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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **October 30, 2010**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number: **1-11893**

GUESS?, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

95-3679695

(I.R.S. Employer
Identification No.)

**1444 South Alameda Street
Los Angeles, California**

(Address of principal executive offices)

90021

(Zip Code)

(213) 765-3100

(Registrant's telephone number, including area code)

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 for 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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

As of December 2, 2010, the registrant had 92,010,800 shares of Common Stock, \$.01 par value per share, outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements.

**GUESS?, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS**
(in thousands, except share data)

	<u>Oct. 30, 2010</u>	<u>Jan. 30, 2010</u>
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 469,020	\$ 502,063
Accounts receivable, net	372,217	283,747
Inventories	346,014	253,162
Deferred tax assets	31,091	30,570
Other current assets	54,382	54,621
Total current assets	<u>1,272,724</u>	<u>1,124,163</u>
Property and equipment, net	299,954	255,308
Goodwill	30,030	29,877
Other intangible assets, net	10,742	15,974
Long-term deferred tax assets	53,211	55,504
Other assets	99,034	50,423
	<u>\$ 1,765,695</u>	<u>\$ 1,531,249</u>
LIABILITIES AND STOCKHOLDERS’ EQUITY		
Current liabilities:		

Current portion of capital lease obligations and borrowings	\$ 2,264	\$ 2,357
Accounts payable	228,091	195,075
Accrued expenses	193,298	145,321
Total current liabilities	423,653	342,753
Capital lease obligations	12,949	14,137
Deferred rent and lease incentives	74,430	60,642
Other long-term liabilities	74,962	73,561
	585,994	491,093
Redeemable noncontrolling interests	16,119	13,813
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Preferred stock, \$.01 par value. Authorized 10,000,000 shares; no shares issued and outstanding	—	—
Common stock, \$.01 par value. Authorized 150,000,000 shares; issued 137,175,910 and 136,568,091 shares, outstanding 91,880,218 and 92,736,761 shares, at October 30, 2010 and January 30, 2010, respectively	919	927
Paid-in capital	352,916	319,737
Retained earnings	1,060,032	919,531
Accumulated other comprehensive (loss) income	7,566	(2,952)
Treasury stock, 45,295,692 and 43,831,330 shares at October 30, 2010 and January 30, 2010, respectively	(266,195)	(217,032)
Guess?, Inc. stockholders' equity	1,155,238	1,020,211
Nonredeemable noncontrolling interests	8,344	6,132
Total stockholders' equity	1,163,582	1,026,343
	\$ 1,765,695	\$ 1,531,249

See accompanying notes to condensed consolidated financial statements.

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GUESS?, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share data)
(unaudited)

	Three Months Ended		Nine Months Ended	
	Oct. 30, 2010	Oct. 31, 2009	Oct. 30, 2010	Oct. 31, 2009
Net revenue:				
Product sales	\$ 580,922	\$ 494,998	\$ 1,645,553	\$ 1,414,489
Net royalties	32,981	27,814	84,826	71,947
	613,903	522,812	1,730,379	1,486,436
Cost of product sales	347,506	285,921	976,495	840,265
Gross profit	266,397	236,891	753,884	646,171
Selling, general and administrative expenses	173,682	137,917	487,722	408,049
Pension curtailment expense	—	—	5,819	—
Earnings from operations	92,715	98,974	260,343	238,122
Other income (expense):				
Interest expense	(262)	(778)	(775)	(1,723)
Interest income	602	277	1,585	1,461
Other income (expense), net	5,854	(1,340)	9,026	(1,413)
	6,194	(1,841)	9,836	(1,675)
Earnings before income tax expense	98,909	97,133	270,179	236,447
Income tax expense	28,818	32,054	81,055	78,028
Net earnings	70,091	65,079	189,124	158,419
Net earnings attributable to noncontrolling interests	1,002	1,009	2,942	2,247
Net earnings attributable to Guess?, Inc.	\$ 69,089	\$ 64,070	\$ 186,182	\$ 156,172

Earnings per common share attributable to common stockholders (Note 2):

Basic	\$ 0.75	\$ 0.69	\$ 2.01	\$ 1.70
Diluted	\$ 0.75	\$ 0.69	\$ 2.00	\$ 1.68

Weighted average common shares outstanding attributable to common stockholders (Note 2):

Basic	90,911	90,941	91,474	90,765
Diluted	91,543	91,778	92,174	91,416

Dividends declared per common share	\$ 0.16	\$ 0.125	\$ 0.48	\$ 0.325
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See accompanying notes to condensed consolidated financial statements.

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GUESS?, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)
(unaudited)

	Three Months Ended		Nine Months Ended	
	Oct. 30, 2010	Oct. 31, 2009	Oct. 30, 2010	Oct. 31, 2009
Net earnings	\$ 70,091	\$ 65,079	\$ 189,124	\$ 158,419
Foreign currency translation adjustment	30,785	10,154	10,907	44,852
Unrealized (loss) gain on hedges, net of tax effect	(6,499)	(1,282)	(5,442)	(10,219)
Unrealized (loss) gain on investments, net of tax effect	36	38	231	98
SERP prior service cost and actuarial valuation loss amortization, including curtailment expense, net of tax effect	343	292	5,018	868
Comprehensive income	94,756	74,281	199,838	194,018
Less comprehensive income attributable to noncontrolling interests	(1,473)	(515)	(3,138)	(2,822)
Comprehensive income attributable to Guess?, Inc.	\$ 93,283	\$ 73,766	\$ 196,700	\$ 191,196

See accompanying notes to condensed consolidated financial statements.

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GUESS?, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Nine Months Ended	
	Oct. 30, 2010	Oct. 31, 2009
Cash flows from operating activities:		
Net earnings	\$ 189,124	\$ 158,419
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	45,278	41,380
Amortization of intangible assets	2,921	5,713
Share-based compensation expense	22,722	19,447
Unrealized forward contract (gains) losses	4,512	4,776
Net loss on disposition of property and equipment	4,133	1,289
Pension curtailment expense	5,819	—

Other items, net	(2,822)	(1,495)
Changes in operating assets and liabilities:		
Accounts receivable	(84,544)	(26,169)
Inventories	(89,212)	(10,970)
Prepaid expenses and other assets	(42,655)	5,349
Accounts payable and accrued expenses	64,148	(35,231)
Deferred rent and lease incentives	13,657	7,283
Other long-term liabilities	1,227	(1,478)
Net cash provided by operating activities	<u>134,308</u>	<u>168,313</u>
Cash flows from investing activities:		
Purchases of property and equipment	(84,896)	(61,913)
Proceeds from dispositions of long-term assets	1,450	474
Acquisition of lease interest	(2,249)	—
Acquisition of businesses, net of cash acquired	—	549
Net cash settlement of forward contracts	6,859	429
Purchases of long-term investments	(6,687)	(5,597)
Net cash used in investing activities	<u>(85,523)</u>	<u>(66,058)</u>
Cash flows from financing activities:		
Certain short-term borrowings, net	536	(26,034)
Proceeds from borrowings	—	40,000
Repayment of borrowings and capital lease obligations	(1,160)	(41,266)
Dividends paid	(44,545)	(30,008)
Noncontrolling interest capital contributions	—	650
Noncontrolling interest capital distributions	—	(1,311)
Issuance of common stock, net of nonvested award repurchases	5,471	2,865
Excess tax benefits from share-based compensation	6,158	2,651
Purchase of treasury stock	(49,361)	(5,309)
Net cash used in financing activities	<u>(82,901)</u>	<u>(57,762)</u>
Effect of exchange rates on cash and cash equivalents	1,073	6,251
Net increase (decrease) in cash and cash equivalents	(33,043)	50,744
Cash and cash equivalents at beginning of period	502,063	294,118
Cash and cash equivalents at end of period	<u>\$ 469,020</u>	<u>\$ 344,862</u>
Supplemental cash flow data:		
Interest paid	\$ 574	\$ 1,538
Income taxes paid	\$ 50,889	\$ 75,482

See accompanying notes to condensed consolidated financial statements.

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GUESS?, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
October 30, 2010
(unaudited)

(1) Basis of Presentation

In the opinion of management, the accompanying unaudited condensed consolidated financial statements of Guess?, Inc. and its subsidiaries (the “Company”) contain all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation of the condensed consolidated balance sheets as of October 30, 2010 and January 30, 2010, and the condensed consolidated statements of income and condensed consolidated statements of comprehensive income for the three and nine months ended October 30, 2010 and October 31, 2009, and the condensed consolidated statements of cash flows for the nine months ended October 30, 2010 and October 31, 2009. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and the instructions to Rule 10-01 of Regulation S-X of the Securities and Exchange Commission (the “SEC”). Accordingly, they have been condensed and do not include all of the information and footnotes required by GAAP for complete financial statements. The results of operations for the three and nine months ended October 30, 2010 are not necessarily indicative of the results of operations to be expected for the full fiscal year. These financial statements should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended January 30, 2010. The Company has made certain reclassifications to the prior year’s consolidated financial statements to conform to classifications in the current year. These reclassifications, none of which are material, had no impact on previously reported statements of income.

The three and nine months ended October 30, 2010 had the same number of days as the three and nine months ended October 31, 2009. All references herein to “fiscal 2011” and “fiscal 2010” represent the results of the 52-week fiscal years ended January 29, 2011 and January 30, 2010, respectively.

In June 2009, the Financial Accounting Standards Board (“FASB”) issued authoritative guidance that requires an enterprise to perform an analysis to determine whether the enterprise’s variable interest or interests give it a controlling financial interest in a variable interest entity. This analysis identifies the primary beneficiary of a variable interest entity as the enterprise that has both of the following characteristics, among others: (a) the power to direct the activities of a variable interest entity that most significantly impacts the entity’s economic performance, and (b) the obligation to absorb losses or the right to receive benefits from the entity, that could potentially be significant to the variable interest entity. Under this guidance, ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity are required. The Company adopted the relevant provisions of the guidance on January 31, 2010 and will apply the requirements prospectively. The adoption of this guidance did not have a material impact on the Company’s consolidated financial statements.

In January 2010, the FASB issued authoritative guidance that expands the required disclosures about fair value measurements. This guidance provides for new disclosures requiring the Company to (a) disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers, and (b) present separately information about purchases, sales, issuances and settlements in the reconciliation of Level 3 fair value measurements. This guidance also provides clarification of existing disclosures requiring the Company to (i) determine each class of assets and liabilities based on the nature and risks of the investments rather than by major security type, and (ii) for each class of assets and liabilities, disclose the valuation techniques and inputs used to measure fair value for both Level 2 and Level 3 fair value measurements. The Company adopted the guidance effective January 31, 2010, except for the presentation of purchases, sales, issuances and settlements in the reconciliation of Level 3 fair value measurements, which will be effective for fiscal years beginning after December 15, 2010. The adoption of the first phase of this guidance did not have a material impact on the Company’s consolidated financial statements.

(2) Earnings Per Share

Basic earnings per share represents net earnings attributable to common stockholders divided by the weighted-average number of common shares outstanding for the period. Diluted earnings per share represent net earnings attributable to common stockholders divided by the weighted-average number of common shares outstanding, inclusive of the dilutive impact of common equivalent shares outstanding during the period. However, nonvested restricted stock awards (referred to as participating securities) are excluded from the dilutive impact of common equivalent shares outstanding in accordance with FASB issued authoritative guidance under the two-class method since the nonvested restricted stockholders are entitled to participate in dividends declared on common stock as if the shares were fully vested and hence are deemed to be participating securities. Under the two-class method, earnings attributable to nonvested restricted stockholders are excluded from net earnings attributable to common stockholders for purposes of calculating basic and diluted earnings per common share.

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The computation of basic and diluted net earnings per common share attributable to common stockholders is as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	Oct. 30, 2010	Oct. 31, 2009	Oct. 30, 2010	Oct. 31, 2009
Net earnings attributable to Guess?, Inc.	\$ 69,089	\$ 64,070	\$ 186,182	\$ 156,172
Net earnings attributable to nonvested restricted stockholders	676	886	1,911	2,302
Net earnings attributable to common stockholders	<u>\$ 68,413</u>	<u>\$ 63,184</u>	<u>\$ 184,271</u>	<u>\$ 153,870</u>
Weighted average shares used in basic computations	90,911	90,941	91,474	90,765
Effect of dilutive securities:				
Stock options and restricted stock units	632	837	700	651
Weighted average shares used in diluted computations	<u>91,543</u>	<u>91,778</u>	<u>92,174</u>	<u>91,416</u>
Net earnings per common share attributable to common stockholders:				
Basic	\$ 0.75	\$ 0.69	\$ 2.01	\$ 1.70
Diluted	\$ 0.75	\$ 0.69	\$ 2.00	\$ 1.68

For the three months ended October 30, 2010 and October 31, 2009, equity awards granted for 795,166 and 650,361, respectively, of the Company’s common shares and for the nine months ended October 30, 2010 and October 31, 2009, equity awards granted for 700,936 and 1,365,817 respectively, of the Company’s common shares were outstanding but were excluded from the computation of diluted weighted average common shares and common share equivalents outstanding because their effect would have been anti-dilutive.

In addition to the participating securities discussed above, the Company also excluded 563,400 nonvested stock options granted to certain employees from the computation of diluted weighted average common shares and common share equivalents outstanding for the three and nine months ended October 31, 2009, because they were subject to a performance-based annual vesting condition.

In March 2008, the Company’s Board of Directors terminated the previously authorized 2001 share repurchase program and authorized a new program to repurchase, from time to time and as market and business conditions warrant, up to \$200.0 million of the Company’s common stock (the “2008 Share Repurchase Program”). Repurchases may be made on the open market or in privately negotiated transactions, pursuant to Rule 10b5-1 trading plans or other available means. There is no minimum or maximum number of shares to be repurchased under the program and the program may be discontinued at any

time, without prior notice. During the nine months ended October 30, 2010, the Company repurchased 1,500,000 shares under the 2008 Share Repurchase Program at an aggregate cost of \$49.3 million. All such share repurchases were made during the three months ended July 31, 2010. During the nine months ended October 31, 2009, the Company repurchased 407,600 shares under the 2008 Share Repurchase Program at an aggregate cost of \$5.3 million. All such share repurchases were made during the three months ended May 2, 2009. At October 30, 2010, the Company had remaining authority under the 2008 Share Repurchase Program to purchase an additional \$84.9 million of its common stock.

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(3) Stockholders' Equity and Redeemable Noncontrolling Interests

A reconciliation of the total carrying amount of total stockholders' equity, Guess?, Inc. stockholders' equity and stockholders' equity attributable to nonredeemable and redeemable noncontrolling interests for the fiscal year ended January 30, 2010 and nine months ended October 30, 2010 is as follows (in thousands):

	Stockholders' Equity			Redeemable Noncontrolling Interests
	Guess?, Inc. Stockholders' Equity	Nonredeemable Noncontrolling Interests	Total	
Balances at January 31, 2009	\$ 773,001	\$ 2,453	\$ 775,454	\$ 10,050
Issuance of common stock under stock compensation plans, net of tax effect	9,408	—	9,408	—
Issuance of stock under ESPP	1,249	—	1,249	—
Share-based compensation	27,339	—	27,339	—
Dividends	(41,598)	—	(41,598)	—
Share repurchases	(5,309)	—	(5,309)	—
Acquisition of subsidiary with redeemable put feature	—	—	—	2,815
Noncontrolling interest capital contribution	—	1,001	1,001	—
Noncontrolling interest capital distribution	(109)	(1,202)	(1,311)	—
Comprehensive income (loss) (a):				
Net earnings	242,761	3,569	246,330	—
Foreign currency translation adjustment	22,684	311	22,995	948
Unrealized loss on hedges, net of income tax of \$2,690	(6,918)	—	(6,918)	—
Unrealized gain on investments, net of income tax of \$58	94	—	94	—
SERP prior service cost and actuarial valuation loss amortization, net of income tax of \$1,435	(2,391)	—	(2,391)	—
Balances at January 30, 2010	\$ 1,020,211	\$ 6,132	\$ 1,026,343	\$ 13,813
Issuance of common stock under stock compensation plans, net of tax effect	9,700	—	9,700	—
Issuance of stock under ESPP	1,072	—	1,072	—
Share-based compensation	22,722	—	22,722	—
Dividends	(44,608)	—	(44,608)	—
Share repurchases	(49,361)	—	(49,361)	—
Redeemable noncontrolling interests redemption value adjustment	(1,198)	(926)	(2,124)	2,124
Comprehensive income (loss) (a):				
Net earnings	186,182	2,942	189,124	—
Foreign currency translation adjustment	10,711	196	10,907	182
Unrealized loss on hedges, net of income tax of \$521	(5,442)	—	(5,442)	—
Unrealized gain on investments, net of income tax of \$161	231	—	231	—
SERP prior service cost and actuarial valuation loss amortization, including curtailment expense, net of income tax of \$3,384	5,018	—	5,018	—
Balances at October 30, 2010	\$ 1,155,238	\$ 8,344	\$ 1,163,582	\$ 16,119

(a) Total comprehensive income consists of net earnings, Supplemental Executive Retirement Plan ("SERP") related prior service cost and actuarial valuation loss amortization, unrealized gains or losses on investments available for sale, foreign currency translation adjustments and the effective portion of the change in the fair value of cash flow hedges.

Redeemable Noncontrolling Interests

In connection with the acquisition of two majority-owned subsidiaries, the Company is party to put arrangements with respect to the common securities that represent the remaining noncontrolling interests of the acquired companies. Each put arrangement is exercisable by the counter-party outside the control of the Company by requiring the Company to redeem the counterparty's entire equity stake in the subsidiary at a put price based on a multiple of earnings formula. Each put arrangement is recorded on the balance

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sheet at its redemption value and classified as a redeemable noncontrolling interest outside of permanent equity. As of October 30, 2010, the redeemable noncontrolling interests of \$16.1 million was composed of redemption values related to the Focus Europe S.r.l. ("Focus") and Guess Sud SAS ("Guess Sud") put arrangements of \$11.9 million and \$4.2 million, respectively. As of January 30, 2010, the redeemable noncontrolling interests of \$13.8 million was composed of redemption values related to the Focus and Guess Sud put arrangements of \$10.9 million and \$2.9 million, respectively.

The put arrangement for Focus, representing 25% of the total outstanding equity interest of that subsidiary, may be exercised at the discretion of the minority owner by providing written notice to the Company no later than June 27, 2012. The redemption value of the Focus put arrangement is based on a multiple of Focus's net earnings.

The put arrangement for Guess Sud, representing 40% of the total outstanding equity interest of that subsidiary, may be exercised at the discretion of the minority owners by providing written notice to the Company anytime after January 30, 2012 or sooner in certain limited circumstances. The redemption value of the Guess Sud put arrangement is based on a multiple of Guess Sud's earnings before interest, taxes, depreciation and amortization.

(4) Accounts Receivable

Accounts receivable consists of trade receivables primarily relating to the Company's wholesale businesses in Europe, North America and Asia. The Company provided for allowances relating to these receivables of \$30.4 million and \$29.9 million at October 30, 2010 and January 30, 2010, respectively. In addition, accounts receivable includes royalty receivables relating to licensing operations of \$27.9 million and \$23.0 million at October 30, 2010 and January 30, 2010, respectively, for which the Company recorded an allowance for doubtful accounts of \$0.8 million and \$0.7 million at October 30, 2010 and January 30, 2010, respectively. The accounts receivable allowance includes allowances for doubtful accounts, wholesale sales returns and wholesale markdowns. Retail sales returns allowances are included in accrued expenses.

(5) Inventories

Inventories consist of the following (in thousands):

	Oct. 30, 2010	Jan. 30, 2010
Raw materials	\$ 9,622	\$ 9,405
Work in progress	3,682	2,689
Finished goods	332,710	241,068
	<u>\$ 346,014</u>	<u>\$ 253,162</u>

As of October 30, 2010 and January 30, 2010, inventories had been written down to the lower of cost or market by \$19.8 million and \$16.8 million, respectively.

(6) Income Taxes

Income tax expense for the interim periods was computed using the effective tax rate estimated to be applicable for the full fiscal year. The Company's effective income tax rate decreased to 30.0% for the nine months ended October 30, 2010 from 33.0% for the nine months ended October 31, 2009, primarily due to a higher estimated proportion of annual earnings in lower tax jurisdictions and certain state tax refund claims submitted during the current year.

(7) Segment Information

In the first quarter of fiscal 2011, the Company revised its segment reporting whereby the North American wholesale and Asia segments are now separate segments for reporting purposes. The Company's businesses are now grouped into five reportable segments for management and internal financial reporting purposes: North American retail, Europe, Asia, North American wholesale and licensing. Management evaluates segment performance based primarily on revenues and earnings from operations. The Company believes this segment reporting better reflects how its five business segments are managed and each segment's performance is evaluated. The North American retail segment includes the Company's retail operations in North America. The Europe segment includes both wholesale and retail operations in Europe and the Middle East. The Asia segment includes the Company's wholesale and retail operations in Asia. The North American wholesale segment includes the Company's wholesale operations in North America. The licensing segment includes the worldwide licensing operations of the Company. Corporate overhead, interest income, interest expense and other income and expense are evaluated on a consolidated basis and not allocated to the Company's business segments.

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Net revenue and earnings from operations are summarized as follows for the three and nine months ended October 30, 2010 and October 31, 2009 (in thousands):

Three Months Ended

Nine Months Ended

	Oct. 30, 2010	Oct. 31, 2009	Oct. 30, 2010	Oct. 31, 2009
Net revenue:				
North American retail	\$ 253,721	\$ 239,518	\$ 731,296	\$ 674,538
Europe	216,161	168,829	625,460	524,686
Asia	54,770	40,527	145,529	102,355
North American wholesale	56,270	46,124	143,268	112,910
Licensing	32,981	27,814	84,826	71,947
	<u>\$ 613,903</u>	<u>\$ 522,812</u>	<u>\$ 1,730,379</u>	<u>\$ 1,486,436</u>
Earnings (loss) from operations:				
North American retail	\$ 19,326	\$ 33,110	\$ 70,008	\$ 81,325
Europe	42,565	40,801	127,396	116,233
Asia	8,291	5,472	21,129	9,532
North American wholesale	16,697	12,245	37,619	25,499
Licensing	30,941	24,176	76,491	61,863
Corporate overhead	(25,105)	(16,830)	(72,300)	(56,330)
	<u>\$ 92,715</u>	<u>\$ 98,974</u>	<u>\$ 260,343</u>	<u>\$ 238,122</u>

Due to the seasonal nature of the Company's business segments, the above net revenue and operating results are not necessarily indicative of the results that may be expected for the full fiscal year.

All amounts for the years ended January 30, 2010 and January 31, 2009 have been revised as follows to conform to the new segment reporting described above (in thousands):

	First Quarter Ended May 2, 2009	Second Quarter Ended Aug. 1, 2009	Third Quarter Ended Oct. 31, 2009	Fourth Quarter Ended Jan. 30, 2010	Year Ended Jan. 30, 2010	Year Ended Jan. 31, 2009
Net revenue:						
North American retail	\$ 207,560	\$ 227,460	\$ 239,518	\$ 309,365	\$ 983,903	\$ 977,980
Europe	145,698	210,159	168,829	222,556	747,242	718,964
Asia	32,296	29,532	40,527	44,932	147,287	119,878
North American wholesale	33,573	33,213	46,124	39,772	152,682	176,303
Licensing	22,074	22,059	27,814	25,405	97,352	100,265
	<u>\$ 441,201</u>	<u>\$ 522,423</u>	<u>\$ 522,812</u>	<u>\$ 642,030</u>	<u>\$ 2,128,466</u>	<u>\$ 2,093,390</u>
Earnings (loss) from operations:						
North American retail	\$ 18,007	\$ 30,208	\$ 33,110	\$ 50,962	\$ 132,287	\$ 93,156
Europe	23,139	52,293	40,801	57,002	173,235	168,630
Asia	2,496	1,564	5,472	6,293	15,825	5,715
North American wholesale	4,926	8,328	12,245	9,667	35,166	39,786
Licensing	19,015	18,672	24,176	24,777	86,640	86,422
Corporate overhead	(19,549)	(19,951)	(16,830)	(28,007)	(84,337)	(64,922)
	<u>\$ 48,034</u>	<u>\$ 91,114</u>	<u>\$ 98,974</u>	<u>\$ 120,694</u>	<u>\$ 358,816</u>	<u>\$ 328,787</u>

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(8) Borrowings and Capital Lease Obligations

Borrowings and capital lease obligations are summarized as follows (in thousands):

	Oct. 30, 2010	Jan. 30, 2010
European capital lease, maturing quarterly through 2016	\$ 14,624	\$ 15,756
Other	589	738
	<u>15,213</u>	<u>16,494</u>
Less current installments	2,264	2,357
Long-term capital lease obligations	<u>\$ 12,949</u>	<u>\$ 14,137</u>

The Company entered into a capital lease in December 2005 for a new building in Florence, Italy. At October 30, 2010, the capital lease obligation was \$14.6 million. The Company entered into a separate interest rate swap agreement designated as a non-hedging instrument that resulted in a swap fixed rate of 3.55%. This interest rate swap agreement matures in 2016 and converts the nature of the capital lease obligation from Euribor floating rate debt to fixed rate debt. The fair value of the interest rate swap liability as of October 30, 2010 was approximately \$1.0 million.

On September 19, 2006, the Company and certain of its subsidiaries entered into a credit facility led by Bank of America, N.A., as administrative agent for the lenders (the "Credit Facility"). The Credit Facility provides for an \$85 million revolving multicurrency line of credit and is available for direct borrowings and the issuance of letters of credit, subject to certain letters of credit sublimits. The Credit Facility is scheduled to mature on September 30, 2011. The Company is in the early stages of discussions with potential lenders and fully expects to have a replacement facility in place prior to the scheduled maturity on September 30, 2011. The size, rates and other key terms of the replacement facility have yet to be determined. At October 30, 2010, the Company had \$11.4 million in outstanding standby letters of credit, no outstanding documentary letters of credit and no outstanding borrowings under the Credit Facility.

The Company, through its European subsidiaries, maintains short-term borrowing agreements, primarily for working capital purposes, with various banks in Europe. Under these agreements, which are generally secured by specific accounts receivable balances, the Company can borrow up to \$221.6 million, limited primarily by accounts receivable balances at the time of borrowing. Based on the applicable accounts receivable balances at October 30, 2010, the Company could have borrowed up to approximately \$212.2 million under these agreements. However, the Company's ability to borrow through foreign subsidiaries is generally limited to \$185.0 million under the terms of the Credit Facility. At October 30, 2010, the Company had no outstanding borrowings and \$13.8 million in outstanding documentary letters of credit under these credit agreements. The agreements are primarily denominated in euros and provide for annual interest rates ranging from 0.8% to 3.1%. The maturities of the short-term borrowings are generally linked to the credit terms of the underlying accounts receivable that secure the borrowings. With the exception of one facility for up to \$20.9 million that has a minimum net equity requirement, there are no other financial ratio covenants.

From time to time the Company will obtain other short term financing in foreign countries for working capital to finance its local operations.

(9) Share-Based Compensation

The following table summarizes the share-based compensation expense recognized under all of the Company's stock plans during the three and nine months ended October 30, 2010 and October 31, 2009 (in thousands):

	Three Months Ended		Nine Months Ended	
	Oct. 30, 2010	Oct. 31, 2009	Oct. 30, 2010	Oct. 31, 2009
Stock options	\$ 2,200	\$ 2,140	\$ 6,010	\$ 5,763
Nonvested stock awards/units	5,428	4,214	16,410	13,377
Employee Stock Purchase Plan	69	57	302	307
Total share-based compensation expense	\$ 7,697	\$ 6,411	\$ 22,722	\$ 19,447

Unrecognized compensation cost related to nonvested stock options and nonvested stock awards/units totaled approximately \$13.0 million and \$32.5 million, respectively, as of October 30, 2010. This unrecognized expense assumes the performance-based equity awards vest in the future. This cost is expected to be recognized over a weighted-average period of 1.3 years. The weighted average

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fair values of stock options granted during the nine months ended October 30, 2010 and October 31, 2009 were \$14.39 and \$8.94, respectively.

On April 29, 2010, the Company made an annual grant of 237,400 stock options and 230,300 nonvested stock awards/units to its employees. On April 14, 2009, the Company made an annual grant of 1,105,400 stock options and 106,400 nonvested awards/units to its employees.

On May 1, 2008, the Company granted an aggregate of 167,000 nonvested stock awards to certain employees which are subject to certain annual performance-based vesting conditions over a five-year period. On October 30, 2008, the Company granted an aggregate of 563,400 nonvested stock options to certain employees scheduled to vest over a four-year period, subject to the achievement of performance-based vesting conditions for fiscal 2010. During the first quarter of fiscal 2010, the Compensation Committee determined that the performance goals established in the prior year were no longer set at an appropriate level to incentivize and help retain employees given the greater than previously anticipated deterioration of the economy that had occurred since the goals were established. Therefore, in April 2009, the Compensation Committee modified the performance goals of that year's tranche of the outstanding performance-based stock awards and options to address the challenges associated with the economic environment. During the first quarter of fiscal 2011, the Compensation Committee modified the performance goals of the current year tranche of the outstanding performance based stock awards to address the continuing challenges associated with the economic environment. None of the modifications had a material impact on the consolidated financial statements of the Company.

(10) Related Party Transactions

The Company and its subsidiaries periodically enter into transactions with other entities or individuals that are considered related parties, including certain transactions with entities affiliated with trusts for the respective benefit of Maurice and Paul Marciano, who are executives of the Company, Armand Marciano, their brother and former executive of the Company, and certain of their children (the "Marciano Trusts").

Leases

The Company leases warehouse and administrative facilities, including the Company's corporate headquarters in Los Angeles, California, from partnerships affiliated with the Marciano Trusts and certain of their affiliates. There were four of these leases in effect at October 30, 2010 with expiration dates ranging from 2011 to 2020. The lease with respect to the Company's corporate headquarters in Los Angeles, California, was amended in August 2010 to extend the term for an additional two years, to 2020. All other terms of the existing corporate headquarters lease remain in full force and effect. In September 2010, the

Company, through a French subsidiary, entered into a lease for a new showroom and office space located in Paris, France with an entity that is owned in part by an affiliate of the Marciano Trusts. The new lease will allow the Company, which currently occupies two separate corporate locations in Paris, to consolidate its locations into a single improved and larger space. The Company expects to take possession of the new Paris facility during the first half of fiscal 2012, at which time lease payments and a nine year lease term will commence. The Paris lease provides for annual rent in the amount of \$0.9 million for the first year (with subsequent annual rent adjustments based on a specified price index) and includes a Company option for early termination at the end of the sixth year.

Aggregate rent expense under these related party leases for the nine months ended October 30, 2010 and October 31, 2009 was \$3.1 million and \$2.9 million, respectively. The Company believes the related party lease terms have not been significantly affected by the fact that the Company and the lessors are related.

Aircraft Arrangements

The Company periodically charters aircraft owned by MPM Financial, LLC (“MPM Financial”), an entity affiliated with the Marciano Trusts, through independent third party management companies contracted by MPM Financial to manage its aircraft. Under an informal arrangement with MPM Financial and the third party management companies, the Company has chartered and may from time to time continue to charter aircraft owned by MPM Financial at a discount from the third party management companies’ preferred customer hourly charter rates. The total fees paid under these arrangements for the nine months ended October 30, 2010 and October 31, 2009 were approximately \$0.7 million and \$0.5 million, respectively.

These related party disclosures should be read in conjunction with the disclosure concerning related party transactions in the Company’s Annual Report on Form 10-K for the year ended January 30, 2010.

(11) Commitments and Contingencies

Leases

The Company leases its showrooms and retail store locations under operating lease agreements expiring on various dates through September 2027. Some of these leases require the Company to make periodic payments for property taxes, utilities and common area

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operating expenses. Certain retail store leases provide for rents based upon the minimum annual rental amount and a percentage of annual sales volume, generally ranging from 3% to 6%, when specific sales volumes are exceeded. Some leases include lease incentives, rent abatements and fixed rent escalations, which are amortized and recorded over the initial lease term on a straight-line basis. The Company also leases some of its equipment under operating lease agreements expiring at various dates through January 2016.

Incentive Bonuses

Certain officers and key employees of the Company are eligible to receive annual cash incentive bonuses based on the achievement of specified performance criteria. These bonuses are based on performance measures such as earnings per share and earnings from operations of the Company or particular segments thereof, as well as other objective and subjective criteria as determined by the Compensation Committee of the Board of Directors. In addition to such annual incentive opportunities, Paul Marciano, Chief Executive Officer and Vice Chairman of the Company, is entitled to receive a \$3.5 million special cash bonus in December 2012, subject to the receipt by the Company of a fixed cash rights payment of \$35.0 million that is due in January 2012 from one of its licensees. In connection with this special bonus, the Company will accrue an expense of \$3.5 million, plus applicable payroll taxes, through December 2012.

Litigation

On May 6, 2009, Gucci America, Inc. filed a complaint in the U.S. District Court for the Southern District of New York against Guess?, Inc. and Guess Italia, S.r.l. asserting, among other things, trademark and trade dress law violations and unfair competition. The complaint seeks injunctive relief, unspecified compensatory damages, including treble damages, and certain other relief. A similar complaint has also been filed in the Court of Milan, Italy. The Company plans to defend the allegations vigorously. The Company believes that it is too early to predict the outcome of this action or whether the outcome will have a material impact on the Company’s financial position or results of operations.

The Company is also involved in various other claims and other matters incidental to the Company’s business, the resolution of which is not expected to have a material adverse effect on the Company’s financial position or results of operations. No material amounts were accrued as of October 30, 2010 related to any of the Company’s legal proceedings.

(12) Supplemental Executive Retirement Plan

The components of net periodic pension cost for the three and nine months ended October 30, 2010 and October 31, 2009 were as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	Oct. 30, 2010	Oct. 31, 2009	Oct. 30, 2010	Oct. 31, 2009
Service cost	\$ 69	\$ 53	\$ 207	\$ 159
Interest cost	557	513	1,673	1,539

Net amortization of unrecognized prior service cost	186	436	808	1,308
Net amortization of actuarial losses	140	—	420	—
Curtailment expense	—	—	5,819	—
Net periodic defined benefit pension cost	<u>\$ 952</u>	<u>\$ 1,002</u>	<u>\$ 8,927</u>	<u>\$ 3,006</u>

As a non-qualified pension plan, no funding of the SERP is required; however, the Company has and expects to continue to make periodic payments into insurance policies held in a rabbi trust to fund the expected obligations arising under the non-qualified SERP. The cash surrender values of the insurance policies were \$28.7 million and \$22.1 million as of October 30, 2010 and January 30, 2010, respectively, and were included in other assets. The amount of future payments may vary, depending on the future years of service, future annual compensation of the participants and investment performance of the trust. As a result of the change in value of the insurance policy investments, the Company recorded gains of \$1.5 million and \$2.2 million in other income and expense during the three and nine months ended October 30, 2010, respectively, and gains of \$0.7 million and \$2.9 million during the three and nine months ended October 31, 2009, respectively.

During the nine months ended October 30, 2010, the Company recorded a pension plan curtailment expense of \$5.8 million before taxes related to the accelerated amortization of prior service cost resulting from the departure of Carlos Alberini, the Company's former President and Chief Operating Officer. Mr. Alberini's departure resulted in a significant reduction in the total expected remaining years of future service of all participants combined, resulting in the pension curtailment.

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(13) Fair Value Measurements

Authoritative guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The guidance establishes a fair value hierarchy, which prioritizes the inputs used in measuring fair value into three broad levels as follows:

Level 1 - Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 - Inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (i.e. interest rates, yield curves, etc.), and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).

Level 3 - Unobservable inputs that reflect assumptions about what market participants would use in pricing the asset or liability. These inputs would be based on the best information available, including the Company's own data.

The following table presents the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of October 30, 2010 and January 30, 2010 (in thousands):

Recurring Fair Value Measures	Fair Value Measurements at Oct. 30, 2010				Fair Value Measurements at Jan. 30, 2010			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Foreign exchange forward contracts	\$ —	\$ 3,220	\$ —	\$ 3,220	\$ —	\$ 8,075	\$ —	\$ 8,075
Securities available for sale	3,121	—	—	3,121	399	—	—	399
Total	\$ 3,121	\$ 3,220	\$ —	\$ 6,341	\$ 399	\$ 8,075	\$ —	\$ 8,474
Liabilities:								
Foreign exchange forward contracts	\$ —	\$ 10,649	\$ —	\$ 10,649	\$ —	\$ 922	\$ —	\$ 922
Interest rate swaps	—	1,261	—	1,261	—	1,231	—	1,231
Deferred compensation obligations	—	8,715	—	8,715	—	6,677	—	6,677
Total	\$ —	\$ 20,625	\$ —	\$ 20,625	\$ —	\$ 8,830	\$ —	\$ 8,830

The fair values of the Company's available-for-sale securities are based on quoted prices. Fair value of the interest rate swaps are based upon inputs corroborated by observable market data. The foreign exchange forward contracts are entered into by the Company principally to hedge the future payment of inventory and intercompany transactions by non-U.S. subsidiaries. The fair values of the Company's foreign exchange forward contracts are based on quoted foreign exchange forward rates at the reporting date. Deferred compensation obligations to employees are adjusted based on changes in the fair value of the underlying employee-directed investments. Fair value of these obligations is based upon inputs corroborated by observable market data.

Long-term investments are recorded at fair value and consist of certain marketable equity securities of \$3.1 million and \$0.4 million at October 30, 2010 and January 30, 2010, respectively, and are included in other assets in the accompanying condensed consolidated balance sheets. Unrealized gains (losses), net of taxes, are included as a component of stockholders' equity and comprehensive income. The accumulated unrealized gains (losses), net of taxes, included in accumulated other comprehensive income relating to marketable equity securities owned by the Company at October 30, 2010 and January 30, 2010, were \$0.1 million and (\$0.1) million, respectively.

The carrying amount of the Company's remaining financial instruments, which principally include cash and cash equivalents, trade receivables, accounts payable and accrued expenses, approximates fair value due to the relatively short maturity of such instruments. The fair values of the Company's debt

instruments (see Note 8) are based on the amount of future cash flows associated with each instrument discounted using the Company's incremental borrowing rate. At October 30, 2010, the carrying value of all financial instruments was not materially different from fair value, as the interest rates on variable rate debt including the capital lease obligation approximated rates currently available to the Company.

Long-lived assets, such as property, plant, and equipment, and purchased intangibles that are subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The recoverability of assets that are to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by such asset. If the carrying amount of an asset exceeds its estimated future

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cash flows, an impairment charge is recognized in the amount by which the carrying amount of such asset exceeds the estimated discounted future cash flows. The impairment loss calculations require management to apply judgment in estimating future cash flows and the discount rates that reflect the risk inherent in the future cash flows. The estimated cash flows used for this nonrecurring fair value measurement is considered a Level 3 input as defined above.

(14) Derivative Financial Instruments

Hedging Strategy

The Company operates in foreign countries, which exposes it to market risk associated with foreign currency exchange rate fluctuations. The Company has entered into certain forward contracts to hedge the risk of foreign currency rate fluctuations. The Company has elected to apply the hedge accounting rules in accordance with authoritative guidance for certain of these hedges.

The Company's objective is to hedge the variability in forecasted cash flows due to the foreign currency risk. Various transactions that occur in Canada, Europe and South Korea are denominated in U.S. dollars, British pounds or Swiss francs and thus are exposed to earnings risk as a result of exchange rate fluctuations when converted to their functional currencies. These types of transactions include U.S. dollar denominated purchases of merchandise and U.S. dollar and British pound intercompany liabilities. In addition, certain sales and operating expenses are denominated in Swiss francs and are exposed to earnings risk as a result of exchange rate fluctuations when converted to the functional currency. The Company enters into derivative financial instruments, including forward exchange contracts to manage exchange risk on certain of these anticipated foreign currency transactions. The Company does not hedge all transactions denominated in foreign currency.

The impact of the credit risk of the counterparties to the derivative contracts is considered in determining the fair value of the foreign currency forward contracts. As of October 30, 2010, credit risk has not had a significant effect on the fair value of the Company's foreign currency contracts.

The Company also has interest rate swap agreements, which are not designated as hedges for accounting purposes, to effectively convert its floating-rate capital lease obligation to a fixed-rate basis. The principal objective of these contracts is to eliminate or reduce the variability of the cash flows in interest payments associated with the Company's variable rate capital lease obligation, thus reducing the impact of interest rate changes on future interest cash flows. Refer to Note 8 for further information.

Hedge Accounting Policy

U.S. dollar forward contracts are used to hedge forecasted merchandise purchases over specific months. Changes in the fair value of these U.S. dollar forward contracts, designated as cash flow hedges, are recorded as a component of accumulated other comprehensive income within stockholders' equity, and are recognized in cost of product sales in the period which approximates the time the hedged merchandise inventory is sold. The Company also hedges forecasted intercompany royalties over specific months. Changes in the fair value of these U.S. dollar forward contracts designated as cash flow hedges are recorded as a component of accumulated other comprehensive income within stockholders' equity, and are recognized in other income and expense in the period in which the royalty expense is incurred.

From time to time, Swiss franc forward contracts are used to hedge certain anticipated Swiss operating expenses over specific months. Changes in the fair value of Swiss franc forward contracts designated as cash flow hedges are recorded as a component of accumulated other comprehensive income within stockholders' equity, and are recognized in selling, general and administrative ("SG&A") expenses in the period which approximates the time the expenses are incurred.

The Company also has foreign currency contracts that are not designated as hedges for accounting purposes. Changes in fair value of foreign currency contracts not qualifying as cash flow hedges are reported in net earnings as part of other income and expense.

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Summary of Derivative Instruments

The fair value of derivative instruments in the condensed consolidated balance sheet as of October 30, 2010 and January 30, 2010 was as follows (in thousands):

	Derivative Balance Sheet Location	Fair Value at Oct. 30, 2010	Fair Value at Jan. 30, 2010
ASSETS:			
Derivatives designated as hedging instruments:			
Foreign exchange currency contracts	Other current assets	\$ 1,026	\$ 3,351
Derivatives not designated as hedging instruments:			
Foreign exchange currency contracts	Other current assets	2,194	4,724
Total		\$ 3,220	\$ 8,075
LIABILITIES:			
Derivatives designated as hedging instruments:			
Foreign exchange currency contracts	Current liabilities	\$ 4,929	\$ 116
Derivatives not designated as hedging instruments:			
Foreign exchange currency contracts	Current liabilities	5,720	806
Interest rate swaps	Long-term liabilities	1,261	1,231
Total derivatives not designated as hedging instruments		6,981	2,037
Total		\$ 11,910	\$ 2,153

Forward Contracts Designated as Cash Flow Hedges

During the nine months ended October 30, 2010, the Company purchased U.S. dollar forward contracts in Europe and Canada totaling US\$87.4 million and US\$63.7 million, respectively, to hedge forecasted merchandise purchases and intercompany royalties that were designated as cash flow hedges. As of October 30, 2010, the Company had forward contracts outstanding for its European and Canadian operations of US\$90.7 million and US\$55.8 million, respectively, which are expected to mature over the next 14 months.

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The following table summarizes the gains (losses) before taxes recognized on the derivative instruments designated as cash flow hedges in other comprehensive income ("OCI") and net earnings for the three and nine months ended October 30, 2010 and October 31, 2009 (in thousands):

	Gain/(Loss) Recognized in OCI		Location of Gain/(Loss) Reclassified from Accumulated OCI into Income (1)	Gain/(Loss) Reclassified from Accumulated OCI into Income/(Loss)	
	Three Months Ended	Three Months Ended		Three Months Ended	Three Months Ended
	Oct. 30, 2010	Oct. 31, 2009		Oct. 30, 2010	Oct. 31, 2009
Derivatives designated as hedging instruments:					
Foreign exchange currency contracts	\$ (3,570)	\$ 120	Cost of product sales	\$ 3,475	\$ 1,394
Foreign exchange currency contracts	\$ —	\$ 58	SG&A expenses	\$ —	\$ 75
Foreign exchange currency contracts	\$ (41)	\$ (206)	Other income/expense	\$ 258	\$ (66)
	Gain/(Loss) Recognized in OCI		Location of Gain/(Loss) Reclassified from Accumulated OCI into Income (1)	Gain/(Loss) Reclassified from Accumulated OCI into Income/(Loss)	
	Nine Months Ended	Nine Months Ended		Nine Months Ended	Nine Months Ended
	Oct. 30, 2010	Oct. 31, 2009		Oct. 30, 2010	Oct. 31, 2009
Derivatives designated as hedging instruments:					
Foreign exchange currency contracts	\$ (2,563)	\$ (5,501)	Cost of product sales	\$ 2,795	\$ 6,748
Foreign exchange currency contracts	\$ —	\$ (198)	SG&A expenses	\$ —	\$ 284
Foreign exchange currency contracts	\$ 636	\$ (301)	Other income/expense	\$ 1,240	\$ (80)

(1) The ineffective portion was immaterial during the three and nine months ended October 30, 2010 and October 31, 2009 and was recorded in net earnings

and included in other income/expense.

As of October 30, 2010, accumulated other comprehensive income included a net unrealized loss of approximately US\$3.6 million, net of tax, of which US\$3.8 million will be recognized in other expense or cost of product sales over the following 12 months at the then current values on a pre-tax basis, which can be different than the current quarter-end values.

The following table summarizes net after-tax derivative activity recorded in accumulated other comprehensive income (in thousands):

	Three Months Ended		Nine Months Ended	
	Oct. 30, 2010	Oct. 31, 2009	Oct. 30, 2010	Oct. 31, 2009
Beginning balance gain (loss)	\$ 2,902	\$ (174)	\$ 1,845	\$ 8,763
Net gains (losses) from changes in cash flow hedges	(3,178)	(140)	(1,623)	(4,813)
Net losses (gains) reclassified to income	(3,321)	(1,142)	(3,819)	(5,406)
Ending balance gain (loss)	\$ (3,597)	\$ (1,456)	\$ (3,597)	\$ (1,456)

As of January 30, 2010, the Company had forward contracts outstanding for its European and Canadian operations of US\$62.4 million and US\$27.7 million, respectively.

Forward Contracts Not Designated as Cash Flow Hedges

As of October 30, 2010, the Company had Canadian dollar foreign currency contracts to purchase US\$47.9 million expected to mature over the next 11 months, euro foreign currency contracts to purchase US\$128.4 million expected to mature over the next 11 months,

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Swiss franc foreign currency contracts to purchase US\$34.4 million expected to mature over the next 14 months and GBP12.3 million of foreign currency contracts to purchase euros expected to mature over the next 2 months.

The following table summarizes the gains (losses) before taxes recognized on the derivative instruments not designated as cash flow hedges in other income and expense for the three and nine months ended October 30, 2010 and October 31, 2009 (in thousands):

	Location of Gain/(Loss) Recognized in Income	Gain/(Loss) Recognized in Income		Gain/(Loss) Recognized in Income	
		Three Months Ended	Three Months Ended	Nine Months Ended	Nine Months Ended
		Oct. 30, 2010	Oct. 31, 2009	Oct. 30, 2010	Oct. 31, 2009
Derivatives not designated as hedging instruments:					
Foreign exchange currency contracts	Other income/expense	\$ (3,938)	\$ (3,059)	\$ (102)	\$ (16,015)
Interest rate swaps	Other income/expense	\$ 130	\$ (144)	\$ (37)	\$ (515)

As of January 30, 2010, the Company had Canadian dollar foreign currency contracts to purchase US\$22.3 million, euro foreign currency contracts to purchase US\$117.6 million and GBP14.0 million of foreign currency contracts to purchase euros.

(15) Subsequent Events

On November 23, 2010, the Company announced a special cash dividend of \$2.00 per share on the Company's common stock, which is estimated to total approximately \$184 million, and a regular quarterly cash dividend of \$0.20 per share. The combined cash dividends will be paid on December 23, 2010 to stockholders of record as of the close of business on December 8, 2010.

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ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

General

Unless the context indicates otherwise, when we refer to "we," "us" or the "Company" in this Form 10-Q, we are referring to Guess?, Inc. and its subsidiaries on a consolidated basis.

Important Notice Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q, including documents incorporated by reference herein, contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may also be contained in the Company's other reports filed under the Securities Exchange Act of 1934, as amended, in its press releases and in other documents. In addition, from time to time, the Company through its management may make oral forward-looking statements. These statements relate to analyses and other information based on forecasts of future results and estimates of amounts not yet determinable. These statements also relate to our future prospects and proposed new products, services, developments or business strategies. These forward-looking statements are identified by their use of terms and phrases such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "predict," "project," "will," "continue," and other similar terms and phrases, including references to assumptions.

Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed. These forward-looking statements may include, among other things, statements relating to our expected results of operations, the accuracy of data relating to, and anticipated levels of, future inventory and gross margins, anticipated cash requirements and sources, cost containment efforts, estimated charges, plans regarding store openings and closings, plans regarding business growth and international expansion, e-commerce, business seasonality, results of litigation, industry trends, consumer demands and preferences, competition, currency fluctuations, raw material cost pressures, consumer confidence and general economic conditions. We do not intend, and undertake no obligation, to update our forward-looking statements to reflect future events or circumstances. Such statements involve risks and uncertainties, which may cause actual results to differ materially from those set forth in these statements. Important factors that could cause or contribute to such difference include those discussed under "Part I, Item 1A. Risk Factors" contained in the Company's most recent Annual Report on Form 10-K for the fiscal year ended January 30, 2010 and in our other filings made from time to time with the Securities and Exchange Commission ("SEC") after the date of this report.

Business Segments

In the first quarter of fiscal 2011, the Company revised its segment reporting whereby the North American wholesale and Asia segments are now separate segments for reporting purposes. The Company's businesses are now grouped into five reportable segments for management and internal financial reporting purposes: North American retail, Europe, Asia, North American wholesale and licensing. Management evaluates segment performance based primarily on revenues and earnings from operations. The Company believes this segment reporting better reflects how its five business segments are managed and each segment's performance is evaluated. The North American retail segment includes the Company's retail operations in North America. The Europe segment includes the Company's wholesale and retail operations in Europe and the Middle East. The Asia segment includes the Company's wholesale and retail operations in Asia. The North American wholesale segment includes the Company's wholesale operations in North America. The licensing segment includes the worldwide licensing operations of the Company. The business segment operating results exclude corporate overhead costs which consist of shared costs of the organization. These costs are presented separately and generally include, among other things, the following unallocated corporate costs: information technology, human resources, global advertising and marketing, accounting and finance, executive compensation, facilities and legal.

We acquired Focus Europe S.r.l. ("Focus"), our former licensee for GUESS by MARCIANO products in Europe, the Middle East and Asia, in December 2006. We also acquired BARN S.r.l. ("Barn"), our former kids licensee in Europe, in January 2008. Each of these entities is reported in our European segment. G by GUESS is a relatively new retail brand concept that was launched in early fiscal 2008 and is included in our North American retail segment. Our South Korea and China businesses, which we have operated directly since January 2007 and April 2007, respectively, are reported in our Asia segment. Our international jewelry license agreement, which expired in December 2009, was not renewed as the Company decided to directly operate this business going forward. Beginning in January 2010, the operating results of our international jewelry business are included in our Europe segment. Prior to that date, we recorded the related royalty income in our licensing segment.

Products

We derive our net revenue from the sale of GUESS?, GUESS by MARCIANO and G by GUESS men's and women's apparel, and our licensees' accessories products through our worldwide network of retail stores, wholesale customers and distributors, as well as our on-line sites. We also derive royalty revenues from worldwide licensing activities.

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Recent Global Economic Developments

Economic conditions remain uncertain in many markets around the world and consumer behavior remains cautious. In North America in particular, the relatively weaker levels of consumer confidence and the highly promotional conditions among retailers may persist for some time. These conditions could affect both our growth and our profitability.

We also continue to experience significant volatility in the global currency markets. Since the majority of our international operations are conducted in currencies other than the U.S. dollar (primarily the euro, Canadian dollar and Korean won), currency fluctuations can have a significant impact on the translation of our international revenues and earnings into U.S. dollar amounts. During the first quarter of fiscal 2011, the average U.S. dollar rate weakened against these currencies versus the average rate in the comparable prior-year period. However, during the second and third quarters of fiscal 2011, the average U.S. dollar rate was stronger against the euro while weaker against the Canadian dollar and Korean won versus the comparable prior-year periods. This had an overall negative impact on the translation of our international revenues and earnings for the three and nine months ended October 30, 2010.

In addition, some of our transactions that occur in Europe, Canada and South Korea are denominated in U.S. dollars, Swiss francs and British pounds, exposing them to exchange rate fluctuations when converted to their functional currencies. These transactions include U.S. dollar denominated purchases of merchandise, U.S. dollar and British pound intercompany liabilities and certain sales and operating expenses denominated in Swiss francs. Fluctuations in

exchange rates can impact the profitability of our foreign operations and reported earnings and are largely dependent on the transaction timing and magnitude during the period that the currency fluctuates. The Company enters into derivative financial instruments to manage exchange risk on certain foreign currency transactions. However, the Company does not hedge all transactions denominated in foreign currency.

Long-Term Growth Strategy

Despite the economic conditions described above, our key long-term strategies remain unchanged. Global expansion continues to be the cornerstone of our growth strategy. Our combined revenues outside of the U.S. and Canada represented approximately 48% of the total Company's revenues for the nine months ended October 30, 2010, compared to 21% at the end of 2005. We expect this trend to continue as we expand in both Europe and Asia. Expanding our retail business across the globe is another important part of our growth strategy. We see opportunities to increase the number of GUESS? branded retail stores in Europe, as we expand outside of Italy, and also in North America, where we see opportunities particularly with our newer store concepts. We will continue to regularly evaluate and implement initiatives that we believe will build brand equity, grow our business and enhance profitability.

Our North American retail growth strategy is to increase retail sales and profitability by expanding our network of retail stores and improving the productivity and performance of existing stores. We will continue to emphasize our new G by GUESS store concept and our accessories business. This includes greater focus on our accessories line in our existing stores and the expansion of our GUESS? Accessories store concept. We currently plan to open a total of 58 retail stores across all concepts in the U.S. and Canada during fiscal 2011.

In Europe, we will continue to focus on growing our business in the countries where our brand is well known but under-penetrated. The Company is planning to increase the number of directly operated GUESS? retail stores in Europe. We recently opened flagship stores in Knightsbridge, London and Paseo di Gracia, Barcelona and we have expanded our existing flagship store in Milan, Italy. Together with our licensee partners, we plan to continue our international expansion in Europe by opening a total of 126 retail stores in fiscal 2011.

We see significant market opportunities in Asia and we are dedicating capital and human resources to support the region's growth and development. We have opened flagship stores in key cities such as Seoul, Shanghai, Hong Kong, Macau and Beijing and have partnered with licensees to develop our business in the second tier cities in this region. We and our partners plan to open a total of 44 retail stores across all concepts in Asia during fiscal 2011.

The Company's capital expenditures for the full fiscal year 2011 are planned at approximately \$145 million (before deducting estimated lease incentives of approximately \$15 million), which includes key money investments for new European stores. The planned capital expenditures are primarily for expansion of our retail businesses in Europe and North America, store remodeling programs, investments in information systems, expansion of our Asia business and other infrastructure investments.

Other

The Company operates on a 52/53-week fiscal year calendar, which ends on the Saturday nearest to January 31 of each year. The three and nine months ended October 30, 2010 had the same number of days as the three and nine months ended October 31, 2009.

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The Company reports National Retail Federation ("NRF") calendar comparable store sales on a quarterly basis for our full-price retail and factory outlet stores in the U.S. and Canada. A store is considered comparable after it has been open for 13 full months. If a store remodel results in a square footage change of more than 15%, or involves a relocation or a change in store concept, the store is removed from the comparable store base until it has been opened at its new size, in its new location or under its new concept for 13 full months.

Executive Summary

The Company

Net earnings attributable to Guess?, Inc. was \$69.1 million, or diluted earnings of \$0.75 per common share, for the quarter ended October 30, 2010, compared to net earnings attributable to Guess?, Inc. of \$64.1 million, or diluted earnings of \$0.69 per common share, for the quarter ended October 31, 2009.

Total net revenue increased 17.4% to \$613.9 million for the quarter ended October 30, 2010, from \$522.8 million in the same prior-year period. Revenues increased in all our segments, with the largest growth rate coming from our Asia and Europe segments, which together represented two-thirds of the total revenue increase. In constant U.S. dollars, revenues increased by 20.6% as currency translation fluctuations relating to our foreign operations unfavorably impacted net revenue for the quarter ended October 30, 2010 by \$16.6 million.

Gross margin (gross profit as a percentage of total net revenues) declined 190 basis points to 43.4% for the quarter ended October 30, 2010, compared to 45.3% in the same prior-year period. The negative impact of the stronger U.S. dollar on product purchases and higher markdowns in our Europe and North American retail segments were the main factors contributing to the lower gross margin.

Selling, general and administrative ("SG&A") expenses increased 25.9% to \$173.7 million for the quarter ended October 30, 2010, compared to \$137.9 million in the same prior-year period. The increase was driven by higher store selling and infrastructure costs to support our global retail expansion, store impairment charges in our North American retail and Europe segments and higher performance-based compensation costs. Currency translation fluctuations relating to our foreign operations favorably impacted SG&A compared to the same prior-year period. SG&A expense as a percentage of revenues

("SG&A rate") increased by 190 basis points to 28.3% for the quarter ended October 30, 2010, compared to the same prior-year period.

Earnings from operations decreased 6.3% to \$92.7 million for the quarter ended October 30, 2010, compared to \$99.0 million in the same prior-year period. Currency translation fluctuations relating to our foreign operations unfavorably impacted earnings from operations by \$3.7 million. Operating margin declined 380 basis points to 15.1% for the quarter ended October 30, 2010, compared to 18.9% for the same prior-year period as a result of the lower gross margin and higher SG&A rate.

Other income, net, (including interest income and expense) totaled \$6.2 million for the quarter ended October 30, 2010, compared to other expense, net, of \$1.8 million in the same prior-year period. The net gain for the quarter ended October 30, 2010 included net mark-to-market gains on insurance policy investments and net mark-to-market gains from the revaluation of foreign currency transactions. Other expense, net, for the quarter ended October 31, 2009 primarily consisted of charges related to net mark-to-market losses from the revaluation of foreign currency transactions, partially offset by mark-to-market gains on our insurance policy investments.

Our effective income tax rate decreased to 29.1% for the quarter ended October 30, 2010, compared to 33.0% for the same prior-year period, primarily due to a higher estimated proportion of annual earnings in lower tax jurisdictions and certain state tax refund claims submitted during the current year.

The Company had \$469.0 million in cash and cash equivalents as of October 30, 2010, up \$124.1 million, compared to \$344.9 million as of October 31, 2009. In December 2010, the Company will be funding a special dividend of approximately \$184 million. Total debt as of October 30, 2010, primarily related to our capital lease in Europe, was \$15.2 million, down \$2.8 million from \$18.0 million as of October 31, 2009. Accounts receivable increased by \$60.0 million, or 19.2%, to \$372.2 million at October 30, 2010, compared to \$312.2 million at October 31, 2009. The accounts receivable balance at October 30, 2010 included a negative translation impact of approximately \$13.7 million due to currency fluctuations compared to the prior-year quarter end. Inventory increased by \$76.6 million, or 28.4%, to \$346.0 million as of October 30, 2010, compared to \$269.4 million as of October 31, 2009. The increase in inventory primarily supports the expansion of our European business, including a significant increase in our retail store base and planned earlier deliveries, as well as growth in our North American businesses.

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North American Retail

Our North American retail segment, comprising North American full-priced retail stores, factory outlet stores and e-commerce, generated net sales of \$253.7 million during the quarter ended October 30, 2010, an increase of \$14.2 million, or 5.9%, from \$239.5 million in the same prior-year period. The increase was primarily due to a larger store base and positive comparable store sales of 1.5% (0.6% in local currency, which excludes the favorable translation impact of currency fluctuations relating to our Canadian retail stores). North American retail earnings from operations decreased by \$13.8 million, or 41.6%, to \$19.3 million for the quarter ended October 30, 2010, compared to \$33.1 million in the same prior-year period. Operating margin declined 620 basis points to 7.6% for the quarter ended October 30, 2010, compared to 13.8% for the same prior-year period, primarily due to our new store openings, which negatively impacted both the occupancy and SG&A rates, store impairment charges and higher product markdowns.

In the quarter, we opened 27 new stores in the U.S. and Canada and closed 2 stores. At October 30, 2010, we operated 473 stores in the U.S. and Canada, comprised of 195 full-priced GUESS? retail stores, 117 GUESS? factory outlet stores, 59 GUESS? Accessories stores, 52 GUESS by MARCIANO stores and 50 G by GUESS stores. This compares to 433 stores as of October 31, 2009.

Europe

In Europe, revenue increased by \$47.4 million, or 28.0%, to \$216.2 million for the quarter ended October 30, 2010, compared to \$168.8 million in the same prior-year period. All of our European businesses contributed to this growth, led by our new jewelry business. We expanded our base of directly operated stores and our existing stores generated positive comparable store sales. Our existing wholesale business also grew in the quarter. The increase was partially offset by the unfavorable translation impact on revenues caused by changes in foreign currency exchange rates. At October 30, 2010, we directly operated 131 stores in Europe compared to 77 stores at October 31, 2009, excluding concessions. Earnings from operations from our Europe segment increased by \$1.8 million, or 4.3%, to \$42.6 million for the quarter ended October 30, 2010, compared to \$40.8 million in the same prior-year period. Operating margin declined 450 basis points to 19.7% for the quarter ended October 30, 2010, compared to 24.2% for the same prior-year period due primarily to lower product margins and a higher occupancy rate, partially offset by a lower SG&A rate. Product margins were adversely affected by the higher cost of products purchased in U.S. dollars due to the stronger average U.S. dollar rate versus the euro while the occupancy rate increased due to our retail store expansion. Although SG&A expenses increased in local currency, our SG&A rate improved. The higher expenses primarily relate to additional infrastructure and higher store selling, given our expanding retail store base.

Asia

In Asia, revenue increased by \$14.3 million, or 35.1%, to \$54.8 million for the quarter ended October 30, 2010, compared to \$40.5 million in the same prior-year period. All of our Asia businesses contributed to this growth, with a greater number of doors compared to the same prior-year period and stronger performance in existing doors. We continue to see growth in the second tier cities, as well as first tier cities, as we develop our business in the Greater China region. Our sales in Greater China also included earlier shipments to our licensees compared to the same period a year ago. Earnings from operations from our Asia segment increased by \$2.8 million, or 51.5%, to \$8.3 million for the quarter ended October 30, 2010, compared to \$5.5 million in the same prior-year period. Operating margin increased 160 basis points to 15.1% for the quarter ended October 30, 2010, compared to 13.5% for the same prior-year period driven by the leveraging of SG&A expenses as we continue to grow sales in the region.

North American Wholesale

Our North American wholesale segment revenue increased by \$10.2 million, or 22.0%, to \$56.3 million for the quarter ended October 30, 2010, from \$46.1 million in the same prior-year period. Revenues increased in all our businesses, led by the U.S. wholesale business, which included a favorable shift of orders delivered in the third quarter that normally would have occurred during the fourth quarter, partially offset by a shift of orders into the second quarter from the third quarter. North American wholesale earnings from operations increased by \$4.5 million, or 36.4%, to \$16.7 million for the quarter ended October 30, 2010, compared to \$12.2 million in the same prior-year period. Operating margin improved 320 basis points to 29.7% for the quarter ended October 30, 2010, compared to 26.5% for same prior-year period, driven by improved product margins in all our businesses and the leveraging of SG&A expenses.

Licensing

Our licensing royalty revenue increased by \$5.2 million, or 18.6%, to \$33.0 million compared to \$27.8 million in the same prior-year period, driven by royalties from higher sales in our watches, handbags, footwear and eyewear categories, partially offset by the loss of royalties as a result of the direct operation of our international jewelry business since January 2010. Earnings from operations increased by \$6.7 million, or 28.0%, to \$30.9 million for the quarter ended October 30, 2010, compared to \$24.2 million in the same prior-year period.

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Corporate Overhead

Corporate overhead expenses increased by \$8.3 million, or 49.2%, to \$25.1 million for the quarter ended October 30, 2010, from \$16.8 million in the same prior-year period. The increase was driven by higher performance-based compensation costs and higher professional fees.

Global Store Count

In the third quarter of fiscal 2011, together with our partners, we opened 84 new stores worldwide, consisting of 41 stores in Europe and the Middle East, 27 stores in the U.S. and Canada, 15 stores in Asia and 1 store in Central and South America. Together with our partners, we closed 23 stores worldwide, consisting of 11 stores in Asia, 10 stores in Europe and the Middle East and 2 stores in the U.S. and Canada.

We ended the third quarter of fiscal 2011 with 1,353 stores worldwide, comprised as follows:

Region	Total Stores	Directly Operated Stores	Licensee Stores
United States and Canada	473	473	—
Europe and the Middle East	472	131	341
Asia	351	27	324
Other	57	14	43
Total	1,353	645	708

This store count does not include 254 concessions located primarily in South Korea and Greater China because of their smaller store size in relation to our standard international store size. Of the total 1,353 stores, 946 were GUESS? stores, 254 were GUESS? Accessories stores, 98 were GUESS by MARCIANO stores and 55 were G by GUESS stores.

RESULTS OF OPERATIONS

Three months ended October 30, 2010 and October 31, 2009

NET REVENUE. Net revenue increased by \$91.1 million, or 17.4%, to \$613.9 million for the quarter ended October 30, 2010, from \$522.8 million for the quarter ended October 31, 2009. All of our segments contributed to this growth, led by our international businesses. In constant U.S. dollars, revenues increased by 20.6% as currency translation fluctuations relating to our foreign operations unfavorably impacted net revenue by \$16.6 million compared to the same prior-year period.

Net revenue from our North American retail operations increased by \$14.2 million, or 5.9%, to \$253.7 million for the quarter ended October 30, 2010, from \$239.5 million in the same prior-year period. This increase was primarily due to a larger store base and positive comparable store sales of 1.5% (0.6% in local currency, which excludes the favorable translation impact of currency fluctuations relating to our Canadian retail stores). Overall, currency translation fluctuations relating to our non-U.S. retail stores favorably impacted net revenue in our retail segment by \$2.4 million. The store base increased by an average of 30 net additional stores during the quarter ended October 30, 2010 compared to the prior-year quarter, resulting in a net 5.4% increase in average square footage.

Net revenue from our Europe operations increased by \$47.4 million, or 28.0%, to \$216.2 million for the quarter ended October 30, 2010, from \$168.8 million in the same prior-year period. All of our European businesses contributed to this growth, led by our new jewelry business. We expanded our

base of directly operated stores and our existing stores generated positive comparable store sales. Our existing wholesale business also grew in the quarter. The increase was partially offset by the unfavorable translation impact on revenues caused by changes in foreign currency exchange rates. At October 30, 2010, we directly operated 131 stores in Europe compared to 77 stores at October 31, 2009, excluding concessions. Currency translation fluctuations relating to our European operations unfavorably impacted net revenue in our Europe segment by \$21.3 million.

Net revenue from our Asia operations increased by \$14.3 million, or 35.1%, to \$54.8 million for the quarter ended October 30, 2010, from \$40.5 million in the same prior-year period. All of our Asia businesses contributed to this growth, with a greater number of doors compared to the same prior-year period and stronger performance in existing doors. Currency translation fluctuations relating to our South Korea operations favorably impacted net revenue in our Asia segment by \$1.5 million.

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Net revenue from our North American wholesale operations increased by \$10.2 million, or 22.0%, to \$56.3 million for the quarter ended October 30, 2010, from \$46.1 million in the same prior-year period. The increase was driven by higher sales in all our wholesale businesses, led by the U.S. wholesale business, which included a favorable shift of orders delivered in the third quarter that normally would have occurred during the fourth quarter, partially offset by a shift of orders into the second quarter from the third quarter. At October 30, 2010, our products were sold in approximately 1,067 major doors in the U.S. and Canada compared to approximately 1,094 major doors at October 31, 2009. Currency translation fluctuations relating to our non-U.S. wholesale businesses favorably impacted net revenue in our North American wholesale segment by \$0.8 million.

Net royalty revenue from licensing operations increased by \$5.2 million, or 18.6%, to \$33.0 million for the quarter ended October 30, 2010, from \$27.8 million in the same prior-year period, driven by royalties on higher sales in the watches, handbag, footwear and eyewear categories, partially offset by the loss of royalties as a result of the direct operation of our international jewelry business since January 2010.

GROSS PROFIT. Gross profit increased by \$29.5 million, or 12.5%, to \$266.4 million for the quarter ended October 30, 2010, from \$236.9 million in the same prior-year period due to the growth in revenue, partially offset by higher occupancy costs and lower overall product margins. All the segments contributed to our gross profit growth except for our North American retail segment, which was unfavorably impacted by the additional occupancy costs for our new store openings during the quarter and higher markdowns.

Gross margin declined 190 basis points to 43.4% for the quarter ended October 30, 2010, from 45.3% for the same prior-year period, driven by lower overall product margins. The negative impact of the strengthening U.S. dollar on product purchases and higher markdowns in our Europe and North American retail segments were the main factors contributing to the lower gross margin.

The Company's gross margin may not be comparable to other entities since some entities include all of the costs related to their distribution in cost of product sales and others, like the Company, exclude the wholesale related distribution costs from gross margin, including them instead in SG&A expenses.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. SG&A expenses increased by \$35.8 million, or 25.9%, to \$173.7 million for the quarter ended October 30, 2010, from \$137.9 million in the same prior-year period. The increase was driven by higher store selling and infrastructure costs to support our global retail expansion, store impairment charges in our North American retail and Europe segments and higher performance-based compensation costs. Currency translation fluctuations relating to our foreign operations favorably impacted SG&A compared to the same prior-year period. The Company's SG&A rate increased by 190 basis points to 28.3% for the quarter ended October 30, 2010, compared to the same prior-year period.

EARNINGS FROM OPERATIONS. Earnings from operations decreased by \$6.3 million, or 6.3%, to \$92.7 million for the quarter ended October 30, 2010, from \$99.0 million in the same prior-year period. The decrease in earnings from operations primarily resulted from the following:

- Earnings from operations for the North American retail segment decreased by \$13.8 million to \$19.3 million for the quarter ended October 30, 2010, compared to \$33.1 million in the same prior-year period. The decrease in earnings from operations was primarily driven by higher SG&A expenses and occupancy costs mainly due to our new store openings and lower product margins due to higher markdowns, which more than offset the benefit from the growth in sales. The higher SG&A expenses were primarily due to store selling expenses and investments in infrastructure, given the larger retail store base, and store impairment charges. Currency translation fluctuations relating to our non-U.S. retail stores favorably impacted earnings from operations by \$0.3 million.
- Earnings from operations for the Europe segment increased by \$1.8 million to \$42.6 million for the quarter ended October 30, 2010, compared to \$40.8 million in the same prior-year period. This increase was primarily due to higher sales partially offset by the unfavorable impact of currency fluctuations on product margins, higher SG&A expenses and an increase in our occupancy costs mainly due to our new store openings. Currency translation fluctuations relating to our Europe segment unfavorably impacted earnings from operations by \$4.5 million.
- Earnings from operations for the Asia segment increased by \$2.8 million to \$8.3 million for the quarter ended October 30, 2010, compared to \$5.5 million in the same prior-year period. The increase was driven by growth in all of our businesses in the region, partially offset by higher SG&A expenses to support that growth. Currency translation fluctuations relating to our South Korea business favorably impacted earnings from operations by \$0.3 million.
- Earnings from operations for the North American wholesale segment increased by \$4.5 million to \$16.7 million for the quarter ended October 30, 2010, compared to \$12.2 million in the same prior-year period. The increase in earnings was

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primarily driven by higher sales and improved product margins on those sales. Currency translation fluctuations relating to our non-U.S. wholesale businesses favorably impacted earnings from operations by \$0.3 million.

- Earnings from operations for the licensing segment increased by \$6.7 million to \$30.9 million for the quarter ended October 30, 2010, compared to \$24.2 million in the same prior-year period, driven by increased royalties due to higher licensed product sales, partially offset by the loss of royalties as a result of the direct operation of our international jewelry business since January 2010.
- Unallocated corporate overhead increased by \$8.3 million to \$25.1 million for the quarter ended October 30, 2010, compared to \$16.8 million for the quarter ended October 31, 2009 due primarily to higher performance-based compensation costs.

Operating margin declined 380 basis points to 15.1% for the quarter ended October 30, 2010, compared to 18.9% for the same prior-year period as a result of the lower gross margin and higher SG&A rate.

INTEREST EXPENSE AND INTEREST INCOME. Interest expense decreased to \$0.3 million for the quarter ended October 30, 2010, compared to \$0.8 million for the quarter ended October 31, 2009. At October 30, 2010, total debt, primarily related to our capital lease in Europe was \$15.2 million, compared to \$18.0 million at October 31, 2009. The average debt balance for the quarter ended October 30, 2010 was \$14.5 million, versus an average debt balance of \$22.1 million for the quarter ended October 31, 2009. Interest income increased to \$0.6 million for the quarter ended October 30, 2010, compared to \$0.3 million for the quarter ended October 31, 2009.

OTHER INCOME, NET. Other income, net, was \$5.9 million for the quarter ended October 30, 2010, compared to other expense, net, of \$1.3 million in the same prior-year period. Other income, net, for the quarter ended October 30, 2010, included net mark-to-market gains on insurance policy investments and net mark-to-market gains from the revaluation of foreign currency transactions. Other expense, net, for the quarter ended October 31, 2009, primarily consisted of charges related to net mark-to-market losses on the revaluation of foreign currency transactions, partially offset by mark-to-market gains on our insurance policy investments.

INCOME TAXES. Income tax expense for the quarter ended October 30, 2010 was \$28.8 million, or a 29.1% effective tax rate, compared to income tax expense of \$32.1 million, or a 33.0% effective tax rate, for the same prior-year period. Generally, income taxes for the interim periods are computed using the effective tax rate estimated to be applicable for the full fiscal year, which is subject to ongoing review and evaluation by management. The lower tax rate in the current quarter was due to a higher estimated proportion of annual earnings in lower tax jurisdictions and certain state tax refund claims submitted during the current year.

NET EARNINGS ATTRIBUTABLE TO NONCONTROLLING INTERESTS IN SUBSIDIARIES. Net earnings attributable to noncontrolling interests in subsidiaries for the quarter ended October 30, 2010 remained consistent at \$1.0 million, net of taxes, compared to the same prior-year period.

NET EARNINGS ATTRIBUTABLE TO GUESS?, INC. Net earnings attributable to Guess?, Inc. increased to \$69.1 million for the quarter ended October 30, 2010, from \$64.1 million in the same prior-year period. Diluted earnings per share increased to \$0.75 per share for the quarter ended October 30, 2010, compared to \$0.69 per share for the quarter ended October 31, 2009.

Nine months ended October 30, 2010 and October 31, 2009

NET REVENUE. Net revenue for the nine months ended October 30, 2010 increased by \$244.0 million, or 16.4%, to \$1,730.4 million, from \$1,486.4 million in the same prior-year period. All of our segments contributed to this growth with our Europe and Asia segments delivering the majority of the total revenue growth as we continue to expand our international operations. In constant U.S. dollars, revenues grew by 17.0% as currency fluctuations relating to our foreign operations unfavorably impacted net revenue for the nine months ended October 30, 2010.

Net revenue from our North American retail operations increased by \$56.8 million, or 8.4%, to \$731.3 million for the nine months ended October 30, 2010, from \$674.5 million in the same prior-year period. This increase was primarily due to positive comparable store sales of 4.7% (2.6% in local currency, which excludes the favorable translation impact of currency fluctuations relating to our Canadian retail stores). Overall, currency translation fluctuations relating to our non-U.S. retail stores favorably impacted net revenue in our retail segment by \$15.7 million. In addition, the expansion of our store base also contributed to the growth in revenues with an average of 15 net additional stores during the nine months ended October 30, 2010 compared to the same prior-year period, resulting in a net 3.1% increase in average square footage.

Net revenue from our Europe operations increased by \$100.8 million, or 19.2%, to \$625.5 million for the nine months ended October 30, 2010, from \$524.7 million in the same prior-year period. All of our European businesses contributed to this growth, led by our new jewelry business. We expanded our base of directly operated stores and our existing stores generated positive comparable store sales. In addition, our existing wholesale business continued to grow. At October 30, 2010, we directly operated 131 stores in

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Europe compared to 77 stores at October 31, 2009, excluding concessions. Currency translation fluctuations relating to our European operations unfavorably impacted net revenue in our Europe segment by \$36.9 million.

Net revenue from our Asia operations increased by \$43.1 million, or 42.2%, to \$145.5 million for the nine months ended October 30, 2010, from \$102.4 million in the same prior-year period. We continued to grow our Asia business, where we, along with our partners, opened 34 stores and 60 concessions during the nine months ended October 30, 2010. Our South Korea business continued to drive the growth in this region with a greater number of doors compared to the same prior-year period and stronger existing door performance. Our Greater China business also increased revenues as we continue to develop our business in this region in both the first and second tier cities. Currency translation fluctuations relating to our South Korea operations favorably impacted net revenue in our Asia segment by \$9.0 million.

Net revenue from our North American wholesale operations increased by \$30.4 million, or 26.9%, to \$143.3 million for the nine months ended October 30, 2010, from \$112.9 million in the same prior-year period. The increase was driven by higher sales in all our businesses with the largest dollar increase coming from our U.S. wholesale business, which included a favorable shift of orders delivered in the third quarter that normally would have occurred during the fourth quarter. Currency translation fluctuations relating to our non-U.S. wholesale businesses favorably impacted net revenue in our North American wholesale segment by \$4.2 million.

Net royalty revenue from licensing operations increased by \$12.9 million, or 17.9%, to \$84.8 million for the nine months ended October 30, 2010, from \$71.9 million in the same prior-year period, driven by royalties on higher sales in the watches, handbag, footwear and eyewear categories, partially offset by the loss of royalties as a result of the direct operation of our international jewelry business since January 2010.

GROSS PROFIT. Gross profit increased by \$107.7 million, or 16.7%, to \$753.9 million for the nine months ended October 30, 2010, from \$646.2 million in the same prior-year period. While all the segments contributed to the growth, the largest increase in gross profit came from our Europe segment.

Gross margin increased slightly by 10 basis points to 43.6% for the nine months ended October 30, 2010, from 43.5% for the same prior-year period.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. SG&A expenses increased by \$79.7 million, or 19.5%, to \$487.7 million for the nine months ended October 30, 2010, from \$408.0 million in the same prior-year period. The increase was driven by higher store selling and infrastructure costs to support our global retail expansion, higher marketing investments to enhance our brand's awareness around the world, higher performance-based compensation costs and store impairment charges in our North American retail and Europe segments. The Company's SG&A rate increased 80 basis points to 28.3% for the nine months ended October 30, 2010, compared to 27.5% for the same prior-year period.

PENSION CURTAILMENT EXPENSE. During the nine months ended October 30, 2010, the Company recorded a pension plan curtailment expense of \$5.8 million before taxes related to the accelerated amortization of prior service cost resulting from the departure of Carlos Alberini, the Company's former President and Chief Operating Officer. Mr. Alberini's departure resulted in a significant reduction in the total expected remaining years of future service of all participants combined, resulting in the pension curtailment.

EARNINGS FROM OPERATIONS. Earnings from operations increased by \$22.2 million, or 9.3%, to \$260.3 million for the nine months ended October 30, 2010, from \$238.1 million in the same prior-year period. Currency translation fluctuations relating to our foreign operations unfavorably impacted earnings from operations by \$2.7 million compared to the same prior-year period. The increase in earnings from operations primarily resulted from the following:

- Earnings from operations for the North American retail segment decreased by \$11.3 million to \$70.0 million for the nine months ended October 30, 2010, compared to \$81.3 million in the same prior-year period. The decrease in earnings from operations was primarily due to higher store selling costs to support our retail store expansion, store impairment charges, investments in infrastructure, higher marketing costs and the impact of higher markdowns on product margins, partially offset by the favorable impact to earnings from the higher sales. Currency translation fluctuations relating to our non-U.S. retail stores favorably impacted earnings from operations by \$2.4 million.
- Earnings from operations for the Europe segment increased by \$11.2 million to \$127.4 million for the nine months ended October 30, 2010, compared to \$116.2 million in the same prior-year period. The increase was driven by higher sales from our new jewelry business, as well as sales growth from our directly operated retail stores and existing wholesale business. This increase was partially offset by higher occupancy costs and SG&A spending relating to infrastructure investments to support our retail expansion. Currency translation fluctuations relating to our Europe segment unfavorably impacted earnings from operations by \$7.9 million.

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- Earnings from operations for the Asia segment increased by \$11.6 million to \$21.1 million for the nine months ended October 30, 2010, compared to \$9.5 million in the same prior-year period. The increase resulted from higher gross profit in South Korea and Greater China due to sales growth in these regions and improved product margins. This increase was partially offset by higher occupancy and SG&A expenses to support our growth in the regions. Currency translation fluctuations relating to our South Korea business favorably impacted earnings from operations by \$1.5 million.
- Earnings from operations for the North American wholesale segment increased by \$12.1 million to \$37.6 million for the nine months ended October 30, 2010, compared to \$25.5 million in the same prior-year period. The increase in earnings from operations was mainly due to sales growth and higher product margins in all of our businesses. Currency translation fluctuations relating to our non-U.S. wholesale businesses favorably impacted earnings from operations by \$1.3 million.
- Earnings from operations for the licensing segment increased by \$14.6 million to \$76.5 million for the nine months ended October 30, 2010,

compared to \$61.9 million in the same prior-year period, driven by increased royalties due to higher licensed product sales, partially offset by the loss of royalties as a result of the direct operation of our international jewelry business since January 2010.

- Unallocated corporate overhead increased by \$16.0 million to \$72.3 million for the nine months ended October 30, 2010, compared to \$56.3 million in the same prior-year period. The increase was primarily driven by the pension curtailment expense and higher performance-based compensation costs.

Operating margin decreased 100 basis points to 15.0% for the nine months ended October 30, 2010, compared to 16.0% for the same prior-year period. The operating margin decrease was primarily due to the higher SG&A expenses to support our global expansion, higher marketing expenses, the pension curtailment expense, higher performance-based compensation costs and store impairment charges.

INTEREST EXPENSE AND INTEREST INCOME. Interest expense decreased to \$0.8 million for the nine months ended October 30, 2010, compared to \$1.7 million in the same prior-year period. At October 30, 2010, total debt, primarily related to our capital lease in Europe was \$15.2 million, compared to \$18.0 million at October 31, 2009. The average debt balance for the nine months ended October 30, 2010 was \$14.8 million, versus an average debt balance of \$49.4 million for the nine months ended October 31, 2009. Interest income increased slightly to \$1.6 million for the nine months ended October 30, 2010, compared to \$1.5 million for the nine months ended October 31, 2009.

OTHER INCOME, NET. Other income, net, was \$9.0 million for the nine months ended October 30, 2010, compared to other expense, net, of \$1.4 million in the same prior-year period. Other income, net, in the nine months ended October 30, 2010, primarily consisted of net unrealized mark-to-market gains on our insurance policy investments and net mark-to-market gains related to the revaluation of foreign currency transactions. Other expense, net, in the nine months ended October 31, 2009, primarily consisted of net mark-to-market losses on the revaluation of foreign currency transactions, partially offset by net mark-to-market unrealized gains on our insurance policy investments.

INCOME TAXES. Income tax expense for the nine months ended October 30, 2010 was \$81.1 million, or a 30.0% effective tax rate, compared to income tax expense of \$78.0 million, or a 33.0% effective tax rate, for the same prior-year period. Generally, income taxes for the interim periods are computed using the effective tax rate estimated to be applicable for the full fiscal year, which is subject to ongoing review and evaluation by management. The lower tax rate in the current nine-month period was due to a higher proportion of earnings in lower tax jurisdictions and certain state tax refund claims submitted during the current period.

NET EARNINGS ATTRIBUTABLE TO NONCONTROLLING INTERESTS IN SUBSIDIARIES. Net earnings attributable to noncontrolling interests in subsidiaries for the nine months ended October 30, 2010 was \$2.9 million, net of taxes, compared to \$2.2 million, net of taxes, in the same prior-year period. The increase was primarily due to higher earnings from our Mexico operations.

NET EARNINGS ATTRIBUTABLE TO GUESS?, INC. Net earnings attributable to Guess?, Inc. increased to \$186.2 million for the nine months ended October 30, 2010, from \$156.2 million in the same prior-year period. Diluted earnings per share increased to \$2.00 per share for the nine months ended October 30, 2010, compared to \$1.68 per share for the nine months ended October 31, 2009.

LIQUIDITY AND CAPITAL RESOURCES

We need liquidity primarily to fund our working capital, the expansion and remodeling of our retail stores, shop-in-shop programs, concessions, systems, infrastructure, other existing operations, international growth, potential acquisitions, potential share repurchases

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and payment of dividends to our stockholders. During the nine months ended October 30, 2010, the Company relied on trade credit, available cash, real estate leases, and internally generated funds to finance our operations and expansion. The Company anticipates that we will be able to satisfy our ongoing cash requirements during the next twelve months for working capital, capital expenditures, interest and principal payments on our debt, potential acquisitions, potential share repurchases and quarterly and one-time special dividend payments to stockholders, primarily with cash flow from operations and existing cash balances supplemented by borrowings, if necessary, under the Credit Facility and bank facilities in Europe, as described below under “—Credit Facilities.” As of October 30, 2010, the Company had cash and cash equivalents of \$469.0 million. In December 2010, the Company will be funding a special dividend of approximately \$184 million. Excess cash and cash equivalents, which represent the majority of our outstanding cash and cash equivalents balance, are held primarily in four diversified money market funds. The funds are AAA rated by national credit rating agencies and are generally comprised of high-quality, liquid investments. As of October 30, 2010, we do not have any exposure to auction-rate security investments in these funds. Please see “—Important Notice Regarding Forward-Looking Statements” and “Part I, Item 1A. Risk Factors” contained in the Company’s most recent Annual Report on Form 10-K for the fiscal year ended January 30, 2010 for a discussion of risk factors which could reasonably be likely to result in a decrease of internally generated funds available to finance capital expenditures and working capital requirements.

The Company has presented below the cash flow performance comparison of the nine months ended October 30, 2010 versus the nine months ended October 31, 2009.

Operating Activities

Net cash provided by operating activities was \$134.3 million for the nine months ended October 30, 2010, compared to \$168.3 million for the nine months ended October 31, 2009, or a decrease of \$34.0 million. The decrease was driven by the unfavorable impact of changes in working capital for the nine month period ended October 30, 2010 versus the same prior-year period, partially offset by higher net earnings of \$30.7 million. Working capital used in operations

included the impact of higher growth in accounts receivable and inventory primarily in our European operations as we continue to grow these businesses, partially offset by growth in accounts payable and accrued expenses relative to the comparable prior-year period.

At October 30, 2010, the Company had working capital (including cash and cash equivalents) of \$849.1 million compared to \$781.4 million at January 30, 2010 and \$703.9 million at October 31, 2009. The Company's primary working capital needs are for inventory and accounts receivable. Accounts receivable at October 30, 2010 amounted to \$372.2 million, up \$60.0 million, compared to \$312.2 million at October 31, 2009. The accounts receivable balance at October 30, 2010 included a negative translation impact of approximately \$13.7 million due to currency fluctuations compared to October 31, 2009. Approximately \$165.0 million of our receivables, or 44.3% of the \$372.2 million in accounts receivable at October 30, 2010, were insured for collection purposes or subject to certain bank guarantees or letters of credit. Inventory at October 30, 2010 amounted to \$346.0 million compared to \$269.4 million at October 31, 2009. The increase in inventory primarily supports the expansion of our European business, including a significant increase in our retail store base and planned earlier deliveries, as well as growth in our North American businesses.

Investing Activities

Net cash used in investing activities was \$85.5 million for the nine months ended October 30, 2010, compared to \$66.1 million for the nine months ended October 31, 2009. Cash used in investing activities related primarily to the expansion of our European and North American retail businesses, capital expenditures incurred on existing store remodeling programs in North America and Europe, investments in information systems, expansion of our Asia business, improvements to headquarter buildings and other enhancements.

The increase in cash used in investing activities related primarily to the higher level of spending on new stores and remodeling of existing stores during the nine months ended October 30, 2010 compared to the same prior-year period, partially offset by higher spending on improvements to headquarters in the prior-year period and the favorable settlement of foreign currency forward contracts compared to the same prior-year period. During the nine months ended October 30, 2010, the Company opened 99 owned stores compared to 30 owned stores that were opened in the comparable prior-year period.

Financing Activities

Net cash used in financing activities was \$82.9 million for the nine months ended October 30, 2010, compared to \$57.8 million for the nine months ended October 31, 2009. The increase in net cash used in financing activities in the current period compared to the prior-year period was primarily due to higher repurchases of shares of the Company's common stock under the 2008 Share Repurchase Program and higher dividends during the current period, partially offset by repayments of borrowings in the prior-year period.

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Dividends

During the first quarter of fiscal 2008, the Company announced a quarterly cash dividend of \$0.06 per share of the Company's common stock. Since that time, the Company has continued to pay a quarterly cash dividend, which has subsequently increased to \$0.20 per common share.

On November 23, 2010, the Company announced a special cash dividend of \$2.00 per share on the Company's common stock, which we estimate will total approximately \$184 million and a regular quarterly cash dividend of \$0.20 per share. The combined cash dividends will be paid on December 23, 2010 to stockholders of record as of the close of business on December 8, 2010.

The payment of cash dividends in the future will be at the discretion of our Board of Directors and will be based on a number of business, legal and other considerations, including our cash flow from operations, capital expenditures, debt service requirements, cash paid for income taxes, earnings, share repurchases and liquidity.

Capital Expenditures

Gross capital expenditures totaled \$84.9 million, before deducting lease incentives of \$12.9 million, for the nine months ended October 30, 2010. This compares to gross capital expenditures of \$61.9 million, before deducting lease incentives of \$4.8 million, for the nine months ended October 31, 2009. The Company's capital expenditures for the full fiscal year 2011 are planned at approximately \$145 million (before deducting estimated lease incentives of approximately \$15 million), which includes key money investments for new European stores. The planned capital expenditures are primarily for the expansion of our retail businesses in Europe and North America, store remodeling programs, investments in information systems, expansion of our Asia business and other infrastructure investments.

In addition, we periodically evaluate strategic acquisitions and alliances and pursue those that we believe will support and contribute to our overall growth initiatives.

Credit Facilities

On September 19, 2006, the Company and certain of its subsidiaries entered into a credit facility led by Bank of America, N.A., as administrative agent for the lenders (the "Credit Facility"). The Credit Facility provides for an \$85 million revolving multicurrency line of credit and is available for direct borrowings and the issuance of letters of credit, subject to certain letters of credit sublimits. The Credit Facility is scheduled to mature on September 30, 2011. The Company is in the early stages of discussions with potential lenders and fully expects to have a replacement facility in place prior to the scheduled maturity on September 30, 2011. The size, rates and other key terms of the replacement facility have yet to be determined. At October 30, 2010, the Company had

\$11.4 million in outstanding standby letters of credit, no outstanding documentary letters of credit and no outstanding borrowings under the Credit Facility.

The Company, through its European subsidiaries, maintains short-term borrowing agreements, primarily for working capital purposes, with various banks in Europe. Under these agreements, which are generally secured by specific accounts receivable balances, the Company can borrow up to \$221.6 million, limited primarily by accounts receivable balances at the time of borrowing. Based on the applicable accounts receivable balances at October 30, 2010, the Company could have borrowed up to approximately \$212.2 million under these agreements. However, the Company's ability to borrow through foreign subsidiaries is generally limited to \$185.0 million under the terms of the Credit Facility. At October 30, 2010, the Company had no outstanding borrowings and \$13.8 million in outstanding documentary letters of credit under these credit agreements. The agreements are primarily denominated in euros and provide for annual interest rates ranging from 0.8% to 3.1%. The maturities of the short-term borrowings are generally linked to the credit terms of the underlying accounts receivable that secure the borrowings. With the exception of one facility for up to \$20.9 million that has a minimum net equity requirement, there are no other financial ratio covenants.

The Company entered into a capital lease in December 2005 for a new building in Florence, Italy. At October 30, 2010, the capital lease obligation was \$14.6 million. The Company entered into a separate interest rate swap agreement designated as a non-hedging instrument that resulted in a swap fixed rate of 3.55%. This interest rate swap agreement matures in 2016 and converts the nature of the capital lease obligation from Euribor floating rate debt to fixed rate debt. The fair value of the interest rate swap liability as of October 30, 2010 was approximately \$1.0 million.

From time to time the Company will obtain other short term financing in foreign countries for working capital to finance its local operations.

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Share Repurchases

In March 2008, the Company's Board of Directors terminated the previously authorized 2001 share repurchase program and authorized a new program to repurchase, from time to time and as market and business conditions warrant, up to \$200 million of the Company's common stock (the "2008 Share Repurchase Program"). Repurchases may be made on the open market or in privately negotiated transactions, pursuant to Rule 10b5-1 trading plans or other available means. There is no minimum or maximum number of shares to be repurchased under the program and the program may be discontinued at any time, without prior notice. During the nine months ended October 30, 2010, the Company repurchased 1.5 million shares under the 2008 Share Repurchase Program at an aggregate cost of \$49.3 million. At October 30, 2010, the Company had remaining authority under the 2008 Share Repurchase Program to purchase an additional \$84.9 million of its common stock.

Supplemental Executive Retirement Plan

On August 23, 2005, the Board of Directors of the Company adopted a Supplemental Executive Retirement Plan ("SERP") which became effective January 1, 2006. The SERP provides select employees who satisfy certain eligibility requirements with certain benefits upon retirement, termination of employment, death, disability or a change in control of the Company, in certain prescribed circumstances. The participants in the SERP were Maurice Marciano, Chairman of the Board, Paul Marciano, Chief Executive Officer and Vice Chairman of the Board, and Carlos Alberini, the Company's former President and Chief Operating Officer. In the first quarter of fiscal 2011, the Company recorded a \$5.8 million charge related to the accelerated amortization of prior service cost resulting from the departure of Mr. Alberini from the Company. As a non-qualified pension plan, no funding of the SERP is required; however, the Company has and expects to continue to make periodic payments into insurance policies held in a rabbi trust to fund the expected obligations arising under the non-qualified SERP. The amount of future payments may vary, depending on the future years of service, future annual compensation of the participants and investment performance of the trust. The cash surrender values of the insurance policies were \$28.7 million and \$22.1 million as of October 30, 2010 and January 30, 2010, respectively, and were included in other assets. As a result of an increase in value of the insurance policy investments, the Company recorded gains of \$2.2 million and \$2.9 million in other income and expense during the nine months ended October 30, 2010 and October 31, 2009, respectively.

INFLATION

The Company does not believe that inflation trends in the U.S. and internationally over the last three years have had a significant effect on net revenue or profitability. However, the Company anticipates that potential inflationary pressures on raw materials, labor and freight costs could begin to negatively impact the cost of product purchases in the second half of the following fiscal year. The Company is presently working on several initiatives in its supply chain, as well as potential price increases that could, if successful, mitigate some of these inflationary pressures.

SEASONALITY

The Company's business is impacted by the general seasonal trends characteristic of the apparel and retail industries. The U.S., European and Canadian retail operations are generally stronger during the second half of the fiscal year, and the U.S. and Canadian wholesale operations generally experience stronger performance from July through November. The European wholesale businesses operate with two primary selling seasons: the Spring/Summer season, which primarily ships from December to March and the Fall/Winter season, which primarily ships from June to September. The remaining months of the year are relatively smaller wholesale shipping months in Europe. However, customers retain the ability to request early shipment of backlog orders or delay shipment of orders depending on their needs. Accordingly, a certain amount of orders in the backlog may be shipped outside of the traditional shipping months. The Company's goal is to take advantage of early-season demand and potential reorders by offering a pre-collection assortment for apparel.

WHOLESALE BACKLOG

The backlog of wholesale orders at any given time is affected by various factors, including seasonality, cancellations, the scheduling of market weeks, the timing of the receipt of orders and the timing of the shipment of orders. Accordingly, a comparison of backlogs of wholesale orders from period to period is not necessarily meaningful and may not be indicative of eventual actual shipments.

U.S. and Canada Backlog

Our U.S. and Canadian wholesale businesses maintain a model stock program in basic denim products which generally allows replenishment of a customer's inventory within 72 hours. We generally receive orders for fashion apparel 90 to 160 days prior to the time the products are delivered to our customers' stores. Regarding our U.S. and Canadian wholesale backlog, the scheduling of market weeks can affect the amount of orders booked in the backlog compared to the same date in the prior year. Our U.S. and Canadian wholesale backlog as of November 27, 2010, consisting primarily of orders for fashion apparel, was \$62.4 million, compared to \$59.2 million in constant dollars at November 28, 2009, an increase of 5.4%.

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Europe Backlog

As of December 1, 2010, the European wholesale backlog was €272.6 million, compared to €224.9 million at December 3, 2009, an increase of 21.2%. The backlog as of December 1, 2010 is comprised of sales orders primarily for the Spring/Summer 2011 season and includes the impact of the earlier receipt of seasonal orders this year and orders for our international jewelry business, which we began operating directly on January 1, 2010.

APPLICATION OF CRITICAL ACCOUNTING POLICIES

Our critical accounting policies reflecting our estimates and judgments are described in "Part II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," in our Annual Report on Form 10-K for the year ended January 30, 2010 filed with the SEC on March 31, 2010. There have been no significant changes to our critical accounting policies during the nine months ended October 30, 2010.

RECENTLY ISSUED ACCOUNTING GUIDANCE

In January 2010, the FASB issued authoritative guidance that expands the required disclosures about fair value measurements. This guidance provides for new disclosures requiring the Company to (a) disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers, and (b) present separately information about purchases, sales, issuances and settlements in the reconciliation of Level 3 fair value measurements. This guidance also provides clarification of existing disclosures requiring the Company to (i) determine each class of assets and liabilities based on the nature and risks of the investments rather than by major security type, and (ii) for each class of assets and liabilities, disclose the valuation techniques and inputs used to measure fair value for both Level 2 and Level 3 fair value measurements. The Company adopted the guidance effective January 31, 2010, except for the presentation of purchases, sales, issuances and settlements in the reconciliation of Level 3 fair value measurements, which will be effective for fiscal years beginning after December 15, 2010. The adoption of the first phase of this guidance did not have a material impact on the Company's consolidated financial statements.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk .

Exchange Rate Risk

Approximately 56% of product sales and licensing revenue recorded for the nine months ended October 30, 2010 were denominated in currencies other than the U.S. dollar. The Company's primary exchange rate risk relates to operations in Europe, Canada and South Korea. Changes in currencies affect our earnings in various ways. For further discussion on currency related risk, please refer to our risk factors under "Part 1, Item 1A. Risk Factors" contained in the Company's most recent Annual Report on Form 10-K for the fiscal year ended January 30, 2010.

Various transactions that occur in Canada, Europe and South Korea are denominated in U.S. dollars, Swiss francs and British pounds and thus are exposed to earnings risk as a result of exchange rate fluctuations when converted to their functional currencies. These types of transactions include U.S. dollar denominated purchases of merchandise, U.S. dollar and British pound denominated intercompany liabilities and certain sales and operating expenses denominated in Swiss francs that are exposed to earnings risk as a result of exchange rate fluctuations when converted to the functional currency. The Company enters into derivative financial instruments to manage exchange risk on certain anticipated foreign currency transactions. The Company does not hedge all transactions denominated in foreign currency.

Forward Contracts Designated as Cash Flow Hedges

During the nine months ended October 30, 2010, the Company purchased U.S. dollar forward contracts in Europe and Canada totaling US\$87.4 million and US\$63.7 million, respectively, to hedge forecasted merchandise purchases and intercompany royalties that were designated as cash flow hedges. As of October 30, 2010, the Company had forward contracts outstanding for its European and Canadian operations of US\$90.7 million and US\$55.8 million, respectively, which are expected to mature over the next 14 months. The Company's derivative financial instruments are recorded in its condensed consolidated balance sheet at fair value based on quoted market rates. Changes in the fair value of the U.S. dollar forward contracts, designated as cash flow hedges for forecasted merchandise purchases, are recorded as a component of accumulated other comprehensive income within stockholders' equity, and are recognized in cost of product sales in the period which approximates the time the hedged merchandise inventory is sold. Changes in the fair value of the U.S. dollar forward contracts, designated as cash flow hedges for forecasted intercompany royalties, are recorded as a component of accumulated other comprehensive income within stockholders' equity, and are recognized in other income and expense in the period in which the royalty expense is incurred.

From time to time, Swiss franc forward contracts are used to hedge certain anticipated Swiss operating expenses over specific months. Changes in the fair value of the Swiss franc forward contracts designated as cash flow hedges are recorded as a component of

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accumulated other comprehensive income within stockholders' equity, and are recognized in SG&A in the period which approximates the time the expenses are incurred.

As of October 30, 2010, accumulated other comprehensive income included a net unrealized loss of approximately US\$3.6 million, net of tax, of which US\$3.8 million will be recognized in other expense or cost of product sales over the following 12 months at the then current values on a pre-tax basis, which can be different than the current quarter-end values. At October 30, 2010, the net unrealized loss of the remaining open forward contracts recorded in the condensed consolidated balance sheet was approximately US\$3.9 million.

At January 30, 2010, the Company had forward contracts outstanding for its European and Canadian operations of US\$62.4 million and US\$27.7 million, respectively. At January 30, 2010, the unrealized net gain of these open forward contracts recorded in the condensed consolidated balance sheet was approximately US\$3.2 million.

Forward Contracts Not Designated as Cash Flow Hedges

The Company also has foreign currency contracts that are not designated as hedges for accounting purposes. Changes in fair value of foreign currency contracts not qualifying as cash flow hedges are reported in net earnings as part of other income and expense. For the nine months ended October 30, 2010, the Company recorded a net loss of US\$0.1 million for the Canadian dollar, euro, British pound and Swiss franc foreign currency contracts, which has been included in other income and expense. At October 30, 2010, the Company had Canadian dollar foreign currency contracts to purchase US\$47.9 million expected to mature over the next 11 months, euro foreign currency contracts to purchase US\$128.4 million expected to mature over the next 11 months, Swiss franc foreign currency contracts to purchase US\$34.4 million expected to mature over the next 14 months and GBP12.3 million of foreign currency contracts to purchase euros expected to mature over the next 2 months. At October 30, 2010, the net unrealized loss of these open forward contracts recorded in the Company's condensed consolidated balance sheet was approximately US\$3.5 million.

At January 30, 2010, the Company had Canadian dollar foreign currency contracts to purchase US\$22.3 million, euro foreign currency contracts to purchase US\$117.6 million and GBP14.0 million foreign currency contracts to purchase euros. At January 30, 2010, the net unrealized gain of these open forward contracts recorded in the Company's condensed consolidated balance sheet was approximately US\$3.9 million.

Sensitivity Analysis

At October 30, 2010, a sensitivity analysis of changes in the foreign currencies when measured against the U.S. dollar indicates that, if the U.S. dollar had uniformly weakened by 10% against all of the U.S. dollar denominated foreign exchange derivatives totaling US\$357.1 million, the fair value of the instruments would have decreased by US\$39.7 million. Conversely, if the U.S. dollar uniformly strengthened by 10% against all of the U.S. dollar denominated foreign exchange derivatives, the fair value of these instruments would have increased by US\$32.5 million. Any resulting changes in the fair value of the hedged instruments may be more than or partially offset by changes in the fair value of certain balance sheet positions (primarily U.S. dollar denominated liabilities in our foreign operations) impacted by the change in the foreign currency rate. The ability to reduce the exposure of currencies on earnings depends on the magnitude of the derivatives compared to the balance sheet positions during each reporting cycle.

Interest Rate Risk

At October 30, 2010, approximately 96% of the Company's total indebtedness related to a capital lease obligation, which is covered by a separate interest rate swap agreement with a swap fixed interest rate of 3.55% that matures in 2016. Changes in the related interest rate that result in an unrealized gain or loss on the fair value of the swap are reported in other income or expenses. The change in the unrealized fair value of the interest swap had an insignificant effect on other expense during the nine months ended October 30, 2010. Substantially all of the Company's remaining indebtedness is at variable rates of interest. Accordingly, changes in interest rates would impact the Company's results of operations in future periods. A 100 basis point increase in interest rates would have had an insignificant effect on interest expense for the nine months ended October 30, 2010. Any increase would be offset by a favorable gain on the interest rate swap.

The fair value of the Company's debt instruments are based on the amount of future cash flows associated with each instrument discounted using the Company's incremental borrowing rate. At October 30, 2010, the carrying value of all financial instruments was not materially different from fair value, as the interest rate on the Company's debt approximates rates currently available to the Company.

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ITEM 4. Controls and Procedures.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an

evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the quarterly period covered by this report.

There was no change in our internal control over financial reporting during the third quarter of the fiscal year ending January 29, 2011, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings.

Litigation

On May 6, 2009, Gucci America, Inc. filed a complaint in the U.S. District Court for the Southern District of New York against Guess?, Inc. and Guess Italia, S.r.l. asserting, among other things, trademark and trade dress law violations and unfair competition. The complaint seeks injunctive relief, unspecified compensatory damages, including treble damages, and certain other relief. A similar complaint has also been filed in the Court of Milan, Italy. The Company plans to defend the allegations vigorously. The Company believes that it is too early to predict the outcome of this action or whether the outcome will have a material impact on the Company's financial position or results of operations.

The Company is also involved in various other claims and other matters incidental to the Company's business, the resolution of which is not expected to have a material adverse effect on the Company's financial position or results of operations. No material amounts were accrued as of October 30, 2010 related to any of the Company's legal proceedings.

ITEM 1A. Risk Factors.

There have not been any material changes from the Risk Factors as previously disclosed in our Annual Report on Form 10-K for the year ended January 30, 2010, filed with the SEC on March 31, 2010.

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ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Items (a) and (b) are not applicable.

Item (c). Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares That May Yet Be Purchased Under the Plans or Programs
August 1, 2010 to August 28, 2010				
Repurchase program(1)	—	—	—	\$ 84,917,805
Employee transactions(2)	—	—	—	—
August 29, 2010 to October 2, 2010				
Repurchase program(1)	—	—	—	\$ 84,917,805
Employee transactions(2)	7,519	\$ 39.71	—	—
October 3, 2010 to October 30, 2010				
Repurchase program(1)	—	—	—	\$ 84,917,805
Employee transactions(2)	660	\$ 40.23	—	—
Total				
Repurchase program(1)	—	—	—	—
Employee transactions(2)	8,179	\$ 39.75	—	—

(1) On March 19, 2008, the Company announced that its Board of Directors had authorized the new 2008 Share Repurchase Program to repurchase, from time to time and as market and business conditions warrant, up to \$200 million of the Company's common stock. Repurchases may be made on the open market or in privately negotiated transactions, pursuant to Rule 10b5-1 trading plans or other available means. There is no minimum or maximum number of shares to be repurchased under the program and the program may be discontinued at any time, without prior notice.

(2) Consists of shares surrendered to, or withheld by, the Company in satisfaction of employee tax withholding obligations that occur upon vesting of restricted stock awards granted under the Company's 2004 Equity Incentive Plan, as amended.

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ITEM 6. Exhibits.

Exhibit Number	Description
3.1.	Restated Certificate of Incorporation of the Registrant (incorporated by reference from Amendment No. 3 to the Registrant's Registration Statement on Form S-1 (Registration No. 333-4419) filed on July 30, 1996).
3.2.	Second Amended and Restated Bylaws of the Registrant (incorporated by reference from the Registrant's Current Report on Form 8-K filed December 4, 2007).
4.1.	Specimen Stock Certificate (incorporated by reference from Amendment No. 3 to the Registrant's Registration Statement on Form S-1 (Registration No. 333-4419) filed on July 30, 1996).
†10.1.	2006 Non-Employee Directors' Stock Grant and Stock Option Plan (As Amended and Restated Effective September 13, 2010).*
†10.2.	Employment Letter Agreement dated October 4, 2010 between the Registrant and J. Michael Prince.*
†31.1.	Certification of Chief Executive Officer and Vice Chairman of the Board pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
†31.2.	Certification of Senior Vice President and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
†32.1.	Certification of Chief Executive Officer and Vice Chairman of the Board pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
†32.2.	Certification of Senior Vice President and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document**
101.SCH	XBRL Taxonomy Extension Schema Document**
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document**
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document**
101.LAB	XBRL Taxonomy Extension Label Linkbase Document**
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document**

* Management Contract or Compensatory Plan

** Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections

† Filed Herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Guess?, Inc.

Date: December 7, 2010

By: /s/ PAUL MARCIANO
Paul Marciano
Chief Executive Officer and Vice Chairman of the Board

Date: December 7, 2010

By: /s/ DENNIS R. SECOR
Dennis R. Secor
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

GUESS ?, INC.

**2006 NON-EMPLOYEE DIRECTORS'
STOCK GRANT AND STOCK OPTION PLAN
(As Amended and Restated Effective September 13, 2010)**

1. Establishment; Purpose of the Plan.

The Company maintains the Guess?, Inc. 2006 Non-Employee Directors' Stock Grant and Stock Option Plan, which was approved by the Company's stockholders on May 9, 2006 and was subsequently amended on July 5 2006. ⁽¹⁾ The Company amended and restated the Plan effective as of September 28, 2007 and subsequently amended the Plan effective as of December 17, 2007. The Company hereby amends and restates the Plan effective as of September 13, 2010. Effective as of September 28, 2007, no additional Options will be granted under the Plan unless otherwise provided by the Board. The purpose of this Plan is to enable the Company to attract and retain as non-employee directors individuals with superior training, experience and ability and to provide additional incentive to such Eligible Directors by giving them an opportunity to participate in the ownership of the Company.

2. Definitions.

For purposes of the Plan, the following terms shall be defined as set forth below:

"*Affiliate*" and "*Associate*" have the respective meanings ascribed to such terms in Rule 12b-2 promulgated under the Exchange Act.

"*Award*" means any award of an Option or Restricted Stock, or any combination thereof, authorized by and granted under this Plan.

"*Award Agreement*" means a written document issued by the Company to a Participant setting forth the terms and conditions of an Award that has been granted under the Plan.

"*Beneficial Owner*" has the meaning ascribed to such term in Rule 13d-3 promulgated under the Exchange Act.

"*Board*" means the Board of Directors of the Company.

"*Code*" means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto.

(1) The Company maintained the Guess?, Inc. 1996 Non-Employee Directors' Stock Grant and Stock Option Plan (As Amended and Restated Effective June 20, 2005), which was originally adopted as the Guess?, Inc. 1996 Non-Employee Directors' Stock Option Plan on July 30, 1996. Effective May 9, 2006, the Company amended and restated such plan in its entirety as the Guess?, Inc. 2006 Non-Employee Directors' Stock Grant and Stock Option Plan.

"*Combined Voting Power*" means the combined voting power of the Company's then outstanding voting securities.

"*Common Stock*" means the Common Stock of the Company, par value \$.01 per share.

"*Company*" means Guess ?, Inc., a Delaware corporation, including any wholly owned Subsidiary or affiliate, or any successor organization.

"*Eligible Director*" means a person who is a member of the Board and who is not an employee of the Company.

"*Eligibility Date*" means the first business day of each of the Company's fiscal years, commencing with the first fiscal year that commences in 2007, while this Plan is in effect.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended.

"*Fair Market Value*" means, on any given date, the closing price of the shares of Common Stock, as reported on the New York Stock Exchange for such date or, if Common Stock was not traded on such date, on the next preceding day on which Common Stock was traded; provided that if the Common Stock is not then traded on the New York Stock Exchange, Fair Market Value means the fair market value thereof as of the relevant date of determination as determined in accordance with a valuation methodology approved by the Board.

"*Option*" means any option to purchase shares of the Common Stock of the Company granted pursuant to this Plan.

"*Parent*" means any corporation which is a "parent corporation" within the meaning of Section 424(e) of the Code with respect to the Surviving Entity.

"*Participant*" means an Eligible Director who has been granted an Award under this Plan.

"*Person*" means any person or "group" within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act.

“Plan” means the Guess ?, Inc. 2006 Non-Employee Directors’ Stock Grant and Stock Option Plan (formerly the Guess?, Inc. 1996 Non-Employee Director’ Stock Grant and Stock Option Plan), as hereinafter amended from time to time.

“Restricted Stock” means an Award of shares of Common Stock granted pursuant to this Plan. Except as expressly provided herein or in the applicable Award Agreement, the term “Restricted Stock” shall include any Award of restricted stock units granted pursuant to Section 5(g) of this Plan.

“Rules” means the regulations promulgated by the Securities and Exchange Commission under Section 16 of the Exchange Act, as amended from time to time.

“Shareholder Approval Date” means May 9, 2006.

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“Subsidiary” means (i) any corporation which is a “subsidiary corporation” within the meaning of Section 424(f) of the Code with respect to the Company or (ii) any other corporation or other entity in which the Company, directly or indirectly, has an equity or similar interest and which the Board designates as a subsidiary for purposes of the Plan.

“Surviving Entity” has the meaning ascribed to it in Section 7(b) hereof.

Except where otherwise indicated by the context, any masculine terminology used herein shall also include the feminine and vice versa, and the definition of any term herein in the singular shall also include the plural and vice versa.

3. *Shares Subject to the Plan.*

Except as provided in Section 7, the aggregate number of shares of Common Stock that may be issued under the Plan is 2,000,000 ⁽²⁾. Such shares may include authorized but unissued shares of Common Stock, treasury shares or a combination of both. In the event the number of shares of Common Stock issued under the Plan and the number of shares of Common Stock subject to outstanding Awards equals the maximum number of shares of Common Stock authorized under the Plan, no further awards shall be made unless the Plan is amended (in accordance with the Rules, if necessary) or additional shares of Common Stock become available for further awards under the Plan. Shares of Common Stock that are subject to Options granted under the Plan that terminate, expire or are canceled without having been exercised, and any restricted shares of Common Stock subject to a Restricted Stock Award that are forfeited, cancelled, or for any other reason do not vest shall again be available for subsequent Awards under the Plan.

4. *Administration of the Plan.*

(a) *Administration.* The Plan shall be administered by the Board. Subject to the provisions of the Plan, and notwithstanding the intent that the Award grants under the Plan be self-effectuating to the maximum extent possible, the Board shall be authorized to:

- (i) adopt, revise and repeal such administrative rules, guidelines and practices governing this Plan as it shall from time to time deem advisable;
- (ii) interpret the terms and provisions of the Plan and any Award issued under the Plan (and any agreements relating thereto), and otherwise settle all claims and disputes arising under the Plan;

(2) The aggregate share limit of 2,000,000 shares of Common Stock consists of (a) the 500,000 shares of Common Stock that were initially approved for issuance under the Plan upon its original adoption by the Board on July 30, 1996 plus (b) an additional 500,000 shares of Common Stock that were approved for issuance under the Plan by the Board on April 7, 2006, subject to approval by the Company’s shareholders at the 2006 Annual Meeting of Shareholders plus (c) an additional 1,000,000 shares as were necessary to reflect the Company’s two-for-one stock split effected in the form of a 100% stock dividend as approved by the Board on February 12, 2007 and distributed March 12, 2007.

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(iii) delegate responsibility and authority for the operation and administration of the Plan, appoint employees and officers of the Company to act on its behalf, and employ persons to assist in the fulfilling of its responsibilities under the Plan; and

(iv) otherwise supervise the administration of the Plan; provided, however, that the Board shall have no discretion with respect to the selection of Eligible Directors to receive Awards hereunder, the number of shares of Common Stock covered by such Award or the price or timing of any Awards granted hereunder; provided further that any action by the Board relating to the Plan will be taken only if approved by the affirmative vote of a majority of the directors who are not then eligible to participate under the Plan.

(b) *Delegation to a Committee.* The Board may delegate to a committee of the Board any or all of its authority for administration of the Plan and, if such delegation occurs, all references to the Board in this Plan shall be deemed references to the committee to the extent provided in the resolution establishing the committee.

5. Restricted Stock Grants.

(a) *Annual Award Grants.* On each Eligibility Date after September 28, 2007, each Eligible Director who has not been an employee of the Company at any time during the immediately preceding 12 months shall be granted a Restricted Stock Award for a number of restricted shares of Common Stock equal to \$180,000 divided by the Fair Market Value of a share of Common Stock on the date of grant.

(b) *Restricted Stock Awards.* Stock certificates or book entries evidencing shares of restricted stock subject to a Restricted Stock Award pending the lapse of the restrictions shall bear a legend or notation making appropriate reference to the restrictions imposed hereunder and, if so provided by the Board, (if in certificate form) shall be held by the Company or by a third party designated by the Board until the restrictions on such shares shall have lapsed and the shares shall have vested in accordance with the provisions of the Award and the provisions hereof. Restricted Stock Awards will be evidenced by an Award Agreement containing such terms and conditions which are not inconsistent with the terms of the Plan.

(c) *Vesting.* Each Restricted Stock Award granted under this Section 5 shall become vested as to 100% of the total number of shares of Common Stock subject thereto upon the first to occur of (i) the first anniversary of the date of grant or (ii) a termination of service on the Board if such Eligible Director has completed a full term of service and he or she does not stand for re-election at the completion of such term. Promptly after the vesting date and satisfaction of all applicable restrictions, the Company shall, as applicable, either remove the notations on any shares issued in book entry form that have met such conditions or deliver to the Participant holding the Award (to the extent that the certificate(s) had not previously been delivered) a certificate or certificates evidencing the number of the shares of Common Stock as to which the restrictions have lapsed. Book entries shall be made, or certificates shall be delivered, as applicable, evidencing vested shares (and any other amounts deliverable in respect thereof shall be delivered and paid) only to the Participant or his or her personal representative, as the case may be.

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(d) *Transfer Restrictions.* Prior to the time that they have become vested, neither the restricted shares comprising any Restricted Stock Award, nor any interest therein, amount payable in respect thereof, or Restricted Property (as defined in Section 5(e)), may be sold, assigned, transferred, pledged or otherwise disposed of, alienated or encumbered, either voluntarily or involuntarily. The transfer restrictions in the preceding sentence shall not apply to (i) transfers to the Company, (ii) the designation of a beneficiary to receive benefits in the event of the Eligible Director's death, or if the Eligible Director has died, transfers to the Eligible Director's beneficiary, or, in the absence of a validly designated beneficiary, transfers by will or the laws of descent and distribution.

(e) *Voting; Dividends.* After the applicable date of grant of a Restricted Stock Award, the Participant holding the Restricted Stock Award shall have voting rights and dividend rights with respect to the shares of Common Stock subject to the award. Any securities or other property receivable in respect of the shares subject to the award as a result of any dividend or other distribution (other than cash dividends), conversion or exchange of or with respect to the shares ("*Restricted Property*") will be subject to the restrictions set forth in this Plan to the same extent as the shares to which such securities or other property relate and shall be held and accumulated for the benefit of the Participant, but subject to such risks. The Participant's voting and dividend rights shall terminate immediately as to any shares that are forfeited back to the Company in accordance with Section 5(f).

(f) *Effect of a Termination of Service.* If a Participant ceases to be a member of the Board for any reason any shares subject to the Participant's Restricted Stock Award that are not fully vested and free from restriction as of the Participant's termination of service shall thereupon be forfeited and returned to the Company.

(g) *Awards to Certain Non-U.S. Participants.* As to any Award granted pursuant to Section 5(a) to a Participant who at the time of grant is resident outside of the United States, the Board may, to the extent it determines necessary or advisable in the circumstances, provide that such Award shall be made in the form of restricted stock units that will be payable upon vesting in an equal number of shares of Common Stock (in lieu of delivering restricted shares of Common Stock at the time of grant of the award). The Participant shall have no voting or other rights as a stockholder of the Company with respect to such restricted stock units until such time as shares of Common Stock are actually issued to and held of record by the Participant; provided, however, that the Board may provide in the Award Agreement for the Participant to hold dividend equivalent rights in respect of any outstanding and unpaid restricted stock units.

6. Amendment and Termination.

The Board may amend, alter, suspend or terminate the Plan in whole or in part at any time and from time to time; provided, however, that any amendment, alteration, suspension or termination which, under the requirements of applicable federal or state law or regulation or the rules of any stock exchange or automated quotation system on which the Common Stock may then be listed or quoted must be approved by the shareholders of the Company, shall not be effective unless and until such shareholder approval has been obtained in compliance with such law. The Board may amend the terms of any Award theretofore granted, prospectively or retroactively, but no such amendment shall impair the rights of any Participant without the

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Participant's consent. Notwithstanding any provision herein to the contrary, the Board shall have broad authority to amend the Plan or any Award to take into account changes in applicable tax laws, securities laws, accounting rules and other applicable state and federal laws.

7. Changes in Capital Structure.

(a) In the event of any change in the outstanding Common Stock by reason of a stock dividend, recapitalization, reorganization, merger, consolidation, stock split, combination or exchange of shares, (i) such proportionate adjustments as may be necessary (in the form determined by the Board in its sole discretion) to reflect such change shall be made to prevent dilution or enlargement of the rights of Participants under the Plan with respect to the aggregate number of shares of Common Stock for which awards in respect thereof may be granted under the Plan, the number of shares of Common Stock covered by each outstanding Award, and the exercise price of each outstanding Option and (ii) the Board may make such other adjustments, consistent with the foregoing, as it deems appropriate in its sole discretion.

(b) In the event of a change in control of the Company, (i) all outstanding Options granted hereunder shall become fully exercisable as of the date of the Change in Control, whether or not then exercisable, and shares subject to Restricted Stock Awards then outstanding under the Plan shall vest 100% free of restrictions as of the date of the Change in Control, and (ii) in the case of a change in control involving a merger of, and consolidation involving, the Company in which the Company is (A) not the surviving corporation (the “*Surviving Entity*”) or (B) becomes a wholly owned subsidiary of the Surviving Entity or any Parent thereof, each outstanding Option granted hereunder and not exercised (a “*Predecessor Option*”) shall be converted into an option (a “*Substitute Option*”) to acquire common stock of the Surviving Entity or its Parent, which Substitute Option shall have substantially the same terms and conditions as the Predecessor Option, with appropriate adjustments as to the number and kind of shares and exercise prices.

With respect to Awards granted on and after September 28, 2007, a “*Change in Control*” shall be deemed to have occurred when (A) any Person (other than (x) the Company, any Subsidiary of the Company, any employee benefit plan of the Company or of any Subsidiary of the Company, or any person or entity organized, appointed or established by the Company or any Subsidiary of the Company for or pursuant to the terms of any such plan or (y) Maurice Marciano or Paul Marciano, the members of their families, their respective estates, spouses, heirs and any trust of which any one or more of the foregoing are the trustees, the trustees and/or the beneficiaries, or any other entity controlled by one or more of them (collectively such persons, estates, trusts, and entities referred to in this clause (y), the “*Permitted Holders*”)), alone or together with its Affiliates and Associates (collectively, an “*Acquiring Person*”), shall become the Beneficial Owner of both (i) thirty-five percent (35%) or more of the then outstanding shares of Common Stock or the Combined Voting Power of the Company (except pursuant to an offer for all outstanding shares of Common Stock at a price and upon such terms and conditions as a majority of the Continuing Directors determine to be in the best interests of the Company and its shareholders (other than an Acquiring Person on whose behalf the offer is being made)) and (ii) more shares of Common Stock or more Combined Voting Power of the Company than are at such time Beneficially Owned by the Permitted Holders, (B) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board, and any

new director (other than a director who is a representative or nominee of an Acquiring Person) whose election by the Board or nomination for election by the Company’s shareholders was approved by a vote of at least a majority of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved (collectively, the “*Continuing Directors*”), cease for any reason to constitute a majority of the Board, (C) the shareholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the Surviving Entity or any Parent of such Surviving Entity) at least 80% of the Combined Voting Power of the Company, such Surviving Entity or the Parent of such Surviving Entity outstanding immediately after such merger or consolidation, or (D) the shareholders of the Company approve a plan of reorganization (other than a reorganization under the United States Bankruptcy Code) or complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company’s assets; *provided, however*, that a change in control shall not be deemed to have occurred in the event of (x) a sale or conveyance in which the Company continues as a holding company of an entity or entities that conduct all or substantially all of the business or businesses formerly conducted by the Company or (y) any transaction undertaken for the purpose of incorporating the Company under the laws of another jurisdiction, if such transaction does not materially affect the beneficial ownership of the Company’s capital stock.

With respect to Awards granted prior to September 28, 2007, a “*Change in Control*” shall be deemed to have occurred when (A) any Person (other than (x) the Company, any Subsidiary of the Company, any employee benefit plan of the Company or of any Subsidiary of the Company, or any person or entity organized, appointed or established by the Company or any Subsidiary of the Company for or pursuant to the terms of any such plan or (y) Maurice Marciano or Paul Marciano, or any trust established in whole or in part for the benefit of one or both of them or their family members, or any other entity controlled by one or more of them), alone or together with its Affiliates and Associates (collectively, an “*Acquiring Person*”), shall become the Beneficial Owner of twenty percent (20%) or more of the then outstanding shares of Common Stock or the Combined Voting Power of the Company (except pursuant to an offer for all outstanding shares of Common Stock at a price and upon such terms and conditions as a majority of the Continuing Directors determine to be in the best interests of the Company and its shareholders (other than an Acquiring Person on whose behalf the offer is being made)), (B) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board, and any new director (other than a director who is a representative or nominee of an Acquiring Person) whose election by the Board or nomination for election by the Company’s shareholders was approved by a vote of at least a majority of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved (collectively, the “*Continuing Directors*”), cease for any reason to constitute a majority of the Board, (C) the shareholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the Surviving Entity or any Parent of such Surviving Entity) at least 80% of the Combined Voting Power of the Company, such Surviving Entity or the Parent

of such Surviving Entity outstanding immediately after such merger or consolidation, or (D) the shareholders of the Company approve a plan of reorganization (other than a reorganization under the United States Bankruptcy Code) or complete liquidation of the Company or an agreement for the sale or

disposition by the Company of all or substantially all of the Company's assets; *provided, however*, that a change in control shall not be deemed to have occurred in the event of (x) a sale or conveyance in which the Company continues as a holding company of an entity or entities that conduct all or substantially all of the business or businesses formerly conducted by the Company or (y) any transaction undertaken for the purpose of incorporating the Company under the laws of another jurisdiction, if such transaction does not materially affect the beneficial ownership of the Company's capital stock.

8. *Unfunded Status of the Plan.*

The Plan is unfunded. Nothing contained herein shall give any such Participant any rights that are greater than those of a general creditor of the Company. In its sole discretion, the Board may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Common Stock or payments in lieu thereof with respect to awards hereunder.

9. *Effective Date and Term of the Plan.*

The Plan was originally approved by the Company's Board July 30, 1996, was amended and restated effective on May 9, 2006 and subsequently amended on July 5, 2006, and was amended and restated effective September 28, 2007 and subsequently amended on December 17, 2007. Awards granted under this Plan prior to September 13, 2010 shall be governed by the provisions of the version of this Plan in effect on the date of grant of the Award. Awards granted under this Plan on or after September 13, 2010 shall be subject to the terms and conditions set forth herein and any applicable amendment hereof.

The Plan shall continue in effect until the earlier of (a) ten years from the Shareholder Approval Date or (b) the termination of the Plan by action of the Board. No Awards shall be granted pursuant to the Plan on or after such termination date, but Awards granted prior to such date may extend beyond that date. The Board shall have the right to suspend or terminate the Plan at any time except with respect to any Awards then outstanding.

10. *General Provisions.*

(a) *Representations by Participants.* The Board may require each Participant to represent to and agree with the Company in writing that the Participant is acquiring the shares of Common Stock without a view to distribution or other disposition thereof. Such shares may include any legend or notation, as applicable, that the Company deems appropriate to reflect any restrictions on transfer.

(b) *Continuance of Service Required.* The vesting schedule applicable to an Award requires continued service through each applicable vesting date as a condition to the vesting of the Award and the rights and benefits under this Plan. Service for only a portion of a vesting period, even if substantial, will not entitle the award recipient to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of services as provided in Section 5(f). Nothing contained in this Plan constitutes a service commitment by

the Company, confers upon any Award recipient any right to remain in service to the Company, interferes in any way with the right of the Company at any time to terminate such service, or affects the right of the Company or any affiliate to increase or decrease the recipient's other compensation.

(c) *No Restrictions on Adoption of Other Compensation Arrangements.* Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements (subject to shareholder approval, if such approval is required) and such arrangements may be either generally applicable or applicable only in specific cases.

(d) *No Right to Re-Election.* The adoption of the Plan shall not interfere in any way with the right of the Company to terminate its relationship with any of its directors at any time.

(e) *No Stockholder Rights.* Except as otherwise expressly authorized by the Board or this Plan: (a) a Participant shall not be entitled to any privilege of stock ownership as to any shares of Common Stock not actually delivered to and held of record by the Participant, and (b) no adjustment will be made for dividends or other rights as a stockholder for which a record date is prior to such date of delivery.

(f) *Tax Withholding.* No later than the date as of which an amount first becomes includable in the gross income of the Participant for applicable income tax purposes with respect to any Award under the Plan, the Participant shall pay to the Company or make arrangements satisfactory to the Board regarding the payment of any applicable taxes of any kind required by law to be withheld with respect to such amount. Unless otherwise determined by the Board, in accordance with rules and procedures established by the Board, the minimum required withholding obligations may be settled with Common Stock, including Common Stock that is part of the Award that gives rise to the withholding requirement or Common Stock that is payable in connection with such Award. The obligation of the Company under the Plan shall be conditional upon such payment or arrangements and the Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the Participant.

(g) *Applicable Law.* The Plan shall be governed by and subject to the laws of the State of Delaware and to all applicable laws and to the approvals by any governmental or regulatory agency as may be required.

(h) *Severability.* If any provision of this Plan shall be held illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining provisions of this Plan, but this Plan shall be construed and enforced as if such illegal or invalid provision had never been included herein.

(i) *Compliance with Rule 16b-3.* The Plan is intended to comply with Rule 16b-3 under the Exchange Act or its successors under the Exchange Act and the Board shall interpret and administer the provisions of the Plan or any Award Agreement in a manner consistent therewith. To the extent any provision of the Plan or Award Agreement or any action by the Board fails to so comply, it shall be deemed null and void, to the extent permitted by law

and deemed advisable by the Board. Moreover, in the event the Plan or an Award Agreement does

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not include a provision required by Rule 16(b)(3) to be stated therein, such provision (other than one relating to eligibility requirements, or the price and amount of Awards) shall be deemed automatically to be incorporated by reference into the Plan or such Award Agreement.

(j) *Expenses.* All expenses and costs in connection with the administration of the Plan or the issuance of Options hereunder shall be borne by the Company.

(k) *Headings.* The headings of sections herein are included for convenience of reference and shall not affect the meaning of any of the provisions of the Plan.

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RESTRICTED STOCK AWARD AGREEMENT
UNDER THE GUESS?, INC.
2006 NON-EMPLOYEE DIRECTORS' STOCK GRANT AND STOCK OPTION PLAN

This RESTRICTED STOCK AWARD AGREEMENT, dated as of the «GRANT_DATE» (the "Award Agreement"), is entered into by and between Guess?, Inc., a Delaware corporation (the "Company"), and «NAME_OF_RECORD» (the "Grantee").

WHEREAS, the Grantee is currently a non-employee director ("Eligible Director") of the Company and pursuant to the Guess?, Inc. 2006 Non-Employee Directors' Stock Grant and Stock Option Plan (the "Plan"), and upon the terms and conditions set forth in the Plan and this Award Agreement, the Company grants to the Grantee a restricted stock award (the "Award"). Capitalized terms used herein without definition shall have the meanings assigned to them in the Plan.

NOW, THEREFORE, in consideration of services rendered and to be rendered by the Grantee, and the mutual promises made herein and the mutual benefits to be derived therefrom, the parties hereto agree as follows:

1. Grant. Subject to the terms of the Plan and this Award Agreement, the Company hereby grants to the Grantee, effective as of «GRANT_DATE» (the "Date of Grant"), an Award with respect to an aggregate of «SHARES» restricted shares of the Common Stock, par value \$0.01 per share (the "Restricted Stock").
 2. Vesting. Subject to 7 below or Section 7 of the Plan, the Award shall become vested as to 100% of the shares of Restricted Stock subject to the Award upon the first to occur of (a) the first anniversary of the Date of Grant or (b) a termination of service on the Board if the Grantee has completed one full term of service and he or she does not stand for re-election at the completion of such term, provided that Grantee has been continuously engaged as an Eligible Director from the Date of Grant through the applicable vesting date.
 3. Continuance of Service Required. The vesting schedule requires continued service through the applicable vesting date as a condition to the vesting of the rights and benefits under this Agreement. Partial service, even if substantial, during the vesting period will not entitle the Grantee to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of service as provided in Section 7 below or under the Plan, except as otherwise expressly provided in the Plan.
 4. Restrictions on Transfer. Prior to the time that they have become vested pursuant to Section 2 hereof or Section 7(b) of the Plan, neither the Restricted Stock, nor any interest therein, amount payable in respect thereof, or Restricted Property (as defined in Section 5 hereof) may be sold, assigned, transferred, pledged or otherwise disposed of, alienated or encumbered, either voluntarily or involuntarily. The transfer restrictions in the preceding sentence shall not apply to (a) transfers to the Company or (b) transfers by will or the laws of descent and distribution.
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5. Voting; Dividends. After the Date of Grant, the Grantee shall have voting rights and dividend rights with respect to the Restricted Stock subject to the Award. Any securities or other property receivable in respect of the Restricted Stock as a result of any dividend or other distribution (other than cash dividends), conversion or exchange of or with respect to the shares ("Restricted Property") will be subject to the restrictions set forth in this Award Agreement and the Plan to the same extent as the shares to which such securities or other property relate and shall be held and accumulated for the benefit of the Grantee, but subject to such risks. The Grantee's voting and dividend rights shall terminate immediately as to any shares that are forfeited back to the Company in accordance with Section 7.
 6. Stock Certificates.
 - (a) Book Entry Form. The Company shall, in its discretion, issue the shares of Restricted Stock subject to the Award either (i) in certificate form as provided in Section 6(b) below or (ii) in book entry form, registered in the name of the Grantee with notations regarding the applicable restrictions on transfer imposed under this Award Agreement.

- (b) Certificates to be Held by Company; Legend. Any certificates representing shares of Restricted Stock that may be delivered to the Grantee by the Company prior to vesting shall be immediately redelivered by the Grantee to the Company to be held by the Company until the restrictions on such shares shall have lapsed and the shares shall thereby have become vested or the shares represented thereby have been forfeited hereunder. Such certificates shall bear the following legend and any other legends the Company may determine to be necessary or advisable to comply with all applicable laws, rules, and regulations:

“The ownership of this certificate and the shares of stock evidenced hereby and any interest therein are subject to substantial restrictions on transfer under an Award Agreement entered into between the registered owner and Guess?, Inc. A copy of such Award Agreement is on file in the office of the Secretary of Guess?, Inc.”

- (c) Delivery of Shares Upon Vesting. Promptly after the vesting of any shares of Restricted Stock pursuant to Section 2 hereof or Section 7(b) of the Plan, the Company shall, as applicable, either remove the notations on any shares of Restricted Stock issued in book entry form that have vested or deliver to the Grantee a certificate or certificates evidencing the number of shares of Restricted Stock that have vested. The Grantee (or the beneficiary or personal representative of the Grantee in the event of the Grantee’s death or disability, as the case may be) shall deliver to the Company any representations or other documents or assurances as the Company may deem necessary or reasonably desirable to ensure compliance with all applicable legal and regulatory requirements. The shares so delivered shall no longer be restricted shares hereunder.
- (d) Stock Power; Power of Attorney. Concurrent with the execution and delivery of this Award Agreement, the Grantee shall deliver to the Company an executed stock power in the form attached hereto as Exhibit A, in blank, with respect to the Restricted Stock. The Grantee, by acceptance of the Award, shall be deemed to appoint, and does so appoint by execution of this Award Agreement, the Company and each of its

authorized representatives as the Grantee’s attorney(s) in fact to effect any transfer of unvested forfeited shares (or shares otherwise reacquired by the Company hereunder) to the Company as may be required pursuant to the Plan or this Award Agreement and to execute such documents as the Company or such representatives deem necessary or advisable in connection with any such transfer.

7. Effect of a Termination of Service. If Grantee ceases to be a member of the Board for any reason any shares of Restricted Stock subject to the Award that are not fully vested and free from restriction as of the Grantee’s termination of service shall thereupon be forfeited and returned to the Company.
8. Notices. Any notice required or permitted under this Agreement shall be deemed given when personally delivered, or when deposited in a United States Post Office, postage prepaid, addressed, as appropriate, to the Grantee either at the address in the records of the Company or such other address as may be designated by Grantee in writing to the Company; or to the Company, Attention: Secretary, 1444 South Alameda Street, Los Angeles, California 90021, or such other address as the Company may designate in writing to the Grantee.
9. Failure to Enforce Not a Waiver. The failure of the Company or the Grantee to enforce at any time any provision of this Agreement shall in no way be construed to be a waiver of such provision or of any other provision hereof.
10. Governing Law. This Agreement shall be governed by and construed according to the laws of the State of Delaware.
11. Amendments. This Agreement may be amended or modified at any time by an instrument in writing signed by both parties, subject to Section 6 of the Plan.
12. No Right to Re-Election. Neither the grant of the Award nor the execution of this Award Agreement shall interfere in any way with the right of the Company to terminate its relationship with the Grantee at any time.
13. No Restriction on Right of Company to Effect Corporate Changes. Neither the grant of the Award, the Plan nor this Award Agreement shall affect or restrict in any way the right or power of the Company or its shareholders to make or authorize any adjustment, recapitalization, reorganization or other change in the capital structure or business of the Company, or any merger or consolidation of the Company, or any issue of stock or of options, warrants or rights to purchase stock or of bonds, debentures, preferred or prior preference stocks whose rights are superior to or affect the Common Stock or the rights thereof or which are convertible into or exchangeable for Common Stock, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of the assets or business of the Company, or any other corporate act or proceeding, whether of a similar character or otherwise.
14. Entire Agreement. This Award Agreement and the Plan set forth the entire agreement and understanding between the parties hereto with respect to the matters covered herein, and supersede any prior agreements and understandings concerning such matters. This Award Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same agreement. The headings of sections and subsections herein are included solely for convenience of reference and shall not affect the meaning of any of the provisions of this Award Agreement.

This Award Agreement shall be assumed by, be binding upon and insure to the benefit of any successor or successors to the Company.

15. Plan. The Award and all rights of the Grantee under this Award Agreement are subject to the terms and conditions of the Plan, incorporated herein by this reference. The Grantee agrees to be bound by the terms of the Plan and this Award Agreement. The Grantee acknowledges having read and understanding

the Plan and this Award Agreement. Unless otherwise expressly provided in other sections of this Award Agreement, provisions of the Plan that confer discretionary authority on the Board do not and shall not be deemed to create any rights in the Grantee unless such rights are expressly set forth herein or are otherwise in the sole discretion of the Board so conferred by appropriate action of the Board under the Plan after the date hereof.

16. Section 83(b) Election. The Grantee hereby acknowledges that, with respect to the grant of the Restricted Stock, an election may be filed by the Grantee with the Internal Revenue Service, within 30 days, of the Date of Grant, electing pursuant to Section 83(b) of the Internal Revenue Code of 1986, as amended (the "Code"), to be taxed currently on the fair market value of the Restricted Stock on the Date of Grant.

THE GRANTEE HEREBY ACKNOWLEDGES THAT IT IS THE GRANTEE'S SOLE RESPONSIBILITY AND NOT THE RESPONSIBILITY OF THE COMPANY TO TIMELY FILE AN ELECTION UNDER SECTION 83(b) OF THE CODE, EVEN IF THE GRANTEE REQUESTS THE COMPANY OR ITS REPRESENTATIVE TO MAKE THIS FILING ON THE GRANTEE'S BEHALF.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed on its behalf by a duly authorized officer and the Grantee has hereunto set his or her hand as of the date and year first above written.

**GUESS?, INC.,
a Delaware corporation**

By: _____

Print Name: Deborah Siegel

Its: Secretary

GRANTEE

Signature

Print Name

EXHIBIT A

STOCK POWER

FOR VALUE RECEIVED and pursuant to that certain Restricted Stock Award Agreement between Guess?, Inc., a Delaware corporation (the "Company"), and the individual named below (the "Individual"), dated as of _____, the Individual hereby sells, assigns and transfers to the Company an aggregate of _____ shares of Common Stock of the Company, standing in the Individual's name on the books of the Company and, if such shares are in certificate form, represented by stock certificate number(s) _____ to which this instrument is attached, and hereby irrevocably constitutes and appoints _____ as his or her attorney in fact and agent to transfer such shares on the books of the Company, with full power of substitution in the premises.

Dated _____,

Signature

Print Name

(Instruction: Please do not fill in any blanks other than the signature line. The purpose of the assignment is to enable the Company to exercise its sale/purchase option set forth in the Restricted Stock Award Agreement without requiring additional signatures on the part of the Individual.)

RESTRICTED STOCK UNIT AWARD AGREEMENT
UNDER THE GUESS?, INC.
2006 NON-EMPLOYEE DIRECTORS' STOCK GRANT AND STOCK OPTION PLAN

This RESTRICTED STOCK UNIT AWARD AGREEMENT, dated as of the «**GRANT_DATE**» (the "Award Agreement"), is entered into by and between Guess?, Inc., a Delaware corporation (the "Company"), and «**NAME_OF_RECORD**» (the "Grantee").

WHEREAS, the Grantee is currently a non-employee director (“Eligible Director”) of the Company and pursuant to the Guess?, Inc. 2006 Non-Employee Directors’ Stock Grant and Stock Option Plan (the “Plan”), and upon the terms and conditions set forth in the Plan and this Award Agreement, the Company grants to the Grantee a restricted stock unit award (the “Award”). Capitalized terms used herein without definition shall have the meanings assigned to them in the Plan.

NOW, THEREFORE, in consideration of services rendered and to be rendered by the Grantee, and the mutual promises made herein and the mutual benefits to be derived therefrom, the parties hereto agree as follows:

1. Grant. Subject to the terms of the Plan and this Award Agreement, the Company hereby grants to the Grantee, effective as of «**GRANT_DATE**» (the “Date of Grant”), an Award with respect to an aggregate of «**SHARES**» stock units (subject to adjustment as provided in Section 7 of the Plan) (the “**Stock Units**”). As used herein, the term “stock unit” shall mean a non-voting unit of measurement which is deemed for bookkeeping purposes to be equivalent to one outstanding share of the Company’s Common Stock solely for purposes of the Plan and this Award Agreement. The Stock Units shall be used solely as a device for the determination of the payment to eventually be made to the Grantee if such Stock Units vest pursuant to Section 2. The Stock Units shall not be treated as property or as a trust fund of any kind.
2. Vesting. Subject to Section 7 below or Section 7 of the Plan, the Award shall become vested as to 100% of the Stock Units subject to the Award upon the first to occur of (a) the first anniversary of the Date of Grant or (b) a termination of service on the Board if the Grantee has completed one full term of service and he or she does not stand for re-election at the completion of such term, provided that Grantee has been continuously engaged as an Eligible Director from the Date of Grant through the applicable vesting date.
3. Continuance of Service Required. The vesting schedule requires continued service through the applicable vesting date as a condition to the vesting of the rights and benefits under this Agreement. Partial service, even if substantial, during the vesting period will not entitle the Grantee to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of service as provided in Section 7 below or under the Plan, except as otherwise expressly provided in the Plan.
4. Restrictions on Transfer. Prior to the time that they have become vested pursuant to Section 2 hereof of Section 7(b) of the Plan, neither the Stock Units, nor any interest therein or

amount or shares payable in respect thereof, may be sold, assigned, transferred, pledged or otherwise disposed of, alienated or encumbered, either voluntarily or involuntarily. The transfer restrictions in the preceding sentence shall not apply to (a) transfers to the Company or (b) transfers by will or the laws of descent and distribution.

5. Voting; Dividends.
 - (a) Limitations on Rights Associated with Units. The Grantee shall have no rights as a stockholder of the Company, no dividend rights (except as expressly provided in Section 5(b) with respect to Dividend Equivalent Rights) and no voting rights, with respect to the Stock Units and any shares of Common Stock underlying or issuable in respect of such Stock Units until such shares of Common Stock are actually issued to and held of record by the Grantee. No adjustments will be made for dividends or other rights of a holder for which the record date is prior to the date of issuance of such shares.
 - (b) Dividend Equivalent Rights Distributions. As of any date that the Company pays a cash dividend on its Common Stock, the Company shall credit the Grantee with an amount equal to (i) the per-share cash dividend paid by the Company on its Common Stock on such date, multiplied by (ii) the total number of Stock Units (with such total number adjusted pursuant to Section 7 of the Plan) subject to the Award as of the related dividend payment record date. Any amount credited pursuant to the foregoing provisions of this Section 5(b) shall be payable to the Grantee in cash, subject to the same vesting, timing of payment and other terms, conditions and restrictions as the original Stock Units to which such amount relates. No crediting of dividend equivalents shall be made pursuant to this Section 5(b) with respect to any Stock Units which, as of such record date, have either been paid pursuant to Section 6 or terminated pursuant to Section 7.
6. Timing and Manner of Payment of Stock Units. On or as soon as administratively practical following each vesting of the applicable portion of the total Award pursuant to Section 2 hereof or Section 7 of the Plan (and in all events not later than two and one-half months after the applicable vesting date), the Company shall deliver to the Grantee a number of shares of Common Stock (either by delivering one or more certificates for such shares or by entering such shares in book entry form, as determined by the Corporation in its discretion) equal to the number of Stock Units subject to this Award that vest on the applicable vesting date, unless such Stock Units terminate prior to the given vesting date pursuant to Section 7. The Company’s obligation to deliver shares of Common Stock or otherwise make payment with respect to vested Stock Units is subject to the condition precedent that the Grantee or other person entitled under the Plan to receive any shares with respect to the vested Stock Units deliver to the Company any representations or other documents or assurances as the Company may deem necessary or reasonably desirable to ensure compliance with all applicable legal and regulatory requirements. The Optionee shall have no further rights with respect to any Stock Units that are paid or that terminate pursuant to Section 7.
7. Effect of a Termination of Service. If the Grantee ceases to be a member of the Board for any reason, the Stock Units shall terminate to the extent such units have not become vested prior to the first date the Grantee is no longer a member of the Board. If any unvested Stock Units are terminated hereunder, such Stock Units shall automatically terminate and be

cancelled as of the applicable termination date without payment of any consideration by the Company and without any other action by the Grantee, or the Grantee's beneficiary or personal representative, as the case may be.

8. Notices. Any notice required or permitted under this Agreement shall be deemed given when personally delivered, or when deposited in a United States Post Office, postage prepaid, addressed, as appropriate, to the Grantee either at the address in the records of the Company or such other address as may be designated by Grantee in writing to the Company; or to the Company, Attention: Secretary, 1444 South Alameda Street, Los Angeles, California 90021, or such other address as the Company may designate in writing to the Grantee.
9. Failure to Enforce Not a Waiver. The failure of the Company or the Grantee to enforce at any time any provision of this Agreement shall in no way be construed to be a waiver of such provision or of any other provision hereof.
10. Governing Law. This Agreement shall be governed by and construed according to the laws of the State of Delaware.
11. Amendments. This Agreement may be amended or modified at any time by an instrument in writing signed by both parties, subject to Section 6 of the Plan.
12. No Right to Re-Election. Neither the grant of the Award nor the execution of this Award Agreement shall interfere in any way with the right of the Company to terminate its relationship with the Grantee at any time.
13. No Restriction on Right of Company to Effect Corporate Changes. Neither the grant of the Award, the Plan nor this Award Agreement shall affect or restrict in any way the right or power of the Company or its shareholders to make or authorize any adjustment, recapitalization, reorganization or other change in the capital structure or business of the Company, or any merger or consolidation of the Company, or any issue of stock or of options, warrants or rights to purchase stock or of bonds, debentures, preferred or prior preference stocks whose rights are superior to or affect the Common Stock or the rights thereof or which are convertible into or exchangeable for Common Stock, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of the assets or business of the Company, or any other corporate act or proceeding, whether of a similar character or otherwise.
14. Entire Agreement. This Award Agreement and the Plan set forth the entire agreement and understanding between the parties hereto with respect to the matters covered herein, and supersede any prior agreements and understandings concerning such matters. This Award Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same agreement. The headings of sections and subsections herein are included solely for convenience of reference and shall not affect the meaning of any of the provisions of this Award Agreement. This Award Agreement shall be assumed by, be binding upon and insure to the benefit of any successor or successors to the Company.
15. Plan. The Award and all rights of the Grantee under this Award Agreement are subject to the terms and conditions of the Plan, incorporated herein by this reference. The Grantee agrees to be bound by the terms of the Plan and this Award Agreement. The Grantee acknowledges having read and understanding the Plan and this Award Agreement. Unless otherwise

expressly provided in other sections of this Award Agreement, provisions of the Plan that confer discretionary authority on the Board do not and shall not be deemed to create any rights in the Grantee unless such rights are expressly set forth herein or are otherwise in the sole discretion of the Board so conferred by appropriate action of the Board under the Plan after the date hereof.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed on its behalf by a duly authorized officer and the Grantee has hereunto set his or her hand as of the date and year first above written.

GUESS?, INC.,
a Delaware corporation

By: _____

Print Name: Deborah Siegel

Its: Secretary

GRANTEE

Signature

Print Name



October 4, 2010

Mr. Michael Prince
2356 NW Hoyt Street
Portland, OR 97210

Dear Mr. Prince:

I am very pleased to extend to you an offer of employment at GUESS? Inc. as Chief Operating Officer. In this position you will be reporting directly to Paul Marciano, Chief Executive Officer, The Board of Directors and me. Your start date will be determined upon mutual agreement at a later date. We feel you would be an excellent addition to the team and to the GUESS? family.

The terms of your offer are as follows:

1. Base salary of \$450,000.00 per year, with exempt status, paid in accordance with the Company's normal payroll practices.
2. Car allowance of \$800.00 per month, paid in accordance with the Company's normal payroll practices.
3. You will be eligible to participate in GUESS?, Inc.'s Executive Bonus Program, which currently bases awards on individual performance and objectives, department, and Company objectives. As a participant in this plan, your bonus opportunity may include both cash and long term equity incentives as a percentage of your base salary, with an annual target of 40% for cash bonus and 60% for the long term incentive equity component. If your employment with the Company begins after the first fiscal quarter of the year, the bonus will be pro-rated.
4. In addition to the compensation set forth above and subject to approval by the GUESS?, Inc. Compensation Committee at its next meeting, you will be granted the following equity compensation pursuant to the GUESS?, Inc. Equity Incentive Plan:

(a) Non-qualified options to purchase 25,000 shares of the Common Stock of GUESS?, Inc. with an exercise price equal to the closing price of the Common Stock on the grant date. Such stock options will vest during your employment over a four-year period as follows: one-fourth of your options will vest on each anniversary of the date of grant until fully vested.

(b) Restricted stock in the amount of 10,000 shares of Common Stock subject to your signing of a restricted stock agreement with standard terms and conditions for restricted stock awards as determined by the Compensation Committee. Among other conditions, you will be required to pay the par value of one cent (\$.01) per share of your restricted stock on the date of grant. Your restricted stock will vest over a four-year period as follows: one-fourth of your shares will vest on each anniversary of the date of grant until fully vested.

5. Medical, dental, life, vacation and disability benefits commensurate in accordance with your position at GUESS?, Inc. You will accrue vacation benefits at the rate of four weeks per year. You will be eligible to participate in the GUESS?, Inc. 401k Savings Plan following the completion of your first 90 days of service. In addition, you will be eligible to participate in the GUESS?, Inc. Deferred Compensation Plan. You will be provided with a summary and details of these benefits when you begin employment with the Company.
6. Relocation expenses incurred during the move from Portland to Los Angeles, including temporary housing, will be provided by GUESS?, Inc. Please note that these expenses are considered income for IRS purposes, and you will be taxed on this amount, including applicable payroll taxes. Your relocation will be coordinated through GUESS?, Inc. and Professional Relocation & Consulting Services. If you voluntarily resign from GUESS?, Inc. within twelve months of your hire date, you will be responsible to reimburse GUESS?, Inc. for all relocation expenses.

We look forward to your joining us at GUESS?, Inc., and a prosperous future together. Please feel free to contact me if you have any questions.

Sincerely,

/s/ Maurice Marciano

MAURICE MARCIANO
Chairman of the Board

AGREED & ACCEPTED

/s/ J. Michael Prince

10/07/10

Michael Prince

Date

I, Paul Marciano, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Guess?, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 7, 2010

By: /s/ PAUL MARCIANO

Paul Marciano

Chief Executive Officer and Vice Chairman of the Board

I, Dennis R. Secor, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Guess?, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 7, 2010

By: /s/ DENNIS R. SECOR

Dennis R. Secor

Senior Vice President and Chief Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

I, Paul Marciano, Chief Executive Officer and Vice Chairman of the Board of Guess?, Inc. (the "Company"), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- the Quarterly Report on Form 10-Q of the Company for the period ended October 30, 2010, as filed with the Securities and Exchange Commission (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 7, 2010

By: /s/ PAUL MARCIANO

Paul Marciano

Chief Executive Officer and Vice Chairman of the Board

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

I, Dennis R. Secor, Senior Vice President and Chief Financial Officer of Guess?, Inc. (the "Company"), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- the Quarterly Report on Form 10-Q of the Company for the period ended October 30, 2010, as filed with the Securities and Exchange Commission (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 7, 2010

By: /s/ DENNIS R. SECOR

Dennis R. Secor

Senior Vice President and Chief Financial Officer
