
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

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

For the quarterly period ended August 4, 2007

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, 90021**

(Address of principal executive offices)

(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 registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark whether registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes

No

As of September 6, 2007, the registrant had 94,112,373 shares of Common Stock, \$.01 par value per share, outstanding.

GUESS?, INC.
FORM 10-Q
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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)
(unaudited)

	Aug. 4, 2007	Feb. 3, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 200,456	\$ 207,617
Receivables, net	186,905	142,659
Inventories	226,377	173,668
Prepaid expenses and other current assets	25,120	19,561
Deferred tax assets	20,873	19,962
Total current assets	659,731	563,467
Property and equipment, net	191,040	162,555
Goodwill	25,064	24,651
Other intangible assets, net	20,437	17,664
Long-term deferred tax assets	50,167	48,264
Other assets	42,725	26,721
	<u>\$ 989,164</u>	<u>\$ 843,322</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of short-term borrowings and capital lease obligations	\$ 3,550	\$ 20,804
Accounts payable	191,294	130,525
Accrued expenses	133,970	128,200
Total current liabilities	328,814	279,529
Capital lease obligations	17,669	17,336
Long-term deferred rent and lease incentives	35,555	30,956
Long-term deferred royalties	31,305	34,437
Other long-term liabilities	38,076	37,733
	<u>451,419</u>	<u>399,991</u>
Minority interests	4,570	4,607
Commitments and contingencies (Note 10)		
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 134,699,023 and 133,883,942 shares, outstanding 93,964,260 and 93,105,488 shares at August 4, 2007 and February 3, 2007, respectively	940	931
Paid-in capital	241,725	218,613
Retained earnings	444,497	382,709
Accumulated other comprehensive loss	(2,069)	(11,448)
Treasury stock, 40,734,763 and 40,778,454 shares repurchased at August 4, 2007 and February 3, 2007, respectively	(151,918)	(152,081)
Total stockholders' equity	<u>533,175</u>	<u>438,724</u>
	<u>\$ 989,164</u>	<u>\$ 843,322</u>

See accompanying notes to condensed consolidated financial statements

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

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>Aug. 4, 2007</u>	<u>Jul. 29, 2006</u>	<u>Aug. 4, 2007</u>	<u>Jul. 29, 2006</u>
Net revenue:				
Product sales	\$ 366,739	\$ 247,685	\$ 724,382	\$ 499,022
Net royalties	21,548	14,264	41,854	28,610
	<u>388,287</u>	<u>261,949</u>	<u>766,236</u>	<u>527,632</u>
Cost of product sales	214,935	151,618	425,471	306,691
Gross profit	173,352	110,331	340,765	220,941
Selling, general and administrative expenses	113,991	76,683	223,470	153,016
Earnings from operations	59,361	33,648	117,295	67,925
Other (income) expense:				
Interest expense	387	1,794	1,311	3,259
Interest income	(2,036)	(1,494)	(3,748)	(2,721)
Other (income) expense	(530)	(827)	361	(1,124)
	<u>(2,179)</u>	<u>(527)</u>	<u>(2,076)</u>	<u>(586)</u>
Earnings before income tax expense and minority interests	61,540	34,175	119,371	68,511
Income tax expense	24,036	13,652	46,399	27,317
Minority interests	22	(123)	(37)	(123)
Net earnings	<u>\$ 37,482</u>	<u>\$ 20,646</u>	<u>\$ 73,009</u>	<u>\$ 41,317</u>
Earnings per share:				
Basic	\$ 0.41	\$ 0.23	\$ 0.79	\$ 0.46
Diluted	\$ 0.40	\$ 0.22	\$ 0.78	\$ 0.45
Dividends declared per share	\$ 0.06	—	\$ 0.12	—
Weighted average shares outstanding:				
Basic	92,180	90,594	92,033	90,370
Diluted	93,507	91,936	93,373	91,782

See accompanying notes to condensed consolidated financial statements.

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

	<u>Six Months Ended</u>	
	<u>Aug. 4, 2007</u>	<u>Jul. 29, 2006</u>
Cash flows from operating activities:		
Net earnings	\$ 73,009	\$ 41,317
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	21,834	16,361
Amortization of intangible assets	2,724	1,527
Share-based compensation expense	8,429	3,008
Loss on disposition of long-term assets and property and equipment	783	774
Other items, net	(238)	1,505
Minority interests	(37)	(123)
Changes in operating assets and liabilities:		
Receivables	(44,246)	(29,030)
Inventories	(52,709)	(5,771)
Prepaid expenses and other assets	(13,539)	(9,243)
Accounts payable and accrued expenses	62,846	40,646
Long-term deferred rent and lease incentives	4,599	1,620
Long-term deferred royalties	(3,132)	(476)
Other long-term liabilities	1,503	987
Net cash provided by operating activities	<u>61,826</u>	<u>63,102</u>
Cash flows from investing activities:		
Purchases of property and equipment	(44,096)	(26,529)
Disposition of short-term investments	—	764
Purchases of long-term investments and deposits on property and equipment	(13,628)	(7,048)
Net cash used in investing activities	<u>(57,724)</u>	<u>(32,813)</u>
Cash flows from financing activities:		
Decrease in short-term borrowings	(16,179)	(2,266)
Repayments of notes payable and long-term debt	(742)	(10,763)
Dividends paid	(11,209)	—
Minority interest capital contributions	—	490
Issuance of common stock under employee stock plans	5,530	6,799
Excess tax benefits from share-based compensation	8,966	3,653
Net cash used in financing activities	<u>(13,634)</u>	<u>(2,087)</u>
Effect of exchange rates on cash and cash equivalents	2,371	631
Net increase (decrease) in cash and cash equivalents	(7,161)	28,833
Cash and cash equivalents at beginning of period	207,617	167,194
Cash and cash equivalents at end of period	<u>\$ 200,456</u>	<u>\$ 196,027</u>
Supplemental disclosures about non-cash investing and financing activities:		
Capital lease obligation incurred	—	\$ 3,661
Supplemental cash flow data:		
Interest paid	\$ 883	\$ 2,695
Income taxes paid	39,309	7,138

See accompanying notes to condensed consolidated financial statements.

GUESS?, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
August 4, 2007
(unaudited)

(1) Basis of Presentation

On January 18, 2007, the Board of Directors of the Company approved a change in the Company's fiscal year end from December 31 to the Saturday nearest January 31 of each year. The change, which aligned the Company's reporting cycle with the National Retail Federation ("NRF") fiscal calendar and is expected to provide for more consistent quarter-to-quarter comparisons, is effective for the Company's 2008 fiscal year. The Company's 2008 fiscal year began on February 4, 2007 and will end February 2, 2008, resulting in a one-month transition period that began January 1, 2007 and ended February 3, 2007. This Quarterly Report on Form 10-Q includes the unaudited results for the three and six months ended August 4, 2007 and July 29, 2006. The unaudited results for the one month ended February 3, 2007 were included in the Form 10-Q filed on June 13, 2007. The audited results for the one month ended February 3, 2007 will be included separately in the Company's Annual Report on Form 10-K for the fiscal year ending February 2, 2008.

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 August 4, 2007 and February 3, 2007, the condensed consolidated statements of operations for the three and six months ended August 4, 2007 and July 29, 2006 and the condensed consolidated statements of cash flows for the six months ended August 4, 2007 and July 29, 2006. 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 six months ended August 4, 2007 are not necessarily indicative of the results of operations 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 December 31, 2006. The Company has made certain reclassifications to the prior year's consolidated financial statements to conform to classifications in the current year. These reclassifications had no impact on previously reported results of operations.

The three and six months ended August 4, 2007 had the same number of days as the three and six months ended July 29, 2006.

(2) Summary of Significant Accounting Policies

Gift Cards

The Company completed its analysis of unredeemed electronic gift card liabilities in the quarter ended August 4, 2007 for the U.S. retail business. Gift card breakage is income recognized due to the non-redemption of a portion of gift cards sold by the Company for which a liability was recorded in prior periods. Beginning with the quarter ended August 4, 2007, these amounts will be accounted for under the redemption recognition method and will be classified as additional net revenues as the gift cards are redeemed. The Company determined a gift card breakage rate of approximately 6.5% in the quarter ended August 4, 2007 based upon historical redemption patterns, which represented the cumulative estimated amount of gift card breakage from the inception of the electronic gift card program in late 2002. Based upon historical redemption trends, the Company recognized during the quarter a one-time cumulative increase to revenue of \$3.1 million or \$0.02 per diluted share. In future periods, the Company will recognize estimated gift card breakage as a component of net revenue in proportion to actual gift card redemptions, over the period that remaining gift card values are redeemed.

