listed in the Summary Compensation Table as of the end of the past fiscal year.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

	Option Awards				
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date
Jean Madar	50,000		-0-	8.025	12/19/07
	50,000		-0-	23.050	12/30/08
	50,000		-0-	15.390	12/09/09
	50,000		-0-	14.950	04/19/10
		40,000	-0-	19.655	12/14/12
Russell Greenberg	18,000		-0-	8.025	12/19/07
	18,000		-0-	23.050	12/30/08
	25,000		-0-	15.390	12/09/09
	25,000		-0-	14.950	04/19/10
		25,000	-0-	19.655	12/14/12
Philippe Benacin	50,000		-0-	8.025	12/19/07
	50,000		-0-	23.050	12/30/08
	50,000		-0-	15.390	12/09/09
	50,000		-0-	14.950	04/19/10
		40,000	-0-	19.655	12/14/12
Philippe Santi	7,500		-0-	7.850	01/23/08
	10,000		-0-	25.240	02/12/09

	7,500		-0-	15.390	12/09/09
	7,500		-0-	14.950	04/19/10
		5,000	-0-	19.655	12/14/12
Frédéric Garcia-Pelayo	5,000	5,000	-0-	19.655	12/14/12
Marcella Cacci	-0-	-0-	-0-	NA	NA

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As discussed above, commencing in 2006 we granted nonqualified stock options with a term of 6 years rather than the 5 years as had been done over the past several years, because the option grants vest now ratably of a 5-year period on a cumulative basis, so that the option will become fully exercisable at the beginning of the sixth year from the date of grant.

We believe that the vesting period of these options serves a dual purpose: 1. executives will not receive any benefit if the leave prior to such portion of the option vesting; and 2. as options granted to employees are now required to be accounted as a compensation expense, the compensation expense to our company is thereby lessened.

The following table sets certain information relating to outstanding equity awards granted by Inter Parfums, S.A. held by the executive officers of our company listed in the Summary Compensation Table as of the end of the past fiscal year.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END OF INTER PARFUMS, S.A.

		Option Awards		
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (euros)	Option Expiration Date
Jean Madar		12,100	18.30	08/26/09
		16,940	26.70	03/25/10
		12,100	25.00	05/26/11
		11,000	31.80	06/01/12
Russell Greenberg	3,082		13.80	03/24/07
	3,297		19.30	04/26/08
	2,662		11.10	08/26/09
		1,089	18.30	08/26/09
		968	26.70	03/25/10
		1,210	25.00	05/26/11
		880	31.80	06/01/12
Philippe Benacin	5,013		11.10	08/26/09
		12,100	18.30	08/26/09
		16,940	26.70	03/25/10
		12,100	25.00	05/26/11
		11,000	31.80	06/01/12

Philippe Santi	8,785		11.10	08/26/09
		6,050	18.30	08/26/09
		8,712	26.70	03/25/10

		7,260	25.00	05/26/11
		6,600	31.80	06/01/12
Frédéric Garcia-Pelayo	4,226		19.30	04/26/08
	8,785		11.10	08/26/09
		6,050	18.30	08/26/09
		8,712	26.70	03/25/10
		7,260	25.00	05/26/11
		11,000	31.80	06/01/12
Marcella Cacci	24,200		25.00	05/26/11

Option Exercises and Stock Vested

The following table sets forth certain information relating to each option exercise effected during the past fiscal year, and each vesting of stock, including restricted stock, restricted stock units and similar instruments of our company during the past fiscal year, for the executive officers of our company listed in the Summary Compensation Table.

OPTION EXERCISES AND STOCK VESTED				
	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)[1]	Number of Shares Acquired on Vesting (#)	Value Realized On Vesting ($)
Jean Madar[2]	50,000	654,000	-0-	-0-
Russell Greenberg	18,000	235,000	-0-	-0-
Philippe Benacin[2]	50,000	654,000	-0-	-0-
Philippe Santi	-0-	-0-	-0-	-0-
Frédéric Garcia-Pelayo	-0-	-0-	-0-	-0-
Marcella Cacci	-0-	-0-	-0-	-0-

[Footnotes from table above]

[1] Total value realized on exercise of options in dollars is based upon the difference between the fair market value of the common stock on the date of exercise, and the exercise price of the option, or the fair market value of the net amount of shares received upon exercise of options.

[2] In November 2006 both the Chief Executive Officer and the President exercised an aggregate of 100,000 outstanding stock options of the Company’s common stock. The aggregate exercise prices of $0.8 million in 2006, were paid by them tendering to the Company in 2006 an aggregate of 37,278 of the Company’s common stock, previously owned by them, valued at fair market value on the date of exercise. All shares issued pursuant to these option exercises were

issued from treasury stock of the Company. In addition, the Chief Executive Officer tendered in 2006 an additional 7,840 shares, respectively, for payment of certain withholding taxes resulting from his option exercise.

The following table sets forth certain information relating to each option exercise effected during the past fiscal year, and each vesting of stock, including restricted stock, restricted stock units and similar instruments during the past fiscal year, of Inter Parfums, S.A., for the executive officers of our company listed in the Summary Compensation Table.

OPTION EXERCISES AND STOCK VESTED

on Awards		Stock Awards	
er s ed se	Value Realized on Exercise ($)[1]	Number of Shares Acquired on Vesting (#)	Value Realized On Vesting ($)
03	743,669	-0-	
77	755,444	-0-	

TTEE ON EXECUTIVE CON

The Report of the Compensation Committee of the Board does not constitute soliciting material and shall incorporated by reference by any general statement incorporating by reference this Proxy Statement into any Securities Act of 1933 or under the Securities Exchange Act of 1934, except to the extent that the Compa incorporates this information by reference and shall not otherwise be deemed filed u

COMPENSATION COMMIT

The Compensation Committee of the Board has reviewed and discussed the Compensation Discussion and An Company's management, and based on such review and discussions, the Compensation Committee reco Board that the Compensation Discussion and Analysis be included in this Pr

Dated: March 26, 2018 Respectfully sub

The Compensat

Raymond Soong
Christina Wen-c
Michael K.C. Ts

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EXECUTIVE COM

The table below summarizes the compensation for each of the last three fiscal years of (1) each person wh Company's principal executive officer or the Company's principal financial officer during 2017, (2) the Com most highly compensated executive officers who were serving as executive officers at the end of 2017 (exclud in column (h)) (collectively, "NEOs"), and (3) up to two additional individuals for whom disclosure would ha under clause (2) but for the fact that the individual was not serving as an executive officer at the end

SUMMARY COMPENSA

Name and Principal Position (a)	Year (b)	Salary ($) (c) (1)	Bonus ($) (d) (2)	Stock Awards ($) (e) (3)	Option Awards ($) (f) (3)	Non-Equity Incentive Plan Compensation ($) (g) (2)	Change in Pension Value and Non-qualified Deferred Compensation Earnings ($) (h)	All Other Compensa ($) (i) (5)
Keh-Shew Lu (4)	2017	657,418	12,707	3,303,771	—	1,471,247	44	80,215
President and	2016	633,792	—	2,116,400	—	635,000	10	77,067
Chief Executive Officer	2015	591,750	—	2,829,200	—	460,000	-	57,063
Richard D. White	2017	399,175	7,715	1,043,100	—	500,262	244	34,376
Chief Financial Officer and	2016	384,708	—	500,240	—	213,500	121	35,053
Secretary	2015	359,042	—	668,720	—	155,000	(21)	34,000
Mark A. King	2017	386,344	7,467	1,067,837	—	484,177	211,266	38,891
Senior Vice President,	2016	372,417	—	384,800	—	137,500	78,780	39,959
Sales and Marketing	2015	352,042	—	514,400	—	100,000	(23,331)	38,540
Julie Holland Vice President Corporate Operations (7)	2017	295,653	5,714	594,316	—	370,521	840	22,376
Edmund Tang (6)	2017	360,224	6,963	398,259	—	451,445	2,140	22,376
Vice President,	2016	347,125	—	192,400	—	138,000	1,038	23,053
Corporate Administration	2015	324,333	—	257,200	—	100,000	97	22,000
Francis Tang	2017	352,517	6,813	956,599	—	441,782	83,597	22,376
Vice President,	2016	339,833	—	230,880	—	180,000	36,233	23,053
Worldwide Discrete Products	2015	316,083	—	308,640	—	130,000	7,754	20,477

(1) Historically each executive officer's salary was established by the Compensation Committee in M
Beginning in 2017, each executive officer's salary is established in February of each year. Amounts sho
amounts earned in each fiscal year. Effective February 19, 2018, the base salaries for Dr. Lu and Messrs. Wh
Tang were $693,750, $421,200, $372,000, respectively, and Ms. Holland

(2) These amounts were earned under the Company's executive bonus plan. See "Compensation Discuss
Principal Components of Compensation – Annual (Bonus) Incentive Plan" for further discussion of the e

(3) These amounts reflect the value determined by the Company for accounting purposes for these awards an
whether each NEO has actually realized a financial benefit from the awards. The value of the equity awa
(e) and (f) is based on the grant date fair value calculated in accordance with the amount recognized for fina
reporting purposes. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfe
service-based vesting conditions. Amounts reported in the Stock Awards column (e) above (in the for
calculated by multiplying the number of shares subject to the award by the closing price of the Company's Co
the grant date. See Note 13, Share-Based Compensation, to the Company's audited financial statements fo
ended December 31, 2017, included in the Company's Annual Report on Form 10-K filed with the SEC
2018, for a further discussion of the relevant valuation assumptions used in calculating grant date fair v
awards vest in four equal annual installments after the date of grant. In addition to time requireme
performance-based equity awards to vest, certain performance criter

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(4) Does not include 600,000 shares of Common Stock in the form of PRSAs granted as long-term, performanc
Dr. Lu in six equal annual installments of 100,000 shares, on each of April 14, 2010, 2011, 2012, 2013, 2014 a
installment would vest only if the Company achieves a net sales target for any fiscal year that exceeds $1
shares vested on February 20, 2018, upon the filing on the Company's 2017 Annual Report on Form 10-
shares of Common Stock covered by these PRSAs had a grant date fair value of $11.7 million on April 14, 2
the initial award installment. Also does not include 700,000 shares of Common Stock in the form of PI
Awards") separately granted on July 21, 2015 as long-term, performance incentives to Dr. Lu that were repla
shares of Common Stock in the form of performance stock units granted on February 21, 2017 to replace th
(the "Modified Awards"), which Modified Awards will vest only if (i) the Company achieves a non-GAAP
for 2017 through 2019 of $204.6 million and (ii) Dr. Lu continues to provide services to the Company. For fu
on the net sales target, non-GAAP operating income target and service condition related to these grants
Compensation – Narrative to Summary Compensation Table and Grants of Plan-Base

(5) Certain of the Company's executive officers receive personal benefits in addition to salary, cash bonuses
compensation, consisting of automobile allowance, medical insurance, dental insurance, vision insur
assistance program, taxable per diem, contributions under the Company's retirement plans, deferred compe
insurance payable at the direction of the employee, accidental death and dismemberment insurance ("AD&D
accident insurance, and short-term and long-term disability insurance. The amount shown in column (
Compensation" includes benefits summarized in the following tabl

(6) Mr. Edmund Tang became an NE

(7) Ms. Julie Holland became an NE

The table below sets forth the detail of "All Other Compensatio

Name	Year	Auto Allowance ($)	Health Insurance ($)(a)	Retirement Plans ($)	Life and Disability Insurance ($)(b)	Per Diem ($)(c)	Total ($)(d
Keh-Shew Lu	2017	15,600	11,245	8,100	3,031	42,239	80,21
	2016	15,600	12,072	7,950	3,031	38,414	77,06
	2015	15,600	11,019	7,950	3,031	19,463	57,06
Richard D. White	2017	12,000	11,245	8,100	3,031	—	34,37
	2016	12,000	12,072	7,950	3,031	—	35,05
	2015	12,000	11,019	7,950	3,031	—	34,00
Mark A. King	2017	12,000	15,760	8,100	3,031	—	38,89
	2016	12,000	16,978	7,950	3,031	—	39,95
	2015	12,000	15,559	7,950	3,031	—	38,54
Julie Holland	2017	—	11,245	8,100	3,031	—	22,37
Edmund Tang	2017	—	11,245	8,100	3,031	—	22,37
	2016	—	12,072	7,950	3,031	—	23,05
	2015	—	11,019	7,950	3,031	—	22,00

Francis Tang	2017	—	11,245	8,100	3,031	—	22,37
	2016	—	12,072	7,950	3,031	—	23,05
	2015	—	9,496	7,950	3,031	—	20,47

(a) Consists of medical, dental, and vision insurance, as well as employee assis

(b) Consists of life, AD&D, business travel accident, and short-term and long-term disab

(c) Taxable per diem amounts consist of amounts paid to Dr. Lu for reimbursements while staying at his per while traveling on Con

(d) The total does not include change in deferred compensation plan benefit value, if any, whicl

GRANTS OF PLAN-BAS

The following table sets forth certain information with respect to grants of awards to the NEOs under non-equity incentive plan and the 2013 Pl

Name (a)	Grant Date (b)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards Threshold ($) (c)	Target ($) (1) (d)	Maximum ($) (e)	Estimated Future Payouts Under Equity Incentive Plan Awards Threshold (#) (f)	Target (#) (g)	Maximum (#) (h)	All Other Stock Awards: Number of Shares of Stock or Units (#) (i)	All Other Option Awards: Securities Underlying Options (#) (j)	Exerci Base P Option Award ($/Sh) (k)
Keh-Shew Lu (3)	2/21/2017	412,969	825,938	1,651,875	31,452	62,905	125,809	62,905	—	—
Richard D. White	2/21/2017	140,420	280,840	561,680	9,931	19,861	39,723	19,861	—	—
Mark A. King	2/21/2017	135,905	271,810	543,620	10,166	20,332	40,664	20,332	—	—
Julie Holland	2/21/2017	104,003	208,005	416,010	5,658	11,316	22,631	11,316	—	—
Edmund Tang	2/21/2017	126,718	253,435	506,870	3,791	15,166	15,166	7,583	—	—
Francis Tang	2/21/2017	124,005	248,010	496,020	9,107	18,214	36,428	18,214	—	—

(1) The amount shown in column (d) is the actual cash bonus paid for 2017. This amount consists of any perf bonus and any discretionary bonus. Under the executive bonus formula that established the target bonus for officer (i) 80% of the bonus was tied to the financial metrics of the Company and (ii) 20% of the bonus was ti goals for each NEO. See "Compensation Discussion and Analysis – Principal Components of Compensation

(2) These amounts reflect the value determined by the Company for accounting purposes for these awards an

whether each NEO has actually realized a financial benefit from the awards. Pursuant to SEC rules, the a
exclude the impact of estimated forfeitures related to service-based vesting conditions. Grant date fair val
stock awards in the form of RSUs is calculated by multiplying the number of shares subject to the award by th
of the Company's Common Stock on the grant date. See Note 13, Share-Based Compensation, to the Co
financial statements for the fiscal year ended December 31, 2017, included in the Company's Annual Repor
filed with the SEC on February 20, 2018, for a further discussion of the relevant valuation assumptions use
grant date fair value. All equity awards vest in four equal annu

(3) Does not include 600,000 shares of Common Stock in the form of PRSAs granted as long-term, performan
Dr. Lu in six equal annual installments of 100,000 shares, on each of April 14, 2010, 2011, 2012, 2013, 2014 a
installment would vest only if the Company achieves a net sales target for any fiscal year that exceeds $1
shares vested on February 20, 2018, upon the filing on the Company's 2017 Annual Report on Form 10-K
include 700,000 shares of Common Stock in the form of PRSAs (the "2015 Awards") separately granted on
long-term, performance incentives to Dr. Lu that were replaced with 62,905 shares of Common Stock
performance stock units granted on February 21, 2017 to replace the 2015 Awards (the "Modified Awards")
Awards will vest only if (i) the Company achieves a non-GAAP operating income for 2017 through 2019 of
and (ii) Dr. Lu continues to provide services to the Company. For further discussion on the net sales targ
operating income target and service condition related to these grants, see "Executive Compensation – Narr
Compensation Table and Grants of Plan-Based

At end of 2017 Diodes had approximately 8,600 employees worldwide, including approximately 5,5
personnel, located mainly in Asia. The annual total compensation for our median employee for 2017 w
$5,525,358 for our CEO. The resulting ratio of our CEO's annual total compensation to the annual total com
median employee for 2017 was 577 to 1. In the U.S., Diodes had approximately 250 people with
personnel. The annual total compensation for our median U.S. employee for 2017 was $150,143 and the re
our CEO's annual total compensation to the annual total compensation of our median U.S. employee for 20

We identified the median employee by examining the 2017 compensation data for all individuals, excluding
were employed by us as of December 31, 2017. We included all employees, whether employed on a full-tim
seasonal basis. We did not make any cost-of-living adjustments in identifying the median employee. We als
any assumptions, adjustments, or estimates with respect to total cash compensation, and we did no
compensation for any full-time employees that were not employed by us

We calculated the median employee's annual total compensation using the same methodology we use for
forth in the Summary Compensation Table in this Pr

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NARRATIVE TO SUMMARY COMPENSATION TABLE AND GRANTS OF PLAN-BASED AW

CEO Employm

2017 Amendment. On February 22, 2017, the Company and Dr. Lu entered into Amendment No. 1 (the "An Employment Agreement between the Company and Dr. Lu dated as of July 21, 2015. The Amendment p replacement of the 2015 Awards covering 700,000 shares of the Company's Common Stock granted to Dr 2015 with the Modified Awards covering 62,905 shares, all pursuant to the Company's 2013 Plan. The M have more stringent vesting and performance criteria than the 2015 Awards they replaced. The Modified Awar 2015 Awards and, therefore, are intended to be Dr. Lu's annual equity incentive award granted for 2015. See the Current Report on Form 8-K filed on Feb

The Modified Awards are eligible to vest upon the achievement of the three-year financial performa cumulative non-GAAP operating income for 2017 through 2019 of $204.6 million (the "Target Performance days after the end of the performance period, the Committee shall determine the degree to which Target P been achieved (such date of determination is the "Determination Date") and that will also be the date of vest

The target number of PSUs (the "Target Award") will vest if the Target Performance is achieved. 50% of the T vest upon achievement of 80% of the Target Performance, and 200% of the Target Award will vest upon 120% of the Target Performance. Upon achievement of between 80% and 100%, and between 100% and 1 Performance, the percentage of the Target Award that vests will be decreased or increased on a pro rata basis, or payout upon achievement of below 80% of Target Performance and with vesting and payout limited to 200 Award if the Target Performance

If either a Qualifying Termination or a Change of Control, as defined, occurs before the end of the three yea period, then the Target Performance and Target Award shall each be pro-rated based on the number of performance period that have elapsed as of the end of the calendar month before the Qualifying Terminatio

Upon termination at any time before the earlier of a Qualifying Termination or Change of Control or the Dete all then unvested PSUs sh

2015 Employment Agreement. The following is a summary of Dr. Lu's employment agreement entered into o that was amended as described above on February 22, 2017. Prior to the Amendment, the employment agre that Dr. Lu would be entitled to (i) receive an annual base salary of $623,000 (changed to $ Amendment) (subject to increase in the discretion of the Company's Board of Directors), (ii) receive gra Awards, covering 700,000 shares of the Company's Common Stock (replaced with the Modified Awards shares), (iii) participate in any executive bonus plan of the Company and maintain continued eligibility for ac compensation grants, (iv) receive reimbursement for all reasonable and documented business expenses, (vacation in accordance with the Company's vacation policy for employees, (vi) participate in all plan sponsored by the Company for employees in general, (vii) receive a life insurance policy with a death benefi in effect on the date of the employment agreement ($700,000), and (viii) receive a disability insuran maximum ins

The term of Dr. Lu's employment agreement commenced on July 21, 2015 and shall end on May 31, 202 terminated as provided in the agreement or due to death. Employment is "at will" and may be termin Company or Dr. Lu at any time. See Exhibits 99.1 to the Current Reports on Form 8-K filed with the SEC o and February 27, 2017 for a complete copy of the employment agreement and the Amendment thereto betwee

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2009 PRSAs. On September 22, 2009, the Company and Dr. Lu entered into a stock award agreement pursua
Company granted Dr. Lu 100,000 shares of Common Stock in the form of PRSAs as long-term, perf
incentives on each of April 14, 2010, 2011, 2012, 2013, 2014 and 2015. Each installment would vest only
files with the SEC an Annual Report on Form 10-K for a fiscal year, which Annual Report contains a
statements stating that the Company's net sales for that fiscal year exceeded $1 billion. Any granted
automatically forfeited and returned to the Company if employment was terminated before the Company
sales target, except in the case of death or Disability (as defined) in which case the granted shares would be
the date of deat

The table in "Executive Compensation – Outstanding Equity Awards at Fiscal Year-End" contains 600,000
Stock in the form of PRSAs issued in 2010, 2011, 2012, 2013, 2014 and 2015, subject to the net sales target d
which vested on Febr

Execut

For a description of the Company's executive bonus plan, including the amount granted to NEOs in 2015, 201
the method for determining the executive bonuses, see "Compensation Discussion and Analysis – Princip
Compensation – Annual (Bonus

2001 Omnibus Equity

The purpose of the 2001 Omnibus Equity Incentive Plan ("2001 Incentive Plan") is to promote and advance t
Company and its stockholders by enabling the Company to attract, retain and motivate key service provide
performance-based benefits. The 2001 Incentive Plan encourages ownership in the Company by such key p
long-term service is considered essential to the Company's continued progress and, thereby, align
stockholders' interests. Among other types of awards, SARs, stock options, stock awards, including rest
RSUs, and cash awards, may be granted under the 2001 Incentive Plan. Options granted under the 2001 Ince
be either "incentive stock options," as defined in Section 422 of the Code, or non-qualifie

2013 Equity

At the 2017 annual meeting of stockholders, the Company stockholders approved an amendment and res
Diodes Incorporated 2013 Equity Incentive Plan (as so amended and restated the"2013 Plan") to grant stoc
awards to our employees, consultants and directors (collectively, "Selected Participants"). The 2013 Pl
approved by our Board on April 14, 2013. A very brief overview of the 201

The purpose of the 2013 Plan is to promote our long-term success and the creation of stockh

- Attracting and retaining the services of key employees who would be eligible to receive grants as Selected Pa
- Motivating Selected Participants through equity-based compensation that is based upon the performance of ou Stock, and
- Further aligning Selected Participants' interests with the interests of our stockholders, through the award of e compensation grants which increases their proprietary interest in the Company, to achieve long-term growth o performance.

Certain Key Features of the 2013 Plan are summari

- If not terminated earlier by the Board, the 2013 Plan will terminate on May 28, 2023.
- Up to a maximum aggregate of 12,000,000 shares of Common Stock may be issued under the 2013 Plan. Hov

that is issued pursuant to an award other than a stock option or SAR shall count as 1.84 shares against this lim

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- The 2013 Plan will generally be administered by a committee comprised solely of independent members of th committee will be the Compensation Committee unless otherwise designated by the Board (the "2013 Plan C Board or 2013 Plan Committee may designate a separate committee to make awards to employees who are no subject to the reporting requirements of Section 16 of the Securities Exchange Act of 1934 or are not "Covere (as defined under Internal Revenue Code (the "Code") Section 162(m)). Prior to 2018, Code Section 162(m) Covered Employees are the principal executive officer and each of the other three most highly compensated c than the principal financial officer).
- Employees, consultants and Board members are eligible to receive awards, provided that the 2013 Plan Comn discretion to determine (i) who shall receive any awards, and (ii) the terms and conditions of such awards.
- Awards may consist of incentive stock options ("ISOs"), nonstatutory stock options ("NQSOs"), restricted sto SARs, other equity awards and/or performance-based cash awards.
- Stock options and SARs may not be granted at a per share exercise price below the fair market value of a shar Common Stock on the date of grant.
- Stock options and SARs may not be repriced or exchanged without stockholder approval.
- The maximum exercisable term of stock options and SARs may not exceed eight years.
- Awards are subject to recoupment of compensation policies of the Company.
- The 2013 Plan shall be governed by the laws of the State of Delaware (which is the state of our incorporation conflict of law provisions.

Eligibility to Receive Awards. Employees, consultants and Board members of the Company and certain companies are eligible to receive awards under the 2013 Plan. The 2013 Plan Committee determines, in its Selected Participants who will be granted awards under the 2013 Plan. As of the Record Date, appro individuals (including nine executive officers) and six non-employee directors were eligible to participate in With respect to our non-employee directors, the 2013 Plan provides that any non-employee director cannot re any fiscal year that in the aggregate exceeds 240,000 shares for the Chairperson, 160,000 shares for the Vi and 20,000 for other non-employee directors. Provided that the Board affirmatively acts to implement suc 2013 Plan also provides that non-employee directors may elect to receive stock grants or stock units (which under the 2013 Plan) in lieu of fees that would otherwise

401(k) Plan and Other R

The Company maintains a 401(k) Plan for the benefit of qualified employees at our U.S. locations. participate in the 401(k) Plan may elect to make salary deferral contributions to the 401(k) Plan up to 100% of eligible payroll subject to annual Internal Revenue Code maximum. We currently make a discretionary matchi of $1 for every $2 contributed by the participant up to 6% (3% maximum matching) of the participant's which vests over an initial four years. In addition, we may make a discretionary contribution to the entire qua pool, in accordance with the 401(k) Plan. As stipulated by the regulations of the People's Republic of Chin retirement plan pursuant to the local municipal government for the employees in China. We are re contributions to the retirement plan at a rate between 10% and 22% of the employee's eligible payroll. Pursua

Labor Standard Law and Factory Law, we maintain a retirement plan for the employees in Taiwan, wh
contributions at a rate of 6% of the employee's

Defin

In connection with the 2008 acquisition of Zetex, the Company adopted a contributory defined benefit p
certain employees in the United Kingdom. The defined benefit plan is closed to new entrants and frozen
future benefit accruals. The retirement benefit is calculated based on the final average compensation and
eligible employee. The Company determined the fair value of the defined benefit plan assets and ut
measurement date of December 31. At subsequent measurement dates, defined benefit plan assets will be de
on fair value. Defined benefit plan assets consist primarily of high quality corporate bonds that a

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in the currency in which the benefits will be paid and that have terms to maturity approximating the term
pension liability. The net pension and supplemental retirement benefit obligations and the related periodic cos
among other things, assumptions of the discount rate, estimated return on defined benefit plan assets and
These obligations and related periodic costs are measured using actuarial techniques and assumptions. Th
credit method is the actuarial cost method used to compute the pension liabilities and re

During the first quarter of 2015, we agreed to a payment plan with the trustees of the defined benefit plan, u
would make annual contributions each year through 2030, of approximately 2 million British Pounds (“GBP
$2.8 million based on a GBP:USD exchange rate of 1.4). The annual contributions were expected to
disclosed in the plan as of April 5, 2013, by December 31, 2030. The trustees are required to review the fu
every three years, and a further review was carried out as of April 5, 2016. The outcome of the review, as agr
trustees during the first quarter of 2017, was that contributions would continue at the existing level, up to
2029. If we fail to reach an agreement with the trustees, as we are required to do every three years, the Pensi
the U.K. could impose contributions on Diodes Zetex Limited or Diodes Zetex Semiconductors Limite
circumstances could require financial support to be provided to the plan from entities connected or associat
Zetex Limited or Diodes Zetex Semiconductors Limited. Furthermore, Diodes Zetex Limited an
Semiconductors Limited remain ultimately liable to fully fund the plan regardless of any failure to ag
contributions in respect of a particular actuarial valuation, i.e., if either the plan or those companies were w
equal to each company’s share of the entire outstanding deficit at that time (calculated on a statutory co
would be owed by the relevant company. The expected long-term return on defined benefit plan assets was de
on historical and expected future returns of the various asset classes. The defined benefit plan’s investment p
mandate to diversify assets and invest in a variety of asset classes to achieve its expected long-term return
invested in a variety of funds representing most standard equity and debt security classes. Trustees of the defin
may make chan

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OUTSTANDING EQUITY AWARDS AT FISCA

The following table sets forth certain information regarding equity-based awards held by NEOs as of Dece

Name (a)	Option Awards Number of Securities Underlying Unexercised Options Exercisable (#) (b)	Number of Securities Underlying Unexercised Options Unexcercisable (#) (c) (1)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#) (d)	Option Exercise Price ($) (e)	Option Expiration Date (f)	Stock Awards Number of Shares or Units of Stock That Have Not Vested (#) (g) (1)	Market Value of Shares of Units of Stock That Have Not Vested ($) (h)	Equ Ince Plar Aw Une Sha Uni Oth Rig Tha Hav Ves (#)
Keh-Shew Lu [6]	100,000	—	—	15.05	5/28/2019	20,000	[2] 573,400	600
	100,000	—	—	19.28	5/24/2020	55,000	[3] 1,576,850	62,9
	100,000	—	—	29.21	5/26/2021	82,500	[4] 2,365,275	—
	100,000	—	—	19.27	5/21/2022	62,905	[5] 1,803,486	—
	80,000	—	—	23.35	6/6/2021	—	—	—
	60,000	20,000	—	27.92	5/27/2022	—	—	—
Richard D. White	45,000	—	—	15.05	5/28/2019	2,750	[2] 78,843	19,8
	39,000	—	—	19.28	5/24/2020	13,000	[3] 372,710	—
	38,500	—	—	29.21	5/26/2021	19,500	[4] 559,065	—
	38,500	—	—	19.27	5/21/2022	19,861	[5] 569,415	—
	25,000	—	—	23.35	6/6/2023	—	—	—
	18,750	6,250	—	27.92	5/27/2024	—	—	—
Mark A. King	39,000	—	—	19.28	5/24/2020	2,500	[2] 71,675	20,3
	38,500	—	—	29.21	5/26/2021	10,000	[3] 286,700	—
	38,500	—	—	19.27	5/21/2022	15,000	[4] 430,050	—
	23,000	—	—	23.35	6/6/2021	20,332	[5] 582,918	—
	15,000	5,000	—	27.92	5/27/2022	—	—	—
Julie Holland	17,000	—	—	29.21	5/26/2021	1,750	[2] 50,173	11,3
	7,000	—	—	23.35	6/6/2021	4,000	[3] 114,680	—
	5,250	1,750	—	27.92	5/27/2022	6,000	[4] 172,020	—
	—	—	—	—	—	11,316	[5] 324,430	—
Edmund	35,300	—	—	29.21	5/26/2021	2,500	[2] 71,675	7,58

Tang								
	—	—	—	—	—	5,000	(3) 143,350	—
	—	—	—	—	—	7,500	(4) 215,025	—
	—	—	—	—	—	7,583	(5) 217,405	—
Francis Tang	9,000	—	—	27.95	5/29/2018	2,500	(2) 71,675	18,
	17,000	—	—	19.28	5/24/2020	6,000	(3) 172,020	—
	17,000	—	—	29.21	5/26/2021	9,000	(4) 258,030	—
	17,000	—	—	19.27	5/21/2022	18,214	(5) 522,195	—
	10,000	—	—	23.35	6/6/2021	—	—	—
	7,500	2,500	—	27.92	5/27/2022	—	—	—

(1) Equity awards vest in four equal annual installments on the first four anniversary dates of th

(2) Awards vest in four equal annual installments beginning

(3) Awards vest in four equal annual installments beginning

(4) Awards vest in four equal annual installments beginning

(5) Awards vest in four equal annual installments beginning Feb

(6) An aggregate of 600,000 shares of Common Stock in the form of long-term, PRSAs have been granted equal annual installments of 100,000 shares, on each of April 14, 2010, 2011, 2012, 2013, 2014 and 2015. E would vest only if the Company files with the SEC on Annual Report on Form 10-K for a fiscal year, which contains audited financial statements stating that the Company's net sales for that fiscal year exceed $1 billi shares would be automatically forfeited and returned to the Company if employment is terminated befor achieves the net sales target, except in the case of death or Disability (as defined) in which case the granted s fully vested on the date of death of Disability. The shares vested on February 20, 2018. For further discussion target and service condition related to these PRSAs, see "Executive Compensation – Narrative to Summa Table and Grants of Plan-Based Awards Table - CEO Employment Agreemen

(7) The Company agreed to grant to Dr. Lu 700,000 shares of Common Stock in the form of PRSAs (the "2 July 21, 2015 as long-term, performance incentives that would vest only if (i) the Company achieves a gros $600 million for the four most recently completed fiscal quarters and (ii) Dr. Lu continues to provide Company. On February 22, 2017, the 2015 Awards were replaced by PSUs covering 62,905 shares of Com "Modified Awards") which will vest only if (i) the Company achieves a non-GAAP operating income for 201 $204.6 million and (ii) Dr. Lu continues to provide services to the Company. As of the Record Date, no insta awards had vested. For further discussion on the gross profit target, non-GAAP operating inc

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service condition related to the 2015 Awards and the Modified Awards, see "Executive Compensation – Narr
Compensation Table and Grants of Plan-Based Awards Table – CEO Employm

OPTION EXERCISES AND ST

The following table sets forth certain information regarding exercises of options and vesting of RSUs held b
the year ended Dece

Name	Option Awards Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($) (1)	Stock Awards Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($) (1)
Keh-Shew Lu	222,000	527,027	95,000	2,455,200
Richard D. White	30,000	50,400	18,500	480,705
Mark A. King	95,500	610,119	15,000	389,150
Julie Holland	26,000	213,860	7,500	193,445
Edmund Tang	59,150	354,680	10,000	257,550
Francis Tang	22,500	188,753	10,250	283,870

(1) Value realized on exercise or vesting is calculated by (i) multiplying the number of shares acquired u
vesting by (ii) the difference between the closing price of the Common Stock of the Company on the transacti
exercise price, if any, and does not necessarily reflect the actual value realized. The actual value realized de
number of shares actually sold by ea

Equity Compensation P

The following table sets forth information with respect to shares of Common Stock that may be issued under
equity compensation plans as of Dece

Plan Category	Number of Securities to be Issued Upon Exercise of	Weighted-Average Exercise Price of Outstanding Options, Warrants	Number of Securities Remaining Available Future Issuance Und Equity Compensation

	Outstanding Options, Warrants and Rights (a)	and Rights (b)	(Excluding Securities Reflected in Column (c)
Equity Compensation Plans Approved by Security Holders	3,508,000 (1)	$22.85 (2)	6,651,610
Equity Compensation Plans Not Approved by Security Holders	—	—	—
Total	3,508,000	$22.85	6,651,610

(1) Shares issuable pursuant to outstanding options and awards under the 2001 Incentive Plan and the
Dece

(2) Weighted average exercise price based on 1,228,625 stock optio

(3) Represents shares of Common Stock that may be issued pursuant to future awards under

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NON-QUALIFIED DEFERRED CON

The Company maintains a non-qualified deferred compensation plan, which permits the Board and eligi including the NEOs, to voluntarily elect to defer up to 75% of base salary, and up to 100% of cash bonuses ar until designated future dates, provided that their total deferrals do not reduce their total compensation bel necessary to satisfy obligations such as employment taxes and benefit plan payments. Amounts deferred ar earnings or losses based on the participant's investment allocation among investment options, which may bonds and mutual fund shares. Withdrawals can be made pursuant to Internal Revenue Service regulations for distributions. Upon termination of an executive, a 100% distribution is made after six months has lapsed. The from time to time, make discretionary contributions to participants' accounts. No discretionary contributio 2017, 2016 or 2015. Distributions are paid in accordance with the participants' elections with regard to the tim distributions. The Company offsets its obligations under the non-qualified deferred compensation plan by actual underlying investments. These investments are classified as trading securities and are carried a December 31, 2017, these investments totaled approximately $8.8 million. Gains and losses in these materially offset by corresponding gains and losses in the deferred compensation

Non-qualified Deferred

The following table sets forth certain information related to the non-qualified deferred compensation plan

Name (a)	Executive Contributions in Last Fiscal Year ($) (1) (b)	Registrant Contributions in Last Fiscal Year ($) (c)	Aggregate Earnings in Last Fiscal Year ($)(2) (d)	Aggregate Withdrawals/ Distributions ($) (e)	Agg Bal at L Fisc Yea ($) (f)
Keh-Shew Lu	—	—	44	—	6,57
Richard D. White	—	—	244	—	2,52
Mark A. King	60,075	—	21,266	—	1,40
Julie Holland	—	—	840	—	5,49
Edmund Tang	—	—	2,140	—	12,(
Francis Tang	—	—	83,597	—	553

(1) Contributions are reported as compensation in the last completed fiscal year in either the "Salary" or the the Summary Compensation Table depending on the source

(2) The amounts reported in column (d) are reported as compensation for 2017 in the Summary Comp

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE

The following discussion sets forth potential payments payable to the NEOs upon termination of their er
change in control of the Company. For purposes of this section, certain relevant provisions and terms th
applicable and which therefore cover the NEOs are de

Dr. Keh-Shew Lu – Employment Agreement and Equity Av

Payments Upon Termination by the Company Other Than for "Cause" or by the Employee

Payments upon termination by the Company other than for "cause" (as defined in Dr. Lu's employment agreer
for "good reason" (as defined in Dr. Lu's employment agreement) are governed by his current employment
into with the Company on July 21, 2015. Dr. Lu's relationship with the Company is "at will" and may b
option of either party, for any or no reason whatsoever, with or

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- the willful and continued refusal of the employee to substantially perform his duties in accordance with his em agreement (other than any such failure resulting from incapacity due to physical or mental illness), insubordin material violation of the Company's policies, in each case after a written demand for substantial performance the employee by the Board which specifically identifies the manner in which the Board believes that the empl substantially performed such duties, the acts constituting such insubordination, or such violations of the Com as the case may be, and the employee shall have had a reasonable opportunity to remedy the same; or
- the conviction of, or a plea of nolo contendere by, the employee to a felony; or
- a charge or indictment of a felony, the defense of which renders the employee substantially unable to perform under his employment agreement.

"Goo

- a material diminution in employee's base salary;
- a material diminution in employee's authority, duties or responsibilities as contemplated in his employment a
- a material change in the geographic location at which employee must perform services; or
- any other action or inaction that constitutes a material breach by the Company of this employment agreement

In the event Dr. Lu's employment is terminated by (a) the Company other than for "cause" (as defined), or (reason" (as defined), (i) the Company shall continue to pay or provide to Dr. Lu the annual base salary c commencing on the effective date of such termination and ending on the first anniversary of such effecti Company shall pay to Dr. Lu any amount payable under an executive bonus plan for the fiscal year in which su occurs, prorated to the date of the termination, (iii) the Company shall pay Dr. Lu his accrued but unused pa the Company shall provide to Dr. Lu continued participation in any group health plan or medical reimbursem terms existing on the date of termination for the period commencing on the effective date of such termina 18 months thereafter, and (v) all stock-based compensation previously granted to Dr. Lu (including, but no stock options, SARs, stock units, bonus units and stock grants) shall continue to be governed by the ap

However, if Dr. Lu's employment is terminated either by the Company other than for "cause" (as defined) or b reason" (as defined) and if Dr. Lu then obtains a new employment within one year from the date of his termin base salary payable by the Company to Dr. Lu shall be reduced by any amount received by him during s connection with such oth

Payments Upon Termination by the Company for "Cause" or by the Employee Other Than

In the event that Dr. Lu's employment is terminated by (a) the Company for "cause" (as defined) or (b) Dr "good reason" (as defined), (i) the Company shall promptly pay or provide to Dr. Lu the annual base salary, the date of termination, (ii) the Company shall pay to Dr. Lu any amount payable under an executive bonus pl year in which such termination occurs, prorated to the date of the termination, (iii) the Company shall pay Dr. but unused paid time off, and (iv) all stock-based compensation previously granted to Dr. Lu (including, bu all stock options, SARs, stock units, bonus units and stock grants) shall continue to be governed by the ap

Payment Upon Termination Due To Dea

Under Dr. Lu's employment agreement, Dr. Lu is entitled to a life insurance policy with a death benefit in an that existing on the date of his employment agreement and/or a disability insurance policy in the maximum in as defined by such policy. The employment agreement does not provide for a payment to Dr. Lu in the even due to dea

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The 2001 Incentive Plan generally provides that if the executive dies or becomes “permanently disabled” award will be exercisable by the executive’s successor until the earlier of (1) the expiration date of the awar years from date of grant), or (2) for one year after such death or “permanent disability,” to the exten exercisable on the date of death or permanent disability. The awards will generally continue to vest accordin

The 2013 Plan generally provides if the executive is terminated due to death or Disability (as defined), the ve his then-outstanding equity awards may be exercised by him or his personal representative within twelve n termination date and all unvested portions of all then-outstanding equity awards shall be forfeited without con the termination date (except for repayment of any amounts he had paid to the Company to acquire un underlying the forfeited

Payment Upon a Ch

Except as otherwise stated in the 2001 Incentive Plan or in any of Dr. Lu’s equity award agreements, the 200 generally provides that, in the event of a change in control, (1) all of Dr. Lu’s stock options then outstandi fully vested and exercisable as of the date of the change in control and shall terminate at such time as specif option agreements, and (2) all restrictions and conditions of all Restricted Stock Grants (as defined) then outst deemed satisfied as of the date of the ch

Except as otherwise stated in the 2013 Plan or in any of Dr. Lu’s equity award agreements, the 2013 Plan ge that, (1) in the event of a change in control and/or the Company is a party to a merger, acquisition, reorganiz transaction, outstanding equity awards shall be subject to the merger agreement or other applicable transac and (2) in the event of a change in control and there is no assumption, substitution or continuation of equity a to a merger, acquisition, reorganization or similar transaction, the Compensation Committee of the Board (the Committee”) in its discretion may provide that some or all Dr. Lu’s equity awards shall vest and become immediately before such change in control. The Compensation Committee may also in its discretion include i equity award agreement that accelerated vesting of an equity award will be provided if Dr. Lu’s service is ter cause by the Company (or its acquirer) within a specified period of time on or after a change in control. The Committee may also in its discretion include in an applicable equity award agreement a requirement tha circumstances, acceleration of vesting (or compensation payable) with respect to such equity award shall eliminated) to the extent that such reduction (or elimination) would, after taking into account any other p nature of compensation to which Dr. Lu would have a right to receive from the Company and any other pe upon the occurrence of a change in control, prevent the occurrence of a “parachute payment” as de

A change in control, as currently defined in both the 2001 Incentive Plan and the 2013 Plan, means the occurre (or more) o

- any person, including a group as defined in Section 13(d)(3) of the Exchange Act, as amended, becoming the owner of stock of the Company which entitles such holder to cast 25% or more of the total number of votes fo of the Board;
- a cash tender offer, exchange offer, merger or other business combination, sale of assets or contested election combination of the foregoing, in which the directors of the Company immediately prior to such event cease to of the Board;
- the Company ceases to be an independent publicly owned company or a sale or other disposition is completed substantially all the assets of the Company; or
- a tender offer or exchange offer (other than one made by the Company) in which the shares of the Company’s acquired.

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Payment U

Dr. Lu’s employment agreement does not specifically provide for a cash payment to him in the event o

Both the 2013 Plan and the 2001 Incentive Plan and forms of option and stock award agreements generally pr
retirement, the unvested stock options will be exercisable until the earlier of (1) the expiration date of the op
ten years from date of grant) or stock award, or (2) for three months after the termination date o

Assuming Dr. Lu’s employment was terminated due to his retirement on December 31, 2017, Dr. Lu would or
exercise his vested

Mr. Mark A. King - Employment Agreement and Equity Aw

Mr. King resigned as Senior Vice President, Sales and Marketing effective December 14, 2017 and h
agreement is no l

Payment Upon Termination

Payments upon termination without “cause” for Mr. King are governed by his current employment agreement
the Company on August 29, 2005. The executive’s relationship with the Company is “at will” and may b
option of either party, with or

- the willful and continued refusal of the executive to substantially perform his duties in accordance with his en agreement, after the Board has provided the executive with written demand for substantial performance and th has had reasonable opportunity to remedy it;
- the conviction of, or a plea of nolo contendere by, the executive to a felony; or
- a charge or indictment of a felony, the defense of which renders the executive substantially unable to perform under his employment agreement.

In the event employment is terminated by the Company without “cause,” the executive either may (a) com
paid leave of absence (“LOA”), or (b) forego such LOA and the benefits associated therewith. If the exe
commence the LOA, the potential payments to the executive

Payments during the leave of absence. During the LOA, the executive will continue as a full-time employee o
entitled to receive all the benefits provided under his employment agreement, namely: (1) his ann
(2) participation in any executive bonus plan of the Company, prorated to the beginning of the LOA; (3) rei
all reasonable and documented business expenses; (4) paid vacation in accordance with the Company’s vac
employees generally; (5) participation in all plans provided to employees in general; (6) a life insurance polic
in effect on the date of the employment agreement; and (7) a disability policy in the maximum ins

Payments after the leave of absence. At the end of the LOA, neither the Company nor the executive shall h
duties under his employment agreement, except that (1) the Company shall continue to pay to the executive, c
annual base salary for one year, and (2) all share-based compensation previously granted shall continue t
remain exercisable for the full term thereof, determined without regard to the termination o

If the executive chooses to forego the LOA and the benefits associated therewith, the vesting of any options,
or RSUs awarded to the executive and his ability to exercise them upon termination will be governed by t
2013 Plan and the 2001 Incentive Plan and his equity award agreements. The 2001 Incentive Plan generally p
the executive is terminated for any reason other than death or “permanent disability”

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award will be exercisable until the earlier of (1) the expiration date of the award (generally ten years from d
(2) for three months after the termination date o

The 2013 Plan generally provides if the executive is terminated for any reason other than for Cause (as defi
Disability (as defined), then the vested portions of his then-outstanding equity awards may be exercise
personal representative within three months after the termination date and all unvested portions of all then-out
awards shall be forfeited without consideration as of the termination date (except for repayment of any amou
to the Company to acquire unvested portions underlying the forfeited

Payment Upon Terminat

The employment agreement does not provide for a payment to the executive in the event of termination with c
executive's employment agreement does not provide for payments to the executive in the event of his termina
the executive may exercise his vested stock options, RSUs and/or restricted stock in accordance with corre
plans and equity aw

Payment Upon Termination Due To Dea

The 2001 Incentive Plan generally provides that if the executive dies or becomes "permanently disabled"
award will be exercisable by the executive's successor until the earlier of (1) the expiration date of the awa
years from date of grant), or (2) for one year after such death or "permanent disability," to the exten
exercisable on the date of death or permanent disability. The awards will generally continue to vest accordin
schedule. The employment agreement does not provide for a payment to the executive in the event of ter
death or disability, but he is entitled to receive benefits under the Company's disability plan or payments unde
life insurance plans

The 2013 Plan generally provides if the executive is terminated due to death or Disability (as defined),
portions of his then-outstanding equity awards may be exercised by him or his personal representative within
after the termination date and all unvested portions of all then-outstanding equity awards shall be fo
consideration as of the termination date (except for repayment of any amounts he had paid to the Com
unvested portions underlying the forfeited

Payment Upon a Ch

Upon a change in control, all share-based compensation granted to the executive shall vest immediately and
for the full term thereof. A change in control, as currently defined in the 2013 Plan, the 2001 Incentive Pla
current employment agreement, means the occurrence of any one (or more) o

- any person, including a group as defined in Section 13(d)(3) of the Exchange Act, as amended, becoming the owner of stock of the Company which entitles such holder to cast 25% or more of the total number of votes fo of the Board;
- a cash tender offer, exchange offer, merger or other business combination, sale of assets or contested election combination of the foregoing, in which the directors of the Company immediately prior to such event cease to of the Board;
- the Company ceases to be an independent publicly owned company or a sale or other disposition is complete substantially all the assets of the Company; or
- a tender offer or exchange offer (other than one made by the Company) in which the shares of the Company's acquired.

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Payment U

The 2013 Plan, the 2001 Incentive Plan and forms of option and stock award agreements generally pr
retirement, the stock options will be exercisable until the earlier of (1) the expiration date of the option (gen
from date of grant) or stock award, or (2) for three months after the termination date o

Richard D. White, Julie Holland, Edmund Tang an

Payment Up

Because Messrs. White, Edmund Tang and Francis Tang and Ms. Holland do not have employment agre
Company, payments upon termination under any circumstance for them are governed by their respecti
agreements, the 2013 Plan, the 2001 Incentive Plan and Company's general policies for termination of emplo
in the Company's employee handbook. Please refer to the tables below in this Proxy Statement for furt
Mr. White's, Mr. Edmund Tang's, Mr. Francis Tang's and Ms. Holland's payments upon termination under

NEO Payments Upon Termination Events and Ch

The following tables assume (i) the triggering event took place on December 31, 2017; (ii) the price p
calculate the value of equity awards was $28.67, the closing price per share on December 29, 2017, the las
2017; (iii) the intrinsic value of nonqualified stock option acceleration is calculated by multiplying the differe
respective exercise prices of any unvested nonqualified stock option shares that would have been subject to a
$28.67 by the number of shares underlying the unvested nonqualified stock options that would have
acceleration; (iv) the value of RSUs and 2015 Awards acceleration is calculated by multiplying $28.67 b
RSUs and 2015 Awards that would have been subject to acceleration; and (v) a performance incentive bonus
2017 at the level set forth in the "Summary Com

Name	Voluntary Termination or Termination With Cause ($) (1)	Termination Due to Disability or Death ($) (1) (2) (4)	Termination Without Cause ($) (1) (3)	Change in Control ($) (1) (4)
Keh-Shew Lu	5,235,946	30,575,444	2,181,764	29,051,098
Richard D. White	2,020,576	4,174,710	532,503	3,642,207
Mark A. King	1,383,045	3,341,057	2,669,107	2,819,732
Julie Holland	435,578	1,422,623	394,401	1,028,222
Edmund Tang	480,540	1,347,274	480,540	866,734
Francis Tang	854,990	2,402,980	470,255	1,932,726

(1) Includes amounts in the table below that could be realized upon exercising veste

(2) Such amounts do not include a $700,000 benefit for each NEO paid by the Company's life insurance po
and do not include short- and long-term disability payments for the first year and long-term disability p
second year paid by disability ins

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(3) Reflects the estimate of the payments and benefits that each NEO would receive assuming the NEO's er
terminated without "cause" on December 31, 2017, and in the case of Mr. King, should he choose to comm
beginning on January 1, 2018. These disclosed amounts are estimates only and do not necessarily reflect the
that would be paid to the NEOs, which would only be known at the time they become eligible for

(4) Represents the value of the continued vesting of the following shares underlying options, RSUs, and PRSA
or disability on Dece

Name	Amounts ($) (a)
Keh-Shew Lu	3,711,600
Richard D. White	1,488,073
Mark A. King	861,720
Julie Holland	41,178
Edmund Tang	—
Francis Tang	384,735

(a) Amounts assume that all vested stock options as of December 31, 2017 are exercised as of December 31
calculated by multiplying the number of vested stock options by the difference between the exercise price
price of the Company's Common Stock on Dece

The following table reflects the estimate of the payments and benefits that each NEO would receive assur
employment was terminated without "cause" on December 31, 2017, and the NEO Mr. King and Mr. Liu chos
the LOA beginning on January 1, 2018. These disclosed amounts are estimates only and do not necessarily re
amounts that would be paid to the NEOs, which would only be known at the time they become eligible for

Name	Base Salary ($) (a)	Bonus ($) (b)	Paid Vacation ($) (c)	Medical Benefits ($) (d)	Life Insurance, Disability and AD&D Benefits ($) (e)	Continued Vesting of Share-based Compensation ($) (f)	Total ($) (g)
Keh-Shew Lu	657,418	1,471,247	53,099	25,362	-	-	2,207,1
Richard D. White	-	500,262	32,241	-	-	-	532,50
Mark A. King	772,688	484,177	37,148	24,025	-	1,375,093	2,693,1
Julie Holland	-	370,521	23,880	-	-	-	394,40
Edmund Tang	-	451,445	29,095	-	-	-	480,54
Francis Tang	-	441,782	28,473	-	-	-	470,25

(a) For purposes of determining this amount, Dr. Lu would receive his current base salary for one-yea

termination and Mr. King would receive his current base salary during the LOA and the one-year period follo
For the executive on LOA, the base salary will be paid over the year, in accordance with the Company's pa
Payment of the base salary for the one year period following the LOA will be paid

(b) Any bonus amount would be prorated based on days employed in 2017 and calculated using actual 201
performance criteria in accordance with the Company's execut

(c) Reflects the estimated lump sum value of 18-month accrual of

(d) Reflects the estimated lump sum value of premiums to be paid on behalf of the executive under the medic
for 18 months for Dr. Lu and during the LO

(e) In the event of termination without cause, the Company does not continue to provide benefits under the
and accidental death and dismemberment i

(f) Mr. King's employment agreement provides for unvested stock options to continue to vest in the even

(g) Assuming Mr. King chose to commence a one-year LOA beginning on January 1, 2018 if his employment
without "cause," the estimate of the payments and benefits that he would receive are reflected in the above
employment agreement provided certain payments and benefits of LOA if his employment was t
"cause." Because Messrs. White, Edmund Tang and Francis Tang and Ms. Holland do not have employm
with the Company, no estimates of payments or benefits are reflected in the

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Name	Stock Options (#)	RSUs (#)	PSU (#)	Total (#)
Keh-Shew Lu	20,000	220,405	662,905	903,310
Richard D. White	6,250	55,111	19,861	81,222
Mark A. King	5,000	47,832	20,332	73,164
Julie Holland	1,750	23,066	11,316	36,132
Edmund Tang	2,500	22,583	7,583	32,666
Francis Tang	2,500	35,714	18,214	56,428

(a) This column includes the 600,000 2009 PRSAs that vested on February 20, 20

PROP

RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOU

The firm of Moss Adams LLP has been the Company's independent registered public accounting firm sin been selected by the Board, upon the recommendation of the Audit Committee, to serve as the Compan registered public accounting firm for the fiscal year ending December 31, 2018. Professional services re Adams LLP for 2017 consisted of an audit of the Company's annual financial statements (including servic rendering an opinion under Section 404 of the Sarbanes-Oxley Act of 2002) and review of quarterly finan services related to filings with the SEC and meetings with the Company's Audit Committee. All profe rendered by Moss Adams LLP during 2017 were furnished at customary rates and terms. Representatives LLP are expected to be present at the Meeting and will have the opportunity to make a statement, if the respond to appropriate questions fro

AUDIT FEES, AUDIT-RELATED FEES, TAX FEES AND ALL

For the fiscal years ended December 31, 2017 and 2016, fees for the services provided by Moss A approxima

Description	2017	2016
Audit Fees (1)	$1,289,522	$1,397,227
Audit-Related Fees (2)	6,585	4,975
Tax Fees, professional services related to income tax.	—	—
All Other Fees, not included above.	—	—
Total	$1,296,107	$1,402,202

(1) Includes fees for professional services necessary to perform an audit or review in accordance with the s Public Company Accounting Oversight Board, including services rendered for the audit of the Com statements (including services incurred with rendering an opinion under Section 404 of the Sarbanes-Oxl included in the Annual Report on Form 10-K and review of financial statements included in the Quarterly R

(2) Includes assurance and related services that are reasonably related to the performance of the audit Company's financial statements and are not reported under Audit Fee

The Audit Committee administers the Company's engagement of Moss Adams LLP and pre-appro permissible non-audit services on a case-by-case basis. In approving non-audit services, the Audit Comm whether the engagement could compromise the independence of Moss Adams LLP, and whether for reasons convenience it is in the best interest of the Company to engage its independent registered public accounting

Moss Adams LLP has advised the Company that neither the firm, nor any member of the firm, has any fi direct or indirect, in any capacity in the Company or its subsidiaries. The Audit Committee, in reliance on t registered public accounting firm, determined that the provision of these services is compatible with independence of Mo

Prior to engagement, the Audit Committee pre-approves all independent registered public accounting firm se

are budgeted, and the Audit Committee may require the independent registered public accounting firm and
report actual fees versus the budget periodically throughout the year by category of service. During the year
may arise when it may become necessary to engage the independent registered public accounting firm for add
not contemplated in the original pre-approved categories. In those insta

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Committee is required to specifically pre-approve such additional services before engaging the independent re
a

The Audit Committee has delegated pre-approval authority to each of its members. Each member
informational purposes only, any pre-approval decisions to the Audit Committee at its next sche

Although the appointment of Moss Adams LLP as the Company's independent registered public accounting fi
year ending December 31, 2018 is not required to be submitted to a vote of stockholders, the Audit Committee
is appropriate as a matter of policy to request that the stockholders ratify the appointment. If the stockholders d
appointment, which requires the affirmative vote of a majority of the outstanding shares of Common Stock pr
or by proxy, and entitled to vote on the proposal at the Meeting, the Board will consider the selection of anoth
registered public a

THE BOARD UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE RATIFICATION OF THE APP
MOSS ADAMS LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING F
FISCAL YEAR ENDING DECEM

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PROPOSALS OF STOCKHOLDERS AND STOCKHOLDER NOMINATIONS FOR 2019 ANNU

Under certain circumstances, stockholders are entitled to present proposals at stockholder meetings. Curr annual meeting of stockholders is expected to be held on or about

SEC Rule 14a-8 provides that any stockholder proposal to be included in the proxy statement for the Compan meeting must be received by the Secretary of the Company at the Company's office at 4949 Hedgcoxe Plano, Texas 75024 on or before December 7, 2018, in a form that complies with applicable regulations. If 2019 annual meeting is advanced or delayed more than 30 days from the date of the 2018 annual meeti proposals intended to be included in the proxy statement for the 2019 annual meeting must be received b within a reasonable time before the Company begins to print and mail the proxy statement for the 2019 annual any determination that the date of the 2019 annual meeting will be advanced or delayed by more than 30 day of the 2018 annual meeting, the Company will disclose the change in the earliest practicable Quarterly Report

In addition, the Company's Bylaws require advance written notice of nominations or other matters that stock present for action at an annual meeting other than those to be included in our proxy statement under R Company must receive written notice of such nominations or other proposals to be presented at the 2019 ann the address stated in the preceding paragraph, no earlier than the close of business on Tuesday, January 22, 20 than the close of business on Thursday, February 21, 2019. If written notice of such nominations or othe received within the time set forth in the Company's Bylaws, the proxies solicited by the Board for the 2019 an stockholders will confer authority on the proxyholders to vote the shares in accordance with the recomme Board if the proposal is presented at the 2019 annual meeting of stockholders without any discussion of the proxy statement for such meeting. If the date of the 2019 annual meeting is advanced or delayed more than 30 anniversary date of the 2018 annual meeting, then if the stockholder proposal has not been submitted to the C a reasonable time before the Company mails the proxy statement for the 2019 annual meeting, the proxies authority set out in the prec

Stockholders may suggest candidates for the Board. Stockholders who wish to request that the Governa consider a candidate for election at the 2019 annual meeting should submit information about the c Governance Committee a reasonable time before the Company begins to print and mail the proxy stateme annual meeting. The requesting stockholder should provide sufficient biographical information about the prop to satisfy the requirements of the SEC for inclusion in the proxy statement and to permit the Governanc evaluate the proposed candidate in light of the criteria described in "Corporate Governance – Nominatin Criteria and Board Diversity." The request should also provide the full name, address and telephone number o stockholder and sufficient information to verify that the requesting stockholder is eligible to vote at the 2019 a Additional information and certifications by the requesting stockholder and the proposed candidate may be the Governance Committee can mak

ANNUAL REPORT AN

The Company’s annual report to stockholders for the year ended December 31, 2017 accompanies or has prec
Statement. The annual report contains consolidated financial statements of the Company and its subsidiarie
thereon of Moss Adams LLP, the Company’s independent registered public accounting firm, for the fi
December 31, 2017,

STOCKHOLDERS MAY OBTAIN, WITHOUT CHARGE, A COPY OF THE COMPANY’S ANNUA
FORM 10-K, INCLUDING FINANCIAL STATEMENTS REQUIRED TO BE FILED WITH THE SEC PU
THE EXCHANGE ACT, FOR THE YEAR ENDED DECEMBER 31, 2017 BY WRITING TO TH
ATTENTION: INVESTOR RELATIONS, 4949 HEDGCOXE ROAD, SUITE 200, PLANO, TEXAS 750
THE REQUEST TO DIODES-FIN@DIODES.COM. THE INFORMATION IS ALSO AVAIL
COMPANY’S WEBSITE AT WWW.DIODES.COM AND THE SEC’S WEBSITE AT W

Dated at Plano, Texas, this sixth day

By Order of the Boa

DIODES INC

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MEETING MAP AND DRIVING

Diod

4949 I

Plan

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From Dallas/Ft. Worth International A

Take Highway 121 Sam Rayburn Tollway (SRT) north for approxim

Exit Preston Drive (Texas 289 South) and turn right on

Continue on Preston Drive and turn left on H

Diodes Incorporated is on the left-hand side at the corner of Preston Drive and H

From Dallas Love

Turn left (east) on Mockingbird Lane and enter the Dallas North Tollway north for approxim

Exit Legacy Drive

Turn left on to H

Diodes Incorporated is on the left-hand side at the corner of Preston Drive and H

Take North Dallas Tollw

Exit at Legacy Driv

Turn left on to H

Diodes Incorporated is on the left-hand side at the corner of Preston Drive and H

Take Highway 121 Sam Rayburn Tollwa

Exit Preston Drive (Texas 289 South) and turn left on

Continue on Preston Drive and turn left on H

Diodes Incorporated is on the left-hand side at the corner of Preston Drive and H

Diodes Incorporated Annual Meeting of Stockholders Date: May 22, 2018 Time: 10:00 a.m., Central Ti
Hedgcoxe Road, Plano, Texas 75024 Please Sign Here Please Date Above Please Sign Here Please Date Ab
exactly as your name(s) appears on your stock certificate. If held in joint tenancy, all persons should
administrators, etc. should include title and authority. Corporations should provide full name of corpora
authorized officer signing the proxy. Authorized Signatures - This section must be completed for your In
executed. Please make your marks like this: Use dark black pencil or pen only The Board of Directors Reco
FOR the election of the director nominees in proposal 1 and FOR proposals 2 and 3. The Board of Directo
that you vote FOR the following proposals: For For For For For For For For Against Abstain For Ag
Approval of Executive Compensation. To approve, on an advisory basis, the Company's executive co
Directors Recommend Withhold 01 C.H. Chen 02 Michael R. Giordano 03 Keh-Shew Lu 04 Raymond Soo
Menard 06 Christina Wen-chi Sung 07 Michael K.C. Tsai 1: Election of Directors For To transact such ot
properly may come before the Meeting or any adjournment or postponement thereof. For address changes an
please check this box and write them on the back where indicated. Please indicate if you plan to attend this
Ratification of Appointment of Independent Registered Public Accounting Firm. To ratify the appointment o
LLP as the Company's independent registered public accounting firm for the fiscal year ending December
separate carefully at the perforation and return just this portion in the envelope provided. Diodes Incor
Meeting of Stockholders May 22, 2018 10:00 a.m. (Central Time) This proxy is solicited by the Board of D
BY: INTERNET call TELEPHONE Go To www.proxypush.com/diod • Cast your vote online. • View Mee
Use any touch-tone telephone. •Have your Proxy Card/Voting Instruction Form ready. • Follow the
instructions. 855-686-4804 MAIL OR • Mark, sign and date your Proxy Card/Voting Instruction Form. • D
Card/Voting Instruction Form. • Return your Proxy Card/Voting Instruction Form in the postage-paid envelo
votes must be received by 11:59 P.M., Central Time, May 21, 2018. PROXY TABULATOR FOR diodes inc
BOX 8016 CARY, NC 27512-9903 EVEN

MEETING MAP AND DRIVING DIRECTIONS Diodes Incorporated 4949 Hedgcoxe Road, Plano,
972-987-3900 F: 972-731-3510 Directions: From Dallas/Ft. Worth International Airport (DFW): Take Hig
Rayburn Tollway (SRT) north for approximately 20 miles. Exit Preston Drive (Texas 289 South) and turn
Drive. Continue on Preston Drive and turn left on Hedgcoxe Road. Diodes Incorporated is on the left-hand si
of Preston Drive and Hedgcoxe Road. From Dallas Love Field Airport: Turn left (east) on Mockingbird La
Dallas North Tollway north for approximately 15 miles. Exit Legacy Drive and turn right. Turn left on H
Diodes Incorporated is on the left-hand side at the corner of Preston Drive and Hedgcoxe Road. From the N
Dallas Tollway southbound. Exit at Legacy Drive and turn left. Turn left on Hedgcoxe Road. Diodes Incorp
left-hand side at the corner of Preston Drive and Hedgcoxe Road. From the East Take Highway 121 Sam R
(SRT) south. Exit Preston Drive (Texas 289 South) and turn left on Preston Drive. Continue on Preston Dri
onHedgcoxe Road. Diodes Incorporated is on the left-hand side at the corner of Preston Drive and Hedgcoxe
Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders: The N
Statement and the Annual Report are available at www.proxydocs.com/diod. Diodes Incorporated An
Stockholders May 22, 2018 10:00 a.m. (Central Time) This proxy is solicited by the Board of Directors T
stockholder(s) of Diodes Incorporated (the "Company") hereby acknowledges the receipt of the Notice of A
Stockholders and Proxy Statement with respect to the annual meeting of stockholders of the Company (the
held on Tuesday, May 22, 2018, at the Company's executive offices, located at 4949 Hedgcoxe Road, Plano,
10:00 a.m. (Central Time), and hereby nominates, constitutes and appoints Keh-Shew Lu and Richard D. Wh
them, the attorneys, agents and proxies of the undersigned, each with full power of substitution, to vote
Company which the undersigned is entitled to vote at the Meeting, and any adjournments or postponements
and with the same force and effect as the undersigned might or could do if personally thereat. The unde
revokes all proxies previously given by the undersigned to vote at the Meeting or any adjournments or
thereof. THIS PROXY WILL BE VOTED AS SPECIFIED OR, IF NO CHOICE IS SPECIFIED, FOR THE
THE NOMINEES, FOR PROPOSAL 2 AND FOR PROPOSAL 3, AND AS SAID PROXIES DEEM A
SUCH OTHER MATTER AS PROPERLY MAY COME BEFORE THE MEETING AND ANY ADJOU
POSTPONEMENTS THEREOF. ABSENT SPECIFIC INSTRUCTIONS TO THE CONTRARY BY THE U
WITH RESPECT TO CUMULATIVE VOTING, THE PERSONS NAMED AS PROXIES HEREIN SHAL
DISCRETIONARY AUTHORITY TO VOTE THE SHARES REPRESENTED BY A PROPERLY
RETURNED PROXY CARD CUMULATIVELY FOR ALL OR LESS THAN ALL OF SUCH NOMINEES
TO ALLOCATE SUCH VOTES AMONG ALL OR LESS THAN ALL SUCH NOMINEES (OTHER THA
FOR WHOM INSTRUCTIONS HAVE BEEN GIVEN TO WITHHOLD AUTHORITY) IN THE MA
BOARD OF DIRECTORS SHALL RECOMMEND OR OTHERWISE IN THE PROXIES' DISCR
Changes/Comments: (If you noted any Address Changes/Comments above, please mark corresponding bo
side.) (CONTINUED AND TO BE SIGNED ON REVERSE SIDE) Please separate carefully at the perfor
just this portion in the enve