UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

/X/ Quarterly Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

For the quarterly period ended September 25, 1999

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	95-3679695
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1444 South Alameda Street
Los Angeles, California, 90021
(Address of principal executive offices)

(213) 765-3100
(Registrant's telephone number, including area code)

Indicate by check mark whether 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 [X] No [ ]

As of October 29, 1999, the registrant had 43,079,358 shares of Common Stock, $.01 par value per share, outstanding.

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PART I. FINANCIAL INFORMATION

Item I. Financial Statements

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

ASSETS

	September 25, 1999	December 31, 1998
Current Assets:		
Cash	$ 2,877	$ 5,853
Investments	42,050	11,900
Receivables:		
Trade receivables, net of reserves	37,272	19,685
Royalties, net of reserves	11,562	10,780
Other	3,750	3,673
Total Receivables	52,584	34,138

Inventories, net of reserves (note 3)	98,050	89,499
Prepaid expenses and other current assets	7,138	8,206
Deferred tax assets	6,496	6,496
Total current assets	209,195	156,092
Property and equipment, at cost, less accumulated depreciation and amortization	91,996	86,453
Other assets, at cost, less accumulated amortization	24,562	21,227
	$325,753	$263,772

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:		
Current installments of bank debt and long term debt	$ 5,998	--
Accounts payable	45,863	$32,802
Accrued expenses	27,852	21,770
Income taxes payable	2,305	210
Total current liabilities	82,018	54,782
Notes payable and long-term debt, less current installments	95,283	99,000
Other liabilities	8,890	9,581
	186,191	163,363
Minority Interest (note 8)	1,036	--
Stockholder's 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 62,994,278 and 62,637,327 shares, outstanding 43,126,267 and 42,906,535 shares at September 25, 1999 and December 31, 1998, respectively	139	137
Additional paid-in capital	159,733	158,589
Retained earnings	129,581	92,543
Accumulated other comprehensive loss	(151)	(84)
Treasury stock, 20,030,792 shares repurchased	(150,776)	(150,776)
Net stockholders' equity	138,526	100,409
	$325,753	$263,772

See accompanying notes to condensed consolidated financial statement.

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

	Third Quarter Ended		Nine Months Ended	
	Sep 25, 1999	Sep 27, 1998	Sep 25, 1999	Sep 27, 1998
Net revenue:				
Product sales	$144,142	$118,602	$374,264	$309,102
Net royalties	11,405	11,536	29,892	29,872
	155,547	130,138	404,156	338,974
Cost of sales	82,986	75,356	222,532	193,505
Gross profit	72,561	54,782	181,624	145,469
Selling, general and administrative expenses	42,911	35,791	113,133	101,255
Gain on disposition of property and equipment	3,849	--	3,849	--
Severance costs relating to distribution facility relocation (note 5)	--	--	3,200	--
Earnings before interest and income taxes	33,499	18,991	69,140	44,214
Interest expense, net	2,364	3,188	6,902	9,779
Earnings before income taxes	31,135	15,803	62,238	34,435

Income taxes (note 6)	12,600	6,164	25,200	13,405
Net earnings	$18,535	$9,639	$37,038	$21,030
Net earnings per share:				
Basic and diluted	$0.43	$0.22	$0.86	$0.49
Weighted average number of shares outstanding - basic	43,015	42,906	42,958	42,904
Weighted average number of shares outstanding - diluted	43,482	42,907	43,315	42,905

See accompanying notes to condensed consolidated financial statements.

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

	Nine Months Ended	
	Sep 25, 1999	Sep 27, 1998
Cash flows from operating activities:		
Net earnings	$37,038	$21,030
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	16,513	16,993
Amortization of other assets	804	619
Foreign currency translation adjustment	(40)	(68)
(Gain) loss on disposition of property and equipment	(4,564)	80
Undistributed equity method earnings (loss)	(362)	19
(Increase) decrease in:		
Receivables	(12,353)	(10,800)
Inventories	(581)	(11,625)
Prepaid expenses	2,325	10,434
Other assets	(325)	1,537
Increase (decrease) in:		
Accounts payable	3,519	(2,991)
Accrued expenses	4,986	(4,452)
Income taxes payable	2,053	--
Net cash provided by operating activities	49,013	20,776
Cash flows from investing activities:		
Purchases of property and equipment	(20,231)	(8,784)
Proceeds from the disposition of property and equipment	6,372	8
Lease incentives granted	222	154
Acquisition of license	(375)	(146)
Increase in short-term investments	(30,150)	--
Acquisition of interest in Strandel Inc.	(2,027)	--
(Increase) decrease in long-term investments	(2,232)	812
Net cash used in investing activities	(48,421)	(7,956)
Cash flows from financing activities:		
Proceeds from notes payable and long-term debt	3,015	80,700
Repayments of notes payable and long-term debt	(7,702)	(97,317)
Issuance of common stock	1,146	--
Net cash used in financing activities	(3,541)	(16,617)
Effect of exchange rates on cash	(27)	55
Net decrease in cash	(2,976)	(3,742)
Cash, beginning of period	5,853	8,204
Cash, end of period	$2,877	$4,462
Supplemental disclosures:		
Cash paid during the period for:		
Interest	$12,911	$14,741
Income taxes	15,158	1,930

See accompanying notes to condensed consolidated financial statements.

GUESS ?, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 25, 1999
(in thousands)
(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 September 25, 1999 and December 31, 1998, the consolidated statements of earnings for the quarter and nine months ended September 25, 1999 and September 27, 1998, and the statements of cash flows for the nine months ended September 25, 1999 and September 27, 1998. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with Rule 10-01 of Regulation S-X of the Securities and Exchange Commission ("SEC"). Accordingly, they have been condensed and do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The results of operations for the quarter and nine months ended September 25, 1999 are not necessarily indicative of the results of operations for the full fiscal year. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 1998.

(2) Summary of Significant Accounting Policies

Earnings Per Share

Basic earnings per share represents net earnings divided by the weighted-average number of common shares outstanding for the period. Diluted earnings per share represents net earnings divided by the weighted-average number of shares outstanding, inclusive of the dilutive impact of common stock equivalents. During the quarter and nine months ended September 25, 1999 and September 27, 1998, the difference between basic and diluted earnings per share was due to the dilutive impact of options to purchase common stock. Options to purchase 767,436 shares of common stock at prices ranging from $10.50 to $13.13 during the nine month period ended September 25, 1999 and options to purchase 1,501,679 shares of common stock at prices ranging from $5.50 to $11.00 during the nine month period ended September 27, 1998 were not included in the computation of diluted earnings per share because the exercise prices were greater than the average market price of the common stock. Therefore, the options are anti-dilutive.

Business Segment Reporting

The Company adopted Statement of Financial Accounting Standards No. 131 (SFAS 131), "Disclosures About Segments of an Enterprise and Related Information," effective in 1998. SFAS No. 131 establishes new standards for reporting information about business segments and related disclosures about products and services, geographic areas and major customers. The business segments of the Company are wholesale, retail and licensing operations. Information to these segments is summarized in note 7.

Software Costs

In March 1998, the American Institute of Certified Public Accountants ("AICPA") issued Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use" ("SOP 98-1"). SOP 98-1 provides guidance on accounting for the costs of computer software developed or obtained for internal use. It is effective for fiscal years beginning after December 15, 1998. The Company adopted SOP 98-1 effective January 1, 1999 and determined that the adoption of SOP 98-1 did not have a material impact on the Company's financial reporting.

Start-up Costs

In April 1998, the AICPA Accounting Standards Executive Committee issued Statement of Position 98-5 ("SOP 98-5"), "Reporting on the Costs of Start-up Activities." SOP 98-5 requires that costs of start-up activities, including organization costs and retail store openings, be expensed as incurred. The Company adopted SOP 98-5 effective January 1, 1999 and determined the adoption of SOP 98-5 did not have a material impact on the Company's financial reporting.

Comprehensive Income

The Company adopted Statement of Accounting Standards No. 130, "Reporting Comprehensive Income," on January 1, 1998. The only difference between "net earnings" and "comprehensive income" is the impact from foreign currency translation adjustments. Accordingly, a reconciliation of comprehensive income for the quarter and nine months ended September 25, 1999 and September 27, 1998 is as follows (in thousands):

	Third Quarter Ended		Nine Months Ended	
	Sep 25, 1999	Sep 27, 1998	Sep 25, 1999	Sep 27, 1998
Net earnings	$18,535	$9,639	$37,038	$21,030
Foreign currency translation adjustment	25	71	67	68
Comprehensive income	$18,560	$9,710	$37,105	$21,098

Future Accounting Change

In June 1998, Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"), was issued. SFAS 133 establishes accounting and reporting standards for derivative instruments and for hedging activities. It is effective for all fiscal quarters of fiscal years beginning after June 15, 2000. The Company currently does not have any derivative financial instruments and does not currently employ any hedging activities.

(3) Inventories

The components of inventory consist of the following (in thousands):

	Sep 25, 1999	Dec 31, 1998
Raw materials	$ 6,789	$ 9,400
Work in progress	12,018	7,922
Finished goods - wholesale	39,036	35,465
Finished goods - retail	40,207	36,712
	$98,050	$89,499

(4) Investments

Short-term investments consist primarily of interest bearing deposit accounts.

(5) Severance costs

In accordance with the requirements of EITF 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)," the Company recorded a $3,200 charge, during the second quarter, for future severance costs related to the relocation of distribution operations to Louisville, Kentucky.

(6) Income taxes

Income taxes for the interim periods were 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.

(7) Segment Information

In accordance with the requirements of SFAS 131, "Disclosures about Segments of an Enterprise and Related Information," the Company's reportable business segments and respective accounting policies of the segments are the same as those described in note 2. Management evaluates segment performance based primarily on revenue and earnings from operations. Interest income and expense are evaluated on a consolidated basis and are not allocated to the Company's business segments.

Net revenue and earnings from operations are summarized as follows for the third quarters and nine months ended September 25, 1999 and September 27, 1998 (in thousands):

	Third Quarter Ended		Nine Months Ended	
	Sep 25, 1999	Sep 27, 1998	Sep 25, 1999	Sep 27, 1998
Net revenue:				
Wholesale operations	$ 70,179	$ 58,075	$187,778	$162,759
Retail operations	73,963	60,527	186,486	146,343
Licensing operations	11,405	11,536	29,892	29,872
	$155,547	$130,138	$404,156	$338,974
Earnings from operations:				
Wholesale operations	$ 13,177	$ 1,148	$ 26,644	$ 12,298
Retail operations	11,514	8,096	18,312	7,292
Licensing operations	8,808	9,747	24,184	24,624
	$ 33,499	$ 18,991	$ 69,140	$ 44,214

Due to the seasonal nature of these business segments, especially retail operations, the above net revenue and operating results for the third quarter and the nine months ended September 25, 1999, are not necessarily indicative of the results that may be expected for the full fiscal year.

(8) Acquisition of Interest in Strandel Inc.

On August 4, 1999, the Company completed its purchase of an additional 40% of Strandel Inc., whereby the Company's ownership has been increased to 60%. Strandel Inc. ("Guess Canada") is the Company's licensee for wholesale and retail operations in Canada. As part of the transaction, the Company paid $2,027 and will provide long-term financing of up to $13,400 to Guess Canada to expand its Canadian retail operations. The Company will have an option to acquire the remaining 40% of Guess Canada commencing December 31, 2001. The acquisition was accounted as a purchase and the results of Guess Canada are included in the

Company's consolidated financial statements from the date of acquisition. The Company is presently gathering information to allocate the purchase price to the net assets acquired. The operating results of Guess Canada are immaterial to the Company's consolidated financial statements.

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

IMPORTANT FACTORS REGARDING FORWARD-LOOKING STATEMENTS

Various forward-looking statements have been made in this Form 10-Q. Forward-looking statements may also be in the registrant'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 registrant through its management may make oral forward-looking statements.

Forward-looking statements generally refer to future plans and performance, and are identified by the words "believe," "expect," "anticipate," "optimistic," "intend," "aim," "estimate," "may," "plan," "predict," "will" or the negative thereof and similar expressions. Readers are cautioned not to place undue reliance on these forward-looking statements, which refer only as of the date of which they are made. The registrant undertakes no obligation to update publicly or revise any forward-looking statements. Such statements are subject to a number of risks and uncertainties, including the timely availability and acceptance of products and the impact of competitive products and reference is hereby made to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 for a discussion of important factors that could cause actual results to differ materially from the forward-looking statements.

OVERVIEW

The Company derives its net revenue from the sale of Guess men's, women's and girl's apparel worldwide to wholesale customers and distributors; from the sale of Guess men's, women's and girl's apparel and its licensees' products through the Company's network of retail and factory outlet stores located primarily in the United States; and from net royalties via worldwide licensing activities.

RESULTS OF OPERATIONS

Third Quarters and Nine Months Ended September 25, 1999 and September 27, 1998

NET REVENUE. Net revenue for the third quarter increased $25.4 million or 19.5% to $155.5 million from $130.1 million in the quarter ended September 27, 1998. Excluding Guess Canada, net revenue from wholesale operations increased $6.8 million or 11.7% to $64.9 million in the quarter from $58.1 million for the comparable 1998. The Company's wholesale net revenue increased primarily due to stronger domestic demand for women's and men's product lines. Excluding E-Commerce, net revenue from retail operations increased $13.2 million or 21.8% to $73.7 million in the third quarter from $60.5 million for the same period in 1998. This increase was primarily attributable to a 21.3% increase in comparable store sales resulting from continued improvements in merchandising and fashion-focused product mix. The retail segment is benefiting from improved customer service levels resulting from enhanced personnel training and incentive programs. Net royalty revenue remained constant with an increase of activity in the European market and certain licensed products offset with the discontinuation of certain licensees, as well as continuing economic and currency valuation issues in Mexico, South America and certain parts of Asia.

Net revenue increased $65.2 million or 19.2% to $404.2 million from $339.0 million for the nine months ended September 27, 1998. Excluding Guess Canada, net revenue from wholesale operations increased $19.7 million or 12.1% to $182.5 million from $162.8 million in the nine months ended September 27, 1998 primarily due to an increase of $19.7 million in domestic wholesale net revenue. Domestic net revenue increased primarily due to stronger demand for fashion products. International wholesale net revenue remained constant due to adverse economic conditions in Mexico, South America and Asia. Excluding E-Commerce, net revenue from retail operations increased $39.6 million or 27.1% to $189.9 million in the nine months ended September 25, 1999 from $146.3 million in 1998. This increase was due primarily to merchandising and product assortment offerings. Net revenue from international product sales comprised 4.8% and 5.7% of the Company's net revenue during the first nine months of 1999 and 1998,

respectively. Net royalty revenue remained constant with an increase of activity in the European market and certain licensed products offset with the discontinuing certain licensees and the economic pressures on Mexican, South America and Asia licensees. In the nine months ended September 25, 1999, the Company terminated its licensee agreements for the Baby GUESS, boys and golf product lines.

GROSS PROFIT. Gross profit increased 32.5% to $72.6 million in the third quarter ended September 25, 1999 from $54.8 million in the third quarter ended September 27, 1998. The increase in gross profit resulted from increased net revenue from product sales. Gross profit from product sales increased 41.7% to $61.2 million in the quarter from $43.2 million in 1998. Gross margin was 46.6% in the quarter ended September 25, 1999 compared to 42.1% in the quarter ended September 27, 1998. Gross margin from product sales for the quarter ended September 25, 1999 was 42.4% compared to 36.5% for the same period in 1998. The increase in gross margin from product sales for the quarter was primarily due to lower off-price sales, lower markdowns, and the effect of spreading retail occupancy costs over a higher sales base.

Gross profit increased 24.8% to $181.6 million in the nine months ended September 25, 1999 from $145.5 million in the nine months ended September 27, 1998. The increase in gross profit resulted primarily from increased net revenue from product sales. Gross profit from product sales increased 31.2% to $151.7 million in the nine months ended September 25, 1999 from $115.6 million in the nine months ended September 27, 1998. Gross margin was 44.9% in the nine months ended September 25, 1999 compared to 42.9% in the nine months ended September 27, 1998. Gross margin from product sales for the nine months ended September 25, 1999 increased to 40.5% from 37.4% for the nine months ended September 27, 1998. The increase in gross margin from product sales for the nine month period was primarily due to lower off-price sales and the effect of spreading retail occupancy costs over a higher sales base.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative ("SG&A") expenses of $42.9 million increased to 27.6% of net revenue in the quarter ended September 25, 1999 compared to $35.8 million or 27.5% of net revenue in the third quarter ended September 27, 1998. Due to its cost containment efforts, the Company maintained a proportional increase in SG&A dollars to the increase in net revenues during the third quarter. SG&A expenses of $113.1 million decreased to 28.0% of net revenue in the nine months ended September 25, 1999 from $101.3 million or 29.9% of net revenue in the nine months ended September 27, 1998. The decrease in SG&A as a percentage of revenue for the nine months ended September 25, 1999 is primarily due to the Company's efforts on its cost containment programs.

GAIN ON DISPOSITION OF PROPERTY AND EQUIPMENT. In the quarter ended September 25, 1999, the Company realized a non-recurring pretax gain of $3.8 million, or $0.05 per share, on the disposition of property and equipment. Excluding this non-recurring gain, net earnings were $16.2 million, or $0.38 per share for the third quarter of 1999.

SEVERANCE COST. In accordance with the requirements of EITF 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)," the Company recorded a $3.2 million charge for future severance costs related to the relocation of distribution operations to Louisville, Kentucky, during the second quarter of 1999.

EARNINGS BEFORE INTEREST AND INCOME TAXES. Earnings before interest and income taxes increased 76.3% to $33.5 million, or 21.5% of net revenue, in the third quarter ended September 25, 1999 from $19.0 million, or 14.6% of net revenue, in the third quarter ended September 27, 1998. Earnings before interest and income taxes increased 56.3% to $69.1 million, or 17.1% of net revenue, in the nine months ended September 25, 1999 from $44.2 million, or 13.0% of net revenue, in the nine months ended September 27, 1998. The increase in earnings before interest and income taxes was primarily due to higher revenue.

INTEREST EXPENSE, NET. Net interest expense decreased 25.0% to $2.4 million in the third quarter ended September 25, 1999 from $3.2 million for the comparable period in 1998. The decrease is due to lower outstanding debt in the third quarter of 1999. Total debt at September 25, 1999 was $101.3 million, which included $91.6 million of our Corporate Bonds and $9.7 million bank debt related to Guess Canada. On a comparable basis, the average debt

balance for the third quarter of 1999 was $92.8 million, with an average effective interest rate of 9.5% versus an average debt balance of $134.5 million, with an average effective interest rate of 9.1%. Net interest expense decreased 29.5% to $6.9 million in the nine months ended September 25, 1999 from $9.8 million in the nine months ended September 27, 1998, due to the lower outstanding debt in 1999 partially offset by a higher effective interest rate. Excluding Guess Canada, the average debt balance for the nine months ended September 25, 1999, was $94.7 million, with an average effective interest rate of 9.6%. For the nine months ended September 27, 1998, the average debt balance was $142.2 million, with an average effective interest rate of 8.8%.

INCOME TAXES. The income tax provision for the quarter ended September 25, 1999 was $12.6 million, or a 40.5% effective tax rate, compared to $6.2 million, or a 39.0% effective tax rate, in the quarter ended September 27, 1998. The income tax provision for the nine months ended September 25, 1999 was $25.2 million, or a 40.5% effective tax rate, compared to $13.4 million, or a 38.9% effective tax rate, in the nine months ended September 27, 1998. The effective tax rates for both years were impacted by certain realized state tax credits and tax planning strategies. Income taxes for the interim periods were computed using the effective tax rate estimated to be applicable for the full fiscal year, which is subject to ongoing review and evaluation by the company.

NET EARNINGS. Net earnings increased 92.3% to $18.5 million, or 11.9% of net revenue, in the third quarter ended September 25, 1999, from $9.6 million, or 7.4% of net revenue, in the same period in 1998. Net earnings increased 76.2% to $37.0 million, or 9.2% of net revenue, in the nine months ended September 25, 1999, from $21.0 million, or 6.2% of net revenue, in the nine months ended September 27, 1998.

LIQUIDITY AND CAPITAL RESOURCES

In the nine months ended September 25, 1999 the Company relied primarily on internally generated funds and trade credit to finance its operations and expansion. At September 25, 1999, the Company had working capital of $127.1 million compared to $101.3 million at December 31, 1998. The increase was primarily due to a $27.2 million increase in cash and short-term investments and $17.6 million increase in net receivables.

The Company's Amended and Restated Revolving Credit Agreement dated March 28, 1997, as amended to date (the "Credit Agreement"), provides for a $100.0 million revolving credit facility, which includes a $35.0 million sub-limit for letters of credit. At September 25, 1999, the Company had no outstanding borrowings under the revolving credit facility, $1.7 million in outstanding standby letters of credit and $23.8 million in outstanding documentary letters of credit. At September 25, 1999, the Company had $74.5 million available for future borrowings under such facility. The revolving credit facility will expire in December 1999. The Company is in the process of negotiating a new credit facility. The Credit Agreement contains various restrictive covenants requiring, among other things, the maintenance of certain financial ratios. The Company was in compliance with all such covenants as of September 25, 1999.

Capital expenditures, net of lease incentives granted, totaled $20.2 million in the nine months ended September 25, 1999. The Company estimates its capital expenditures for fiscal 1999 will be approximately $61.0 million, primarily for the retail store expansion and remodeling, shop-in-shop programs, a new distribution center and operations. The Company has amended its Credit Agreement to permit fiscal year 1999 capital expenditures to be at the level described above.

The Company anticipates that it will be able to satisfy its ongoing cash requirements for the next twelve months for working capital, capital expenditures and interest on the Company's senior subordinated notes, primarily with cash flow from operations, supplemented, if necessary, by borrowings under its Credit Agreement.

SEASONALITY

The Company's business is impacted by the general seasonal trends characteristic of the apparel and retail industries. The Company's wholesale operations generally experience stronger performance in the first and third quarters, while retail operations are generally stronger in the third and fourth quarters. As the timing of the shipment of products may vary from year to year, the result for any particular quarter may not be indicative of results for the full year. The Company has not had significant overhead and other costs generally associated with large seasonal variations.

INFLATION

The Company does not believe the relatively moderate rates of inflation experienced in the United States over the last three years have had a significant effect on its net revenue or profitability. Although higher rates of inflation have been experienced in a number of foreign countries in which the Company's products are manufactured, the Company does not believe they have had a material effect on the Company's net revenue or profitability.

EXCHANGE RATES

The Company receives United States dollars ("USD") for substantially all of its product sales and its licensing revenues. Inventory purchases from offshore contract manufacturers are primarily denominated in USD; however, purchase prices for the Company's products may be impacted by fluctuations in the exchange rate between the USD and the local currencies of the contract manufacturers, which may have the effect of increasing the Company's cost of goods in the future. In addition, royalties received from the Company's international licensees are subject to foreign currency translation fluctuations as a result of the net sales of the licensee being denominated in local currency and royalties being paid to the Company in USD. During the last three fiscal years, exchange rate fluctuations have not had a material impact on the Company's inventory costs. The Company currently does not engage in hedging activities with respect to such exchange rate risk.

THE YEAR 2000 ISSUE

The Year 2000 issue is primarily a result of older computer programs, commercial systems, and embedded chips, using a two-digit format, as opposed to a four-digit format, to indicate the year. The business risk is that some of these systems might be unable to interpret dates beyond 1999. Such a failure might cause a disruption to the operations of the system(s) and/or the business function(s) it supports.

In recognition of this risk, the Company has established a Year 2000 Project

Team. The Company began its Year 2000 readiness assessment and remediation efforts in 1996. The effort was divided into 4 phases: Phase 1: assessment, Phase 2: remediation, Phase 3: testing and implementation, and Phase 4: contingency planning.

State of Readiness

Phase 1 and Phase 2 included a review of all hardware and software systems, business functions and trading partners that contain and/or exchange date-sensitive information. Critical IT systems, which include the Company's enterprise-wide information system, time clocks, e-mail and phone systems, are stated Year 2000 compliant with final testing of systems currently underway. The Company is currently performing diagnostics and implementing Year 2000 compliant solutions on its non-IT systems, such as manufacturing equipment and those systems involved with facility management (security systems, air/heating systems, fire suppression systems). Phases 1 and 2 are concluded. The Company estimates that it will complete its Phase 3 Testing efforts by the middle of the 1999 fourth quarter.

The Company is monitoring the progress of its key third parties Year 2000 readiness. As part of this process, the Company has requested assurances from its key third parties as to their Year 2000 readiness and their plans to become Year 2000 compliant. As of September 25, 1999, the Company has received responses from most of its key vendors acknowledging their compliance, or intent to comply, with Year 2000 issues.

Risks and Contingency Plans of Year 2000 Issues

The Company has conducted a Business Continuity Project to identify potential areas of disruptions and develop viable contingency plans. This project was completed in the third quarter of 1999. The timing of any Year 2000 related disruption would coincide with a seasonal low in the Company's business cycle, therefore having less impact on the business. The Company believes that the reasonably likely worst case scenario would involve a short-term disruption of systems affecting its supply and distribution channels. These risks include: a) delayed product deliveries from suppliers, b) disruption to the distribution channel, including ports, transportation vendors, government agencies, as well as the Company's own facilities, and c) general isolated failures of systems and necessary infrastructure such as electric, water, or communications supply.

At the present time, the Company is not aware of any Year 2000 issues that are expected to materially affect its products, services, competitive position or financial performance. However, despite the significant and best-efforts to make its systems and facilities Year 2000 compliant, the compliance of key third parties is beyond the Company's control. Accordingly, the Company can give no assurances that the failure of key suppliers or other third parties to comply with Year 2000 requirements will not have an adverse effect on the Company.

Costs to Address Year 2000 Issues

The costs to plan, modify, or replace systems for the Year 2000 issue incurred in conjunction with normal operating activities. These costs were funded through operating cash flows and were expensed over the four-year project period, as incurred. The Year 2000 project is significantly completed and the costs associated with its completion are minor.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risks.

Not applicable.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

Litigation

The Company is currently a defendant in FIGUEROA ET. AL. V. GUESS, Los Angeles Superior Court Case No. BC 186583, and in a derivative lawsuit ROBINSON V. GUESS ET. AL., Los Angeles Superior Court Case No. BC 199709. The Company refers to, and incorporates by reference, the description of these matters set forth in its quarterly report on Form 10-Q for the quarter ended June 26, 1999.

On February 24, 1998, John Robinson, a shareholder in the Company, sued the company and Maurice Marciano, Paul Marciano and Armand Marciano in Los Angeles Superior Court (Case No. BC 186583). Mr. Robinson seeks damages and recission of stock purchases as the result of alleged misrepresentations in connection with the Company's initial public offering (the "IPO") of stock in August 1996. Mr. Robinson alleges violations of Section 11, 12(a) (2) and 15 of the Securities Act of 1933, and seeks to represent a class of those who purchased the Company's stock in the IPO. No class has been certified. On August 31, 1999, the Court struck a number of Mr. Robinson's allegations, but gave Mr. Robinson leave to amend certain allegations. Mr. Robinson has now filed an amended complaint. The Company has filed, and the Marcianos have joined in the filing of, a demurrer and motion to strike the amended complaint. Those motions are currently scheduled for hearing in November.

On May 21, 1999, the Company filed a demand for arbitration against Pour Le bebe, Inc. and Pour la Maison, Inc. (collectively "PLB") seeking damages and injunctive relief in connection with four written license agreements between the parties. The Company alleges that PLB defaulted under the license agreements, that the license agreements properly were terminated and that PLB breached the license agreements. The arbitration is pending before the American Arbitration Association pursuant to arbitration clauses in the license agreements. On July 19, 1999, PLB filed a counterdemand for arbitration against the Company. PLB seeks damages and injunctiverelief against the Company alleging breach of contract, violation of California Franchise Relations Act, intentional interference with contractual relations, intentional interference with prospective economic advantage, unlawful business practices, statutory unfair competition, and fraud.

The Company believes that the outcome of one or more of the above cases could have a material adverse effect on the Company's financial condition and results of operations.

ITEM 2. Changes in Securities and Use of Proceeds

None.

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. Submission of Matters to a Vote of Security Holders

None.

ITEM 5. Other Information

On September 1, 1999, Howard Socol was appointed to the Company's Board of Directors. Mr. Socol, age 54, is founder and President of Socol Consulting Group, which provides retail and internet consulting services. Prior to that, Mr. Socol served as the Chief Executive Officer of J. Crew Group from 1998 to 1999. From 1969 to 1997, Mr. Socol was employed in numerous capacities culminating in Chairman and Chief Executive Officer by Burdines Department Stores, a division of Federated Department Stores. Mr. Socol is a class III director, whose term will expire at the 2002 annual meeting.

ITEM 6. Exhibits and Reports on Form 8-K

a) Exhibits:

Exhibit Number	Description
3.1.	Restated Certificate of Incorporation of the Registrant. (1)
3.2.	Bylaws of the Registrant. (1)
4.3.	Specimen stock certificate.(1)
27.1.	Financial Data Schedule*

* filed herewith.

(1) Incorporated by reference from the Registration Statement on Form S-1 (Registration No. 333-4419) filed by the Company on June 24, 1996, as amended.

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b) Reports on Form 8-K:

The Company did not file any reports on Form 8-K during the quarter ended September 25, 1999.

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: November 8, 1999 By: /s/ MAURICE MARCIANO

Maurice Marciano
Chairman of the Board, Chief Executive Officer and Director
(Principal Executive Officer)

Date: November 8, 1999 By: /s/ BRIAN FLEMING

Brian Fleming
Executive Vice President and Chief Financial Officer (Principal Financial Officer and Chief Accounting Officer

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