Classification of Certain Costs and Expenses

The Company includes inbound freight charges, purchasing costs, retail store occupancy costs and a portion of the Company's distribution costs related to its retail business in cost of product sales. Distribution costs related to the wholesale segment and European wholesale businesses are included in selling, general and administrative ("SG&A") expenses and amounted to \$6.2 million and \$3.3 million for the three months ended August 4, 2007 and July 29, 2006, respectively, and \$10.8 million and \$7.6 million for the six months ended August 4, 2007 and July 29, 2006, respectively. The Company includes store selling costs, selling and merchandising costs, advertising costs, wholesale distribution costs, design and other corporate overhead costs as components of SG&A expenses.

Stock Split

On February 12, 2007, the Company's Board of Directors approved a two-for-one stock split of the Company's common stock to be effected in the form of a 100% stock dividend. Each shareholder of record at the close of business on February 26, 2007 was issued one additional share of common stock for every share of common stock owned as of that time. The additional shares were distributed on March 12, 2007. All share and per share amounts in these Consolidated Financial Statements have been adjusted to reflect the stock split.

Earnings Per Share

Basic earnings per share represent net earnings divided by the weighted-average number of common shares outstanding for the period. Diluted earnings per share represent net earnings divided by the weighted-average number of shares outstanding, inclusive of the dilutive impact of common equivalent shares outstanding during the period using the treasury stock method. For the three and six months ended August 4, 2007 and July 29, 2006, the difference between basic and diluted earnings per share was due to the potential dilutive impact of options to purchase common stock and other nonvested equity awards and was not significant. For the three months ended August 4, 2007 and July 29, 2006, options for 320,420 and 336,393, respectively, of the Company's shares and for the six months ended August 4, 2007 and July 29, 2006, options for 263,619 and 276,308, respectively, of the Company's 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. The Company also excluded one million nonvested stock awards from the computation of diluted weighted average common shares and common share equivalents outstanding granted to Paul Marciano on January 1, 2007, because they are subject to certain performance-based vesting conditions measured annually over a five-year period which had not been achieved by the end of the three and six months ended August 4, 2007. Assuming the annual performance criteria had been achieved as of the three and six months ended August 4, 2007, the incremental dilutive impact would have been approximately 92,892 and 72,580 shares, respectively.

Statement of Stockholders' Equity and Comprehensive Income

The consolidated statement of stockholders' equity and comprehensive income for the year ended December 31, 2006 included an incorrect presentation of the adoption of FASB Statement No. 158 ("FAS 158"), "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – An Amendment of FASB Statements No. 87, 88, 106 and 132(R)." That presentation included a \$15.4 million charge for the impact of the adoption as a component of current-period comprehensive income, rather than displaying the adoption impact as a separate component of accumulated other comprehensive income.

The Company will correct the consolidated statement of stockholders' equity and comprehensive income for the year ended December 31, 2006 in the Form 10-K for the year ending February 2, 2008. The immaterial revision will have no impact on net income, total accumulated other comprehensive income, total assets or cash flows for the year ended December 31, 2006.

Comprehensive Income

Comprehensive income consists of net earnings, Supplemental Executive Retirement Plan (“SERP”) related prior service cost and valuation loss amortization, unrealized gain on investments available for sale, the effective portion of the change in the fair value of cash flow hedges and foreign currency translation adjustments. A reconciliation of comprehensive income for the three and six months ended August 4, 2007 and July 29, 2006 is as follows (in thousands):

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>Aug. 4, 2007</u>	<u>Jul. 29, 2006</u>	<u>Aug. 4, 2007</u>	<u>Jul. 29, 2006</u>
Net earnings	\$ 37,482	\$ 20,646	\$ 73,009	\$ 41,317
Foreign currency translation adjustment	1,074	(51)	10,205	3,930
Unrealized loss on hedges, net of tax effect	(883)	—	(1,443)	—
Unrealized loss on investments, net of tax effect	(138)	(250)	(99)	(194)
SERP prior service cost and actuarial valuation loss amortization, net of tax effect	358	—	716	—
Comprehensive income	<u>\$ 37,893</u>	<u>\$ 20,345</u>	<u>\$ 82,388</u>	<u>\$ 45,053</u>

New Accounting Standards

In September 2006, the FASB issued SFAS No. 157 (“SFAS 157”), “Fair Value Measurement.” SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 does not require any new fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The Company is currently assessing the impact of SFAS No. 157 on its financial statements.

In February 2007, the FASB issued SFAS No. 159 (“SFAS 159”), “The Fair Value Option for Financial Assets and Financial Liabilities,” which permits entities to voluntarily choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS 159 provides entities an opportunity to mitigate volatility in reported earnings that is caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS 159 is effective for years beginning after November 15, 2007. The Company is currently evaluating the impact of adopting SFAS 159 on its financial position and results of operations.

(3) Accounts Receivable

Accounts receivable consists of trade receivables, net of reserves of \$15.3 million and \$16.6 million, at August 4, 2007 and February 3, 2007, respectively, and royalty receivables, less allowance for doubtful accounts of \$0.2 million and \$0.3 million, at August 4, 2007 and February 3, 2007, respectively.

(4) Inventories

Inventories consist of the following (in thousands):

	<u>Aug. 4, 2007</u>	<u>Feb. 3, 2007</u>
Raw materials	\$ 7,625	\$ 3,151
Work in progress	3,421	3,166
Finished goods — Europe	85,662	63,114
Finished goods — Retail	96,923	78,097
Finished goods — Wholesale	32,746	26,140
	<u>\$226,377</u>	<u>\$173,668</u>

As of August 4, 2007 and February 3, 2007, reserves to write-down inventories to the lower of cost or market totaled \$15.9 million and \$14.1 million, respectively.

(5) 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, which is subject to ongoing review and evaluation by management.

The Company adopted FIN 48 in the one month ended February 3, 2007. The adoption of FIN 48 did not have a material impact on the Company’s financial position and results of operations. At the beginning of the one month ended February 3, 2007, the Company had approximately \$5.5 million of total gross unrecognized tax benefits. Of this total, \$3.0 million (net of the federal benefit on state issues) represents the amount of unrecognized tax benefits that, if recognized, would favorably affect the effective income tax rate in any future periods.

The Company and its subsidiaries are subject to U.S. federal and foreign income tax as well as income tax of multiple state and foreign local jurisdictions. The Company has substantially concluded all U.S. federal income tax matters for years through 2002. Substantially all material state, local and foreign income tax matters have been concluded for years through 2000.

The Company's continuing practice is to recognize interest and penalties related to income tax matters in income tax expense. The Company had \$1.7 million accrued for interest and no accrued penalties at August 4, 2007.

(6) Segment Information

The business segments of the Company are retail, wholesale, European and licensing. Management evaluates segment performance based primarily on revenues and earnings from operations. Corporate overhead, interest income and interest expense, and other 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 three and six months ended August 4, 2007 and July 29, 2006 (in thousands):

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>Aug. 4, 2007</u>	<u>Jul. 29, 2006</u>	<u>Aug. 4, 2007</u>	<u>Jul. 29, 2006</u>
Net revenue:				
Retail operations	\$201,573	\$166,095	\$381,102	\$316,956
Wholesale operations	57,278	32,824	116,473	66,184
European operations	107,888	48,766	226,807	115,882
Licensing operations	21,548	14,264	41,854	28,610
	<u>\$388,287</u>	<u>\$261,949</u>	<u>\$766,236</u>	<u>\$527,632</u>
Earnings from operations:				
Retail operations	\$ 27,761	\$ 20,939	\$ 47,653	\$ 34,628
Wholesale operations	10,193	5,394	20,894	8,466
European operations	19,366	8,219	47,083	25,163
Licensing operations	19,107	13,232	36,464	25,120
Corporate overhead	(17,066)	(14,136)	(34,799)	(25,452)
	<u>\$ 59,361</u>	<u>\$ 33,648</u>	<u>\$117,295</u>	<u>\$ 67,925</u>

Due to the seasonal nature of these 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.

(7) Borrowings and Capital Lease Obligations

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

	<u>Aug. 4, 2007</u>	<u>Feb. 3, 2007</u>
Short-term borrowings with European banks	\$ 1,419	\$18,831
European capital lease, maturing quarterly through 2016	19,800	19,309
	21,219	38,140
Less short-term borrowings and current installments of capital lease obligations	3,550	20,804
Capital lease obligations, excluding current installments	<u>\$17,669</u>	<u>\$17,336</u>

On September 19, 2006, the Company and certain of its affiliates 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 Credit Facility replaced the (a) Amended and Restated Loan and Security Agreement by and among Wachovia Capital Finance Corporation (Western) (formerly known as Congress Financial Corporation (Western)) and Guess, Guess? Retail, Inc. and Guess.com, Inc., dated as of December 20, 2002, as amended, and (b) Canadian Loan and Security Agreement by and among Wachovia Capital Finance Corporation (Canada) (formerly known as Congress Financial Corporation (Canada)) and Guess Canada, dated as of December 20, 2002, as amended (together, the "Prior Credit Facility").

The obligations under the Credit Facility are guaranteed by certain of the Company's existing and future domestic subsidiaries, and such obligations, including the guarantees, are secured by (a) substantially all present and future property and assets of the Company and each guarantor and (b) the equity interests of certain of the Company's direct and indirect U.S. subsidiaries and 65% of the equity interests of the Company's first tier foreign subsidiaries.

Direct borrowings under the Credit Facility will be made, at the Company's option, as (a) Eurodollar Rate Loans, which shall bear interest at the published LIBOR rate for the respective interest period plus an applicable margin (which was 0.75% at August 4, 2007) based on the Company's leverage ratio at the time, or (b) Base Rate Loans, which shall bear interest at the higher of (i) for domestic loans, 0.50% in excess of the federal funds rate, and for Canadian loans, 0.50% in excess of the average rate for 30 day Canada dollar bankers' acceptances, or (ii) the rate of interest as announced by Bank of America as its "prime rate," in each case as in effect from time to time, plus an applicable margin (which was 0.0% at August 4, 2007) based on the Company's leverage ratio at the time. The Company is also obligated to pay certain commitment, letter of credit and other fees customary for a credit facility of this size and type. At August 4, 2007, the Company had \$12.6 million in outstanding standby letters of credit, \$26.9 million in outstanding documentary letters of credit and no outstanding borrowings under the Credit Facility.

The Credit Facility requires the Company to comply with a leverage ratio and a fixed charge coverage ratio. In addition, the Credit Facility contains customary covenants, including covenants that limit or restrict the Company and its subsidiaries' ability to: incur liens, incur indebtedness, make investments, dispose of assets, make certain restricted payments, merge or consolidate, and enter into certain transactions with affiliates. Upon the occurrence of an event of default under the Credit Facility, the lenders may cease making loans, terminate the Credit Facility and declare all amounts outstanding to be immediately due and payable. The Credit Facility specifies a number of events of default (some of which are subject to applicable grace or cure periods), including, among other things, non-payment defaults, covenant defaults, cross-defaults to other material indebtedness, bankruptcy and insolvency defaults and material judgment defaults.

The Company, through its European subsidiaries, maintains short-term borrowing agreements, primarily for working capital purposes, with various banks in Italy. Under these agreements, which are generally secured by certain European accounts receivable, the Company can borrow up to \$152.7 million, limited by accounts receivable balances at the time of borrowing. Based on the applicable accounts receivable balances at August 4, 2007, the Company could have borrowed up to approximately \$120.0 million under these agreements, plus an additional \$5.5 million under one of the agreements which is secured by a standby letter of credit issued under the Credit Facility. At August 4, 2007, the Company had \$1.1 million of outstanding borrowings and \$6.7 million in outstanding documentary letters of credit under these agreements. The agreements are denominated in Euros, have no financial ratio covenants or stated maturities and provide for annual interest rates ranging from 4.0% to 7.8%. In addition, as part of the acquisition of Focus Europe S.r.l., as described in Note 12 to the Condensed Consolidated Financial Statements, effective December 31, 2006, the Company acquired \$0.3 million of bank debt with an interest rate of Euribor six-month rate plus 1.0%. The Company has classified this debt as current as it intends to pay this debt down in the short-term.

The Company entered into a capital lease of approximately \$16.0 million in December 2005 for a new building in Florence, Italy, with subsequent build-outs which were completed in 2006. Key functions related to the Company's Italian operation are represented in this building, including design and merchandising. This transaction resulted in a capital lease obligation of \$19.8 million as of August 4, 2007. The Company entered into separate interest rate swap agreements designated as non-hedging instruments resulting in a fixed rate of 3.55%. These interest rate swap agreements mature through 2016 and convert the nature of the capital lease obligation from Euribor floating rate debt to fixed rate debt. The fair value of the interest rate swap asset as of August 4, 2007 was approximately \$0.9 million.

(8) Stock-Based Compensation

The following table summarizes the stock-based compensation expense recognized under all of the Company's stock plans during the three and six months ended August 4, 2007 and July 29, 2006 (in thousands):

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>Aug. 4, 2007</u>	<u>Jul. 29, 2006</u>	<u>Aug. 4, 2007</u>	<u>Jul. 29, 2006</u>
Stock options	\$ 1,375	\$ 951	\$ 2,689	\$ 2,032
Nonvested stock awards/units	2,888	585	5,467	709
Employee Stock Purchase Plan	191	151	273	267
Total stock-based compensation expense	<u>\$ 4,454</u>	<u>\$ 1,687</u>	<u>\$ 8,429</u>	<u>\$ 3,008</u>

Unrecognized compensation cost related to nonvested stock options and nonvested stock awards/units totaled approximately \$11.4 million and \$41.4 million, respectively, as of August 4, 2007.

The weighted average fair values of options at their grant date during the six months ended August 4, 2007 and July 29, 2006 were \$20.10 and \$11.19, respectively.

On January 1, 2007, the Company granted Paul Marciano, Chief Executive Officer and Vice Chairman, one million nonvested stock awards which are subject to certain performance-based vesting conditions over a five year period. On March 19, 2007, the Company made an annual grant of 206,500 stock options and 243,830 nonvested stock awards/units to its employees.

On August 6, 2007, the Company granted Carlos Alberini, President and Chief Operating Officer, 150,000 nonvested stock awards which are subject to certain performance-based vesting conditions over a four and one-half year period.

(9) Related Party Transactions

The Company is engaged in various 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").

The Company leases manufacturing, warehouse and administrative facilities from partnerships affiliated with the Marciano Trusts and certain of their affiliates. There were three of these leases in effect at August 4, 2007, with expiration dates in February 2008, July 2008 and December 2014.

Aggregate rent expense under the related party leases in effect was \$1.7 million for both of the six months ended August 4, 2007 and July 29, 2006. The Company believes the related party leases have not been significantly affected by the fact that the Company and the lessors are related.

The Company periodically charters aircraft owned by MPM Financial, LLC ("MPM Financial"), an entity affiliated with the Marciano Trusts, through an independent third party management company contracted by MPM Financial to manage its aircraft. Pursuant to the original arrangements with MPM Financial and The Air Group, Inc. (the "Air Group"), MPM Financial's original third party aircraft management company, the Company was entitled to receive a 10% discount from the standard hourly charter rates charged by the Air Group. The arrangements among the Company, MPM Financial and the Air Group were subsequently terminated and a new independent third party, Avjet Corporation ("Avjet"), has been engaged by MPM Financial to manage its aircraft. Under an informal arrangement with MPM Financial and Avjet, the Company has and may from time to time continue to charter aircraft owned by MPM Financial through Avjet at a discount from Avjet's preferred customer hourly charter rates. The total fees paid under these arrangements during the first six months ended August 4, 2007 and July 29, 2006, were \$0.4 million and \$0.2 million, respectively.

On January 1, 2003, the Company entered into a license agreement with BARN S.r.l. ("BARN"), an Italian corporation, under which the Company granted BARN the right to manufacture and distribute children's clothing in certain territories of Europe for a term of three years. The license agreement was amended as of June 19, 2006 to, among other things, extend the term until December 31, 2009. The license agreement has terms substantially similar to the Company's other license agreements. Two key employees of the Company's wholly-owned subsidiary, GUESS? Italia, S.r.l., own BARN. During the six months ended August 4, 2007 and July 29, 2006, the Company recorded \$0.8 million and \$0.6 million in revenues, respectively, related to this license. At August 4, 2007, the Company had \$0.3 million royalty receivables due from BARN. The receivables outstanding at February 3, 2007 were negligible.

These related party disclosures should be read in conjunction with the disclosure concerning related party transactions in the Company's Form 10-K for the year ended December 31, 2006.

(10) Commitments and Contingencies

Leases

The Company leases its showrooms and retail store locations under operating lease agreements expiring on various dates through June 2018. Some of these leases require the Company to make periodic payments for property taxes, utilities and common area operating expenses. Certain 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 2011.

Incentive Bonuses

Certain officers and key employees of the Company are entitled to incentive bonuses, primarily based on net earnings of the Company or earnings of the particular operations impacted by these key employees. In addition, on September 27, 2005 the Compensation Committee of the Board of Directors of the Company approved performance criteria for the payment of special bonuses to Paul Marciano, Chief Executive Officer and Vice Chairman of the Board of the Company, under the Company's 2004 Equity Incentive Plan if the performance targets with respect to future earnings from operations for the Company's licensing segment are met. The Company recorded bonus related expense of \$0.7 million, including payroll taxes, in the six months ended August 4, 2007 related to these special licensing bonuses. If the pre-established licensing performance targets are achieved in calendar 2007 and 2008 and the Company receives a fixed cash rights payment of \$35.0 million due in 2012 from one of its licensees, the Company will record an expense of \$5.0 million in special bonus, plus applicable payroll taxes, which will be payable to Paul Marciano through January 2012.

Litigation

On February 1, 2005, a complaint was filed by Michele Evets against the Company in the Superior Court of the State of California for the County of San Francisco. The complaint purported to be a class action filed on behalf of current and former GUESS? store managers in California. Plaintiffs seek overtime wages and a preliminary and permanent injunction. The Company answered the complaint on April 28, 2005. The parties participated in a voluntary mediation in August 2006 and in February 2007 executed a settlement agreement, which shall become effective upon final court approval. A hearing date for final court approval has been set for November 2007. During the third quarter of 2006, the Company accrued \$1.0 million related to net charges in connection with the proposed settlement arrangement.

In 2006, the Officers of the Florence Customs Authorities ("Customs Authorities") began an import customs audit with respect to the Company's Italian subsidiary, Maco Apparel S.p.A. ("Maco"), in Florence, Italy, acquired on January 3, 2005. Maco was the Italian licensee of GUESS? jeanswear for men and women in Europe. As part of the audit, the Customs Authorities considered whether the Italian subsidiary should have included the royalty expense payable to Guess?, Inc., the parent company, as part of the cost of the product subject to customs duties. The Customs Authorities have subsequently reviewed specific transactions which occurred in 2003, 2004 and 2005 and provided a preliminary assessment that the royalty expenses are subject to customs duties and related penalties. The Company is disputing the Customs Authorities assessment and intends to vigorously defend its position. In addition, under the terms of the Maco purchase agreement, the seller is required to indemnify the Company for 90% of any loss with respect to Maco for periods prior to the acquisition. A hearing with the Florence Provincial Tax Commission has been set for October 29, 2007. The Company has concluded that the amount of any possible loss would not be material to the Company's consolidated financial statements and that the likelihood of incurring a loss is less than probable. Accordingly, no liability related to this matter has been accrued.

The Company is also involved in various other employment-related claims and other matters incidental to the Company's business, the resolution of which are not expected to have a material adverse effect on the Company's consolidated results of operations or financial position. With the exception of the class action accrual discussed above, no material amounts were accrued as of August 4, 2007 related to any of the Company's other legal proceedings.

Corporate Aircraft

In May 2006, the Company entered into an agreement to acquire a new corporate aircraft with a scheduled delivery date in December 2007 and has made down payments of approximately \$16.5 million, with additional progress payments totaling \$2.4 million to be made through the expected delivery date. The Company is currently considering entering into a sale and leaseback arrangement on completion of construction of the aircraft.

(11) Supplemental Executive Retirement Plan

The components of net periodic pension cost for the three and six months ended August 4, 2007 and July 29, 2006 were as follows (in thousands):

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>Aug. 4, 2007</u>	<u>Jul. 29, 2006</u>	<u>Aug. 4, 2007</u>	<u>Jul. 29, 2006</u>
Service cost	\$ 53	\$ 35	\$ 106	\$ 70
Interest cost	431	295	862	590
Net amortization of unrecognized prior service cost	436	436	872	872
Net amortization of actuarial losses	145	—	290	—
Net periodic defined benefit pension cost	<u>\$ 1,065</u>	<u>\$ 766</u>	<u>\$ 2,130</u>	<u>\$ 1,532</u>

As a non-qualified pension plan, no funding of the SERP is required. However, the Company expects to make annual payments into an insurance policy held in a rabbi trust to fund the expected obligations arising under the non-qualified SERP. The Company has made two payments into the policy as of August 4, 2007. The cash surrender value of the insurance policy was \$9.9 million as of August 4, 2007 and is 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.

(12) Focus Acquisition

Effective December 31, 2006, Guess?, Inc., through its wholly-owned subsidiary, GUESS? Europe, B.V. (“Purchaser”), completed the acquisition of 75% of the equity interest of Focus Europe S.r.l. (“Focus”) from Focus Pull S.p.A. (“Seller”). The Focus agreement also provides for the acquisition of 75% of the equity interest of Focus Spain S.A. (“Focus Spain”), subject to certain closing conditions.

Since 1997, the Company has licensed to Focus the right to manufacture, distribute and retail “GUESS by MARCIANO” contemporary apparel for women and men in Europe, the Middle East and Asia. The acquisition of the licensee is expected to further accelerate the Company’s expansion in Europe.

The Focus purchase price was finalized in May 2007 in the amount of €18.4 million (\$24.3 million) after resolving certain purchase price contingencies with the Seller. The assets included in the Focus entity acquired at closing comprised inventories not older than one year, certain long term assets used to operate the business including leasehold interests related to four GUESS by MARCIANO stores and approximately €1.1 million (\$1.5 million) in cash to pay for certain acquired obligations. These obligations, that included certain royalties payable to the Company under the pre-existing license agreement and certain amounts due under a loan agreement, are explicitly limited to the €1.1 million (\$1.5 million) cash acquired. The Purchaser did not assume any trade receivables, other payables or other debt as part of the acquisition.

At closing, the Purchaser paid approximately €10.0 million (\$13.2 million) in cash and the Company issued €2.0 million (\$2.6 million) in Guess?, Inc. common stock based on the stock price at the closing date. After resolving the Focus purchase price contingencies, additional payments of €6.4 million (\$8.5 million) were paid to the Seller as of May 23, 2007.

The agreement also provides that at specific times during 2008, 2009 and 2010, Seller may require the Purchaser to acquire the remaining 25% of equity interests in Focus and Focus Spain for cash based upon a multiple of Focus’ consolidated net income for the immediately preceding fiscal year. The agreement further provides that, at a specific time in 2011, the Purchaser will have the option to purchase the remaining 25% of equity interest in Focus and Focus Spain for cash based upon a multiple of Focus’ consolidated net income for the immediately preceding fiscal year.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition of Focus (in thousands):

	Dec. 31, 2006
Current assets	\$18,217
Property and equipment, net	1,609
Goodwill	4,590
Intangible assets	8,739
Total assets acquired	33,155
Current liabilities	(1,680)
Deferred Tax Liabilities	(4,547)
Minority interest	(4,148)
Net assets acquired, excluding cash of \$1.5 million	<u>\$22,780</u>

The \$8.7 million of acquired intangible assets primarily represents the acquisition value of the pre-existing license arrangement and lease acquisition costs, both of which are subject to amortization. The acquired intangible assets have a weighted-average useful life of approximately 4.0 years. The annual amortization expense over the next four years for these acquired intangible assets is estimated to be approximately \$2.2 million each year for fiscal 2008 through fiscal 2011 and is recorded as an expense in the European operations segment. Goodwill associated with this acquisition is recorded in the European operations segment and is non-deductible for tax purposes.

(13) Derivative Financial Instruments

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 and swaps to hedge the risk of foreign currency rate fluctuations. The Company has elected to apply the hedge accounting rules as required by SFAS No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities," for certain of these hedges. The Company's objective is to hedge the variability in forecasted cash flow due to the foreign currency risk (USD/Canadian exchange rate) associated with certain anticipated inventory purchases on a first dollar basis for specific months.

The Company had USD forward contracts in Canada, totaling \$20.5 million at August 4, 2007, to hedge forecasted merchandise purchases that were designated as cash-flow hedges. The Company's derivative financial instruments are recorded on the consolidated balance sheet at fair value based on quoted market rates. These forward contracts are used to hedge forecasted merchandise purchases over specific months. Changes in the fair value of forward contracts designated as cash-flow hedges are recorded as a component of accumulated other comprehensive earnings within stockholders' equity, and are recognized in cost of goods sold in the period which approximates the time the hedged merchandise inventory is sold. An unrealized loss of approximately US\$1.4 million, net of tax, has been recorded in accumulated other comprehensive income at August 4, 2007, and will be recognized as a charge to cost of goods sold over the next thirteen months at the then current values, which can be different than the current quarter-end values. At August 4, 2007, the unrealized loss valuation of these forward contracts was approximately US\$1.8 million and was recorded in current liabilities on the consolidated balance sheet.

(14) Subsequent Events

On September 4, 2007, the Board of Directors declared a regular quarterly cash dividend of \$0.08 per share on the Company's common stock, an increase of 33.3% over the \$0.06 per share paid in the prior quarter. The dividend will be payable on October 5, 2007 to shareholders of record at the close of business on September 19, 2007.

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

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 the Company's 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, E-commerce, business seasonality, industry trends, consumer demands and preferences, competition 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 "Item 1A. Risk Factors" contained in the Company's most recent Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

Summary

The business segments of the Company are retail, wholesale, European and licensing operations. Information relating to these segments is summarized in Note 6 to the Condensed Consolidated Financial Statements. The Company believes this segment reporting reflects how its four business segments are managed and each segment's performance is evaluated. The retail segment includes the Company's retail operations in North America. The wholesale segment includes the wholesale operations in North America, and internationally, excluding Europe. The European segment includes both wholesale and retail operations in Europe. The licensing segment includes the worldwide licensing operations of the Company. The business segments 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, accounting and finance, executive compensation, facilities and legal.

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

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.

On January 18, 2007, the Board of Directors of the Company approved a change in the Company's fiscal year end from December 31 to the Saturday nearest January 31 of each year. The change, which aligned the Company's reporting cycle with the National Retail Federation, or NRF, fiscal calendar and is expected to provide for more consistent quarter-to-quarter comparisons, is effective for the Company's 2008 fiscal year. The Company's 2008 fiscal year began on February 4, 2007 and will end on February 2, 2008, resulting in a one-month transition period that began January 1, 2007 and ended February 3, 2007. The unaudited results of the one month ended February 3, 2007 were included in the Company's Form 10-Q filed on June 13, 2007. The audited results for the one month ended February 3, 2007 will be included separately in the Company's Annual Report on Form 10-K for the fiscal year ending February 2, 2008.

The quarter ended August 4, 2007 had the same number of days as the quarter ended July 29, 2006.

The Company reports NRF calendar comparable store sales on a quarterly basis for its 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

The Company's operations generated net earnings of \$37.5 million, or diluted earnings of \$0.40 per share, for the quarter ended August 4, 2007, compared to net earnings of \$20.6 million, or diluted earnings of \$0.22 per share, for the quarter ended July 29, 2006. All of our business segments contributed to this growth. The European segment was the largest contributor to the growth in revenues and earnings from operations, representing 46.8% of the consolidated revenue growth and 43.4% of the consolidated earnings from operations growth. These results also reflect higher comparable store sales growth, retail store expansion, and improved retail occupancy leverage in the U.S. and Canada. During the period, our wholesale business increased revenues, driven by our new South Korea operation and stronger product performance in North America. Our licensing business increased revenues across all key accessories categories and footwear.

Total net revenues increased 48.2% to \$388.3 million for the quarter ended August 4, 2007, from \$261.9 million for the quarter ended July 29, 2006, with all segments contributing to this improvement. Our European segment contributed almost half and our retail segment contributed more than a quarter of this revenue growth. Gross margin improved 250 basis points to 44.6% for the quarter ended August 4, 2007, compared to the same prior year period. The gross margin improvement was driven by the relative growth of the Company's European business, which yields a higher gross margin than the retail and wholesale segments, occupancy leverage in our retail segment and the favorable impact to revenues relating to gift card breakage (see below). SG&A expenses increased 48.7% to \$114.0 million for the quarter ended August 4, 2007 compared to \$76.7 million for the quarter ended July 29, 2006. This increase in SG&A expenses was driven by investments in new businesses, including Focus Europe S.r.l. ("Focus"), the Company's South Korea operation and the launch of our new G by GUESS concept, along with additional selling and merchandising costs, increased advertising and design costs, increased European infrastructure costs, and additional performance-based compensation expenses. As a percentage of revenues, SG&A expense was flat at 29.3% for the quarter ended August 4, 2007, compared to the prior-year period, reflecting the impact of higher expenses from our new investments offset by leveraging the fixed costs on increased sales volume in our existing businesses. Overall, the improved gross margin and flat SG&A spending as a percentage of net revenues resulted in an increase in the Company's operating margin to 15.3% for the quarter ended August 4, 2007, up 250 basis points from 12.8% for the quarter ended July 29, 2006. During the period, the Company completed its analysis of its unredeemed gift card liabilities for the U.S retail business and adopted the redemption method of accounting for gift cards. This resulted in a one-time increase to revenues for gift card breakage of \$3.1 million or \$0.02 per diluted share. Gift card breakage is income recognized due to the non-redemption of a portion of gift cards sold by the Company for which a liability was recorded in prior periods. The reduction in the effective tax rate to 39.1% for the quarter compared to 39.9% in the prior year quarter also contributed positively to the improvement in net earnings and diluted earnings per share.

The Company had \$200.5 million in cash and cash equivalents as of August 4, 2007, compared to \$196.0 million as of July 29, 2006. Total debt, including capital lease obligations, as of August 4, 2007, was \$21.2 million, down \$52.0 million from \$73.2 million as of July 29, 2006. The reduction of debt was driven primarily by the early redemption of the Company's 6.75% secured notes of \$32.8 million at the end of 2006. Receivables increased by \$77.8 million, or 71.4%, to \$186.9 million at August 4, 2007, compared to \$109.1 million at July 29, 2006. The increase in receivables primarily supported the revenue growth in Europe, including revenues from the recently acquired 75% interest in the Focus operation and the revenue growth in South Korea and Greater China. Inventory increased by \$93.9 million, or 70.9%, to \$226.4 million as of August 4, 2007, compared to \$132.5 million as of July 29, 2006. Approximately \$49.3 million of this increase was attributed to new businesses including Focus, our new South Korea operation, our Mexico and Greater China operations and our new G by GUESS store concept, with the remaining increase to support anticipated sales growth in our European and North American operations.

Retail

Our retail segment, comprising North American full-priced retail and factory outlet stores and E-commerce, generated net sales of \$201.6 million during the quarter ended August 4, 2007, an increase of 21.4% from \$166.1 million in the prior year period. This growth was driven by a comparable store sales growth of 16.2% and a larger store base, which represented a net 3.9% increase in average square footage compared to the quarter ended July 29, 2006. The increase in net revenue was primarily due to growth in our accessories, women's, men's, and footwear lines of business. Retail earnings from operations increased by \$6.9 million to \$27.8 million for the quarter ended August 4, 2007, compared to \$20.9 million for the quarter ended July 29, 2006. This increase was primarily driven by higher sales volume coupled with better store occupancy cost leverage and gift card breakage income, partially offset by increased spending to support a larger store base and investments in infrastructure to support our new G by GUESS brand initiative. For more details on gift card breakage income, see "Application of Critical Accounting Policies". Operating margin increased 120 basis points to 13.8% in the quarter ended August 4, 2007, compared to 12.6% in the quarter ended July 29, 2006.

During the quarter, we opened 12 new stores and closed one underperforming store in the U.S. and Canada. At August 4, 2007, we operated 347 stores in the U.S. and Canada, comprised of 180 full-priced retail stores, 94 factory outlet stores, 32 Marciano stores, 16 GUESS? Accessories stores and 25 G by GUESS stores. This compares to 322 stores as of July 29, 2006. We have continued to develop the MARCIANO and GUESS? Accessories concept stores, and we believe that over time these concepts can grow to become significant chains in North America. The MARCIANO brand, a contemporary line that commands higher price points, is also available in approximately one third of our full-price GUESS? retail stores in the U.S. and Canada. G by GUESS, which launched early 2007, is a new brand and store concept that offers a full line of apparel for women and men and a full line of accessories and footwear to support the lifestyle of this customer and is aimed to capture a market demographic that is younger and shops price points between our factory and full-priced retail stores.

Wholesale

Wholesale segment revenues increased by \$24.5 million, or 74.5%, to \$57.3 million for the quarter ended August 4, 2007, from \$32.8 million for the quarter ended July 29, 2006. The increase in net revenues was primarily due to international expansion, including South Korea (which we began to operate directly in January 2007), which contributed more than half of this increase, coupled with growth in the North American wholesale business. Earnings from operations for the wholesale segment improved by \$4.8 million, or 89.0%, to \$10.2 million for the quarter ended August 4, 2007, from \$5.4 million for the prior year period, driven by increased sales unit volume and higher gross margin as a result of higher mark-ups, partially offset by increased spending on infrastructure to support growth of the new businesses in Asia. Operating margin increased 140 basis points to 17.8% in the quarter ended August 4, 2007, compared to 16.4% for the quarter ended July 29, 2006.

Europe

In Europe, revenues increased by \$59.1 million, or 121.2%, to \$107.9 million for the quarter ended August 4, 2007, compared to \$48.8 million for the quarter ended July 29, 2006. The majority of the revenue growth was generated by the European wholesale business, driven by continued growth in both our accessories and apparel businesses and our recent acquisition of a 75% equity interest in Focus, the Company's licensee for GUESS by MARCIANO contemporary apparel for women and men in Europe, the Middle East and Asia. At August 4, 2007, we directly operated 30 stores in Europe, which includes the four stores acquired as part of the Focus acquisition, versus 20 stores in the prior year quarter. Earnings from operations from our European segment increased by \$11.2 million, or 135.6%, to \$19.4 million for the quarter ended August 4, 2007, from \$8.2 million for the quarter ended July 29, 2006 due to the gross profit generated by the higher sales volume discussed above, partially offset by additional SG&A spending relating to selling expenses and our recent Focus acquisition. Operating margin increased 110 basis points to 18.0% in the quarter ended August 4, 2007, compared to 16.9% for the quarter ended July 29, 2006.

Licensing

Our licensing business revenues increased by \$7.2 million, or 51.1%, to \$21.5 million for the quarter ended August 4, 2007, from \$14.3 million for the quarter ended July 29, 2006. This increase was driven by growth in several product categories, especially handbags, watches, and footwear, and the increased recognition of licensing revenues as a result of the amortization of fixed cash rights payments received from licensees relating to previously renegotiated contracts based on the periods these contracts represent. The increase in net royalties was partially offset by the loss of royalty revenue from our GUESS by MARCIANO and South Korean licensees, both businesses which we now operate directly and are therefore no longer a part of the licensing segment. Licensing segment earnings from operations increased \$5.9 million, or 44.4%, to \$19.1 million for the quarter ended August 4, 2007, from \$13.2 million for the quarter ended July 29, 2006. Operating margin decreased 410 basis points to 88.7% in the quarter ended August 4, 2007 compared to 92.8% for the quarter ended July 29, 2006 due primarily to additional performance based compensation expense.

Outside of the U.S. and Canada, during the quarter ended August 4, 2007, together with our partners we opened 38 new stores, including 15 in Europe, 22 in Asia and one store in Central America. We ended the quarter with 541 stores outside of the U.S. and Canada, of which 365 were GUESS? stores, 29 were GUESS by MARCIANO stores, 100 were GUESS? Accessories stores and 47 were concessions based in South Korea and China that are directly operated by the Company. Of the 541 stores, 87 were operated by the Company and 454 were operated by licensees or distributors.

Corporate Overhead

Corporate overhead increased by \$2.9 million, or 20.7%, to \$17.1 million for the quarter ended August 4, 2007, from \$14.1 million for the quarter ended July 29, 2006. This increase was primarily due to increased performance-based compensation costs.

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 December 31, 2006, filed with the SEC on March 1, 2007. With the exception of the adoption of FIN 48 in January 2007, the accounting for derivatives and the accounting for gift card breakage income discussed below, we have not changed those policies since such date.

The Company adopted FIN 48 in January 2007. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS 109 and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Company adopted FIN 48 in the one month ended February 3, 2007. The adoption of FIN 48 did not have a material impact on the Company's financial position and results of operations. The Company's continuing practice is to recognize interest and penalties related to income tax matters in income tax expense. See Note 5 to the Condensed Consolidated Financial Statements for further information regarding the adoption of FIN 48.

The Company operates in foreign countries, which exposes us to market risk associated with foreign currency exchange rate fluctuations. The Company has entered into certain forward contracts and swaps to hedge the risk of foreign currency rate fluctuations. The Company has elected to apply the hedge accounting rules as required by SFAS No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities," for certain of these hedges. The Company's objective is to hedge the variability in forecasted cash flow due to the foreign currency risk (USD/Canadian exchange rate) associated with certain anticipated inventory purchases on a first dollar basis for specific months. Changes in the fair value of forward contracts designated as cash-flow hedges are recorded as a component of accumulated other comprehensive earnings within stockholders' equity, and are recognized in cost of goods sold in the period which approximates the time the hedged merchandise inventory is sold.

The Company completed its analysis of unredeemed electronic gift card liabilities in the quarter ended August 4, 2007 for the U.S. retail business. Gift card breakage is income recognized due to the non-redemption of a portion of gift cards sold by the Company for which a liability was recorded in prior periods. Beginning with the quarter ended August 4, 2007, these amounts will be accounted for under the redemption recognition method and will be classified as additional net revenues as the gift cards are redeemed. The Company determined a gift card breakage rate of approximately 6.5% in the quarter ended August 4, 2007 based upon historical redemption patterns, which represented the cumulative estimated amount of gift card breakage from the inception of the electronic gift card program in late 2002. Based upon historical redemption trends, the Company recognized during the quarter a one-time cumulative increase to revenue of \$3.1 million or \$0.02 per diluted share. In future periods, the Company will recognize estimated gift card breakage as a component of net revenue in proportion to actual gift card redemptions, over the period that remaining gift card values are redeemed.

RESULTS OF OPERATIONS

Three months ended August 4, 2007 and July 29, 2006.

NET REVENUE. Net revenue for the quarter ended August 4, 2007 increased by \$126.4 million, or 48.2%, to \$388.3 million, from \$261.9 million for the quarter ended July 29, 2006. All segments contributed to this revenue growth with double-digit increases. Our European segment was the largest contributor to this revenue growth.

Net revenue from retail operations increased by \$35.5 million, or 21.4%, to \$201.6 million for the quarter ended August 4, 2007, from \$166.1 million for the quarter ended July 29, 2006. The increase was driven by a comparable store sales growth of 16.2% and an average of 22 net additional stores during the quarter ended August 4, 2007 resulting in a 3.9% increase in average square footage compared to the prior year period. Currency fluctuations accounted for \$2.1 million of the increase in net revenue relating to our Canadian retail stores.

Net revenue from wholesale operations increased \$24.5 million, or 74.5%, to \$57.3 million for the quarter ended August 4, 2007, from \$32.8 million for the quarter ended July 29, 2006. Approximately 85% of this revenue growth was generated outside of the U.S., primarily in Asia, including revenue from our new South Korean operation. Our North American wholesale net revenue growth was primarily attributable to strong product performance, which drove higher sales volume and higher margins. Our products were sold in the U.S. in approximately 954 doors at the end of the quarter, compared to 862 doors at the end of the prior year quarter. Currency fluctuations between the quarter ended August 4, 2007 and July 29, 2006 had a negligible impact on net revenue relating to our wholesale business.

Net revenue from European operations increased \$59.1 million, or 121.2%, to \$107.9 million for the quarter ended August 4, 2007, from \$48.8 million for the quarter ended July 29, 2006. The acquisition of a 75% equity interest in Focus contributed significantly to this revenue growth, combined with significant growth in our accessories and footwear businesses, growth in our core apparel business and new stores combined with positive same store sales growth in our existing retail stores. Currency fluctuations accounted for \$7.5 million of the increase in net revenue relating to our European operations.

Net royalty revenue from licensing operations increased \$7.2 million, or 51.1%, to \$21.5 million for the quarter ended August 4, 2007, from \$14.3 million for the quarter ended July 29, 2006. The increase was the result of the strength of the accessories business, particularly handbags, watches and footwear, and the recognition of additional licensing revenues as a result of the amortization of fixed cash rights payments received from licensees relating to previously renegotiated contracts based on the periods these contracts represent. Licensing revenues were negatively impacted by the acquisition of the GUESS by MARCIANO licensee and the non-extension of the South Korean licensee, since both businesses are no longer included in the licensing segment and the underlying sales are reported as revenue in the European and wholesale segments, respectively.

GROSS PROFIT. Gross profit increased \$63.1 million, or 57.1%, to \$173.4 million for the quarter ended August 4, 2007, from \$110.3 million for the quarter ended July 29, 2006. The increase in gross profit primarily resulted from sales growth in all segments.

- Gross profit for the retail segment increased \$17.0 million, or 28.4%, to \$77.0 million for the quarter ended August 4, 2007, from \$60.0 million for the quarter ended July 29, 2006, primarily due to higher sales volume, higher average selling prices and gift card breakage, partially offset by higher occupancy costs.
- Gross profit for the wholesale segment increased \$9.3 million, or 77.1%, to \$21.4 million for the quarter ended August 4, 2007, from \$12.1 million in the prior year period, primarily due to the increase in international sales volume and higher mark-ups.
- Gross profit for the European operations increased \$29.4 million, or 122.5%, to \$53.4 million for the quarter ended August 4, 2007, from \$24.0 million in the prior year period. The increase in our European gross profit improvement was primarily attributable to higher sales volume in the existing European operations and the acquisition of a 75% equity interest in Focus at the end of 2006.
- Gross profit for the licensing segment increased \$7.2 million, or 51.1%, to \$21.5 million for the quarter ended August 4, 2007, from \$14.3 million in the prior year period. The licensing gross profit improvement was primarily the result of the strong sales performance of accessories, especially handbags, watches and our footwear lines.

Gross margin (gross profit as a percentage of total net revenues) increased 250 basis points to 44.6% for the quarter ended August 4, 2007, from 42.1% for the quarter ended July 29, 2006. The gross margin improvement was driven by the relative growth of the Company's European business, which yields a higher gross margin than the retail and wholesale segments, occupancy leverage in our retail segment and the favorable impact arising from the one-time gift card breakage adjustment.

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 selling, general and administrative expenses.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. SG&A expenses increased by \$37.3 million, or 48.7%, to \$114.0 million for the quarter ended August 4, 2007, from \$76.7 million for the quarter ended July 29, 2006. The increase was primarily attributable to an incremental \$13.5 million in spending required to support new businesses including Focus, the South Korea operation, additional infrastructure needed for the new G by GUESS brand initiative and expansion in Greater China and Mexico. In addition, the increase was also attributable to increased store selling, merchandising and distribution costs of \$11.7 million as a result of increased sales, incremental compensation expenses (primarily performance-based) of \$3.3 million, additional advertising and marketing spending of \$1.5 million and increased spending of \$3.3 million on European infrastructure costs. As a percentage of net revenue, SG&A expense was flat at 29.3% for both the quarter ended August 4, 2007 and the quarter ended July 29, 2006.

EARNINGS FROM OPERATIONS. Earnings from operations increased by \$25.7 million, or 76.4%, to \$59.4 million for the quarter ended August 4, 2007, compared with earnings from operations of \$33.6 million for the quarter ended July 29, 2006.

- The retail segment generated earnings from operations of \$27.8 million for the quarter ended August 4, 2007, versus earnings from operations of \$20.9 million for the quarter ended July 29, 2006. The increase was driven by the higher sales and improved gross margin discussed above, partially offset by an increase in SG&A expenses including store selling expenses and pre-opening costs to support the new G by GUESS brand initiative. Currency fluctuations accounted for \$0.5 million of the increase in earnings from operations for our Canadian retail stores.
- Earnings from operations for the wholesale segment were \$10.2 million for the quarter ended August 4, 2007, compared to earnings from operations of \$5.4 million for the quarter ended July 29, 2006. This increase was principally due to gross profit generated by incremental sales from our new South Korea operation and improved sales and gross margin in North America, partially offset by additional SG&A expenses in Asia, including South Korea, to build infrastructure in this region and support the increased sales.
- Earnings from operations for the European segment were \$19.4 million for the quarter ended August 4, 2007, compared to \$8.2 million for the quarter ended July 29, 2006. The increase was primarily due to higher sales in the existing accessories and apparel wholesale businesses combined with the sales resulting from our acquisition of a 75% equity interest in Focus in late 2006 and higher sales in our Company-owned retail business in Europe. Currency translation fluctuations accounted for \$1.5 million of the increase in earnings from operations for our European operations.
- Earnings from operations for the licensing segment increased to \$19.1 million for the quarter ended August 4, 2007, compared to \$13.2 million for the quarter ended July 29, 2006. The improvement was the result of higher revenues generated by our accessories product licensees and the recognition of additional licensing revenues relating to the amortization of fixed cash rights payments received from licensees relating to previously renegotiated contracts. These increases were partially offset by the loss of royalty revenue from the GUESS by MARCIANO and South Korean licensees in the period compared to the prior year period. The revenue growth was partially offset by an increase in performance-based compensation expense.
- Unallocated corporate overhead increased to \$17.1 million for the quarter ended August 4, 2007, compared to \$14.1 million for the quarter ended July 29, 2006, mainly due to higher performance-based compensation costs.

Higher gross margin (including the effect of the gift card breakage income), and a flat SG&A spending as a percentage of net revenues, resulted in an increase in operating margin of 250 basis points to 15.3% for the quarter ended August 4, 2007 from 12.8% for the prior year quarter.

INTEREST EXPENSE AND INTEREST INCOME. Interest expense decreased to \$0.4 million for the quarter ended August 4, 2007, compared to \$1.8 million for the quarter ended July 29, 2006, primarily due to the early redemption of the Company's 6.75% secured notes of \$32.8 million at the end of 2006. Total debt at August 4, 2007 was \$21.2 million, and was comprised of \$1.4 million of short-term bank debt from our European operations and \$19.8 million of capital lease obligations relating to our Italian facilities. On a comparable basis, the average debt balance for the quarter ended August 4, 2007 was \$29.3 million, versus an average debt balance of \$80.5 million for the quarter ended July 29, 2006. Interest income increased to \$2.0 million for the quarter ended August 4, 2007, compared to \$1.5 million for the quarter ended July 29, 2006, due to higher average invested cash balances and higher interest rates on this invested cash.

OTHER INCOME, NET. Other income was \$0.5 million for the quarter ended August 4, 2007, compared to \$0.8 million for the quarter ended July 29, 2006. Other income in the quarter ended August 4, 2007 consisted of gains related to changes in foreign exchange rates on forward contracts and other foreign currency transactions, and favorable changes in value of insurance policy investments.

INCOME TAXES. Income tax expense for the quarter ended August 4, 2007 was \$24.0 million, or a 39.1% effective tax rate, compared to income tax expense of \$13.7 million, or a 39.9% effective tax rate, for the quarter ended July 29, 2006. 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 decrease in the effective tax rate for the quarter ended August 4, 2007 was due to the relatively lower impact of permanent differences on our tax rate as our overall taxable income has increased.

NET EARNINGS. Net earnings increased by \$16.8 million, or 81.5%, to \$37.5 million for the quarter ended August 4, 2007, from \$20.6 million for the quarter ended July 29, 2006.

Six months ended August 4, 2007 and July 29, 2006

NET REVENUE. Net revenue for the six months ended August 4, 2007 increased by \$238.6 million, or 45.2%, to \$766.2 million, from \$527.6 million for the six months ended July 29, 2006. All segments contributed to this revenue growth with double-digit increases. The largest contribution to this revenue growth was generated by our European segment.

Net revenue from retail operations increased by \$64.1 million, or 20.2%, to \$381.1 million for the six months ended August 4, 2007, from \$317.0 million for the six months ended July 29, 2006. The increase was driven by a comparable store sales growth of 15.0% and an average of 22 net additional stores during the six months ended August 4, 2007 resulting in a 4.0% increase in average square footage compared to the prior year period. Currency fluctuations accounted for \$2.0 million of the increase in net revenue relating to our Canadian retail stores.

Net revenue from wholesale operations increased \$50.3 million, or 76.0%, to \$116.5 million for the six months ended August 4, 2007, from \$66.2 million for the six months ended July 29, 2006. Approximately 80% of this revenue growth was generated outside of the U.S., primarily in Asia, including revenue from our new South Korean operation. Our North American wholesale net revenue growth was primarily attributable to strong product performance, which drove higher sales volume and higher margins. Currency fluctuations between the six months ended August 4, 2007 and July 29, 2006 had a negligible impact on net revenue relating to our wholesale business.

Net revenue from European operations increased \$110.9 million, or 95.7%, to \$226.8 million for the six months ended August 4, 2007, from \$115.9 million in the prior year period. The acquisition of a 75% equity interest in Focus contributed significantly to this revenue growth, combined with significant growth in our accessories and footwear businesses, growth in our core apparel business and new stores combined with positive same store sales growth in our existing retail stores. Currency fluctuations accounted for \$18.2 million of the increase in net revenue relating to our European operations.

Net royalty revenue from licensing operations increased \$13.3 million, or 46.3%, to \$41.9 million for the six months ended August 4, 2007, from \$28.6 million for the six months ended July 29, 2006. The increase was the result of the strength of the accessories business, particularly handbags, watches, and footwear, and the recognition of additional licensing revenues as a result of the amortization of fixed cash rights payments received from licensees relating to previously renegotiated contracts based on the periods these contracts represent. Licensing revenues were negatively impacted by the acquisition of the Focus licensee and the non-extension of the South Korean licensee, since both businesses are no longer included in the licensing segment and the underlying sales are reported as revenue in the European and wholesale segments, respectively.

GROSS PROFIT. Gross profit increased \$119.9 million, or 54.2%, to \$340.8 million for the six months ended August 4, 2007, from \$220.9 million for the six months ended July 29, 2006. The increase in gross profit primarily resulted from sales growth in all segments.

- Gross profit for the retail segment increased \$31.5 million, or 28.5%, to \$141.8 million for the six months ended August 4, 2007, from \$110.3 million for the six months ended July 29, 2006, primarily due to higher sales volume and higher average selling prices, partially offset by higher occupancy costs.

- Gross profit for the wholesale segment increased \$22.3 million, or 99.4%, to \$44.8 million for the six months ended August 4, 2007, from \$22.5 million in the prior year period, primarily due to the increase in international sales volume, higher mark-ups and increased sales in North America.
- Gross profit for the European operations increased \$52.8 million, or 88.7%, to \$112.3 million for the six months ended August 4, 2007, from \$59.5 million in the prior year period. The European gross profit improvement was attributable to higher sales volumes in the existing European operations and the acquisition of a 75% equity interest in Focus at the end of 2006.
- Gross profit for the licensing segment increased \$13.3 million, or 46.3%, to \$41.9 million for the six months ended August 4, 2007, from \$28.6 million in the prior year period. The licensing gross profit improvement was primarily the result of the strong sales performance of accessories, especially handbags, watches and our footwear lines.

Gross margin (gross profit as a percentage of total net revenues) increased 260 basis points to 44.5% for the six months ended August 4, 2007, from 41.9% for the six months ended July 29, 2006. The improvement in the overall gross margin was attributable to higher product margins in our retail segment due to higher mark-ups and gift card breakage income, improved occupancy leverage, higher mark-ups in our wholesale businesses and a higher mix of European net revenues, which generated a higher gross margin than the wholesale and retail segments.

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 selling, general and administrative expenses.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. SG&A expenses increased by \$70.5 million, or 46.0%, to \$223.5 million for the six months ended August 4, 2007, from \$153.0 million for the six months ended July 29, 2006. The increase was primarily attributable to an incremental \$26.8 million in spending required to support new businesses including Focus, the South Korea operation, additional infrastructure needed for the new G by GUESS brand initiative and expansion in Greater China and Mexico. In addition, the increase was also attributable to additional store selling, merchandising and distribution costs of \$21.6 million as a result of increased sales, incremental compensation expenses (primarily performance-based) of \$8.7 million, additional advertising and marketing spending of \$5.0 million and increased spending of \$3.3 million on European infrastructure costs. As a percentage of net revenue, SG&A expenses increased 20 basis points to 29.2% for the six months ended August 4, 2007, compared to 29.0% for the six months ended July 29, 2006.

EARNINGS FROM OPERATIONS. Earnings from operations increased by \$49.4 million, or 72.7%, to \$117.3 million for the six months ended August 4, 2007, compared with earnings from operations of \$67.9 million for the six months ended July 29, 2006.

- The retail segment generated earnings from operations of \$47.7 million for the six months ended August 4, 2007, versus earnings from operations of \$34.6 million for the six months ended July 29, 2006. The increase in earnings from operations for the retail segment was driven by the higher sales and improved gross profit discussed above. The increase was partially offset by an increase in store selling expenses and pre-opening costs to support the new G by GUESS store concept. Currency fluctuations accounted for \$0.5 million of the increase in earnings from operations for our Canadian retail stores.
- Earnings from operations for the wholesale segment were \$20.9 million for the six months ended August 4, 2007, compared to earnings from operations of \$8.5 million for the six months ended July 29, 2006. This increase was principally due to incremental sales from our new South Korea operation and improved sales and gross margin in North America, partially offset by additional SG&A expenses in Asia, including South Korea, to build infrastructure in this region and support the increased sales.
- Earnings from operations for the European segment were \$47.1 million for the six months ended August 4, 2007, compared to \$25.2 million for the six months ended July 29, 2006. The increase was primarily due to higher sales in the existing accessories and apparel wholesale businesses combined with the sales resulting from our acquisition of a 75% equity interest in Focus in late 2006. In addition, our Company-owned retail business in Europe continued to improve, showing strong sales growth and higher profitability. Currency translation fluctuations accounted for \$3.9 million of the increase in earnings from operations for our European operations.
- Earnings from operations for the licensing segment increased to \$36.5 million for the six months ended August 4, 2007, compared to \$25.1 million for the six months ended July 29, 2006. The improvement was the result of higher revenues generated by our accessories product licensees and the recognition of additional licensing revenues relating to the amortization of fixed cash rights payments received from licensees relating to renegotiated contracts. These

increases were partially offset by the loss of royalty revenue from the GUESS by MARCIANO and South Korean licensees in the period compared to the prior year period.

- Unallocated corporate overhead increased to \$34.8 million for the six months ended August 4, 2007, compared to \$25.5 million for the six months ended July 29, 2006, mainly due to higher performance-based compensation costs.

The higher gross margin, partially offset by increased SG&A spending as a percentage of net revenues, resulted in an increase in operating margin of 240 basis points to 15.3% for the six months ended August 4, 2007 from 12.9% for the prior year period.

INTEREST EXPENSE AND INTEREST INCOME. Interest expense decreased to \$1.3 million for the six months ended August 4, 2007, compared to \$3.3 million for the six months ended July 29, 2006, primarily due to the early redemption of the Company's 6.75% secured notes of \$32.8 million at the end of 2006. On a comparable basis, the average debt balance for the six months ended August 4, 2007 was \$41.7 million, versus an average debt balance of \$83.2 million for the six months ended July 29, 2006. Interest income increased to \$3.7 million for the six months ended August 4, 2007, compared to \$2.7 million for the six months ended July 29, 2006, due to higher average invested cash balances and higher interest rates on this invested cash.

OTHER EXPENSE, NET. Other expense was \$0.4 million for the six months ended August 4, 2007, versus income of \$1.1 million for the six months ended July 29, 2006. Other expense in the six months ended August 4, 2007 consisted of net losses related to changes in foreign exchange rates on forward contracts and other foreign currency transactions, and favorable changes in value of insurance policy investments.

INCOME TAXES. Income tax expense for the six months ended August 4, 2007 was \$46.4 million, or a 38.9% effective tax rate, compared to income tax expense of \$27.3 million, or a 39.9% effective tax rate, for the six months ended July 29, 2006. 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 decrease in the effective tax rate for the six months ended August 4, 2007 was due to the relatively lower impact of permanent differences on our tax rate as our overall taxable income has increased.

NET EARNINGS. Net earnings increased by \$31.7 million, or 76.7%, to \$73.0 million for the six months ended August 4, 2007, from \$41.3 million for the six months ended July 29, 2006.

LIQUIDITY

We need liquidity primarily to fund our working capital in Europe, the expansion and remodeling of our retail stores, shop-in-shop programs, systems, infrastructure, existing operations, international growth and payment of dividends to our shareholders. We have historically financed our operations primarily from internally generated funds and borrowings under our credit facilities and other bank facilities. Please see "Important Notice Regarding Forward-Looking Statements" 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.

OPERATING ACTIVITIES

Net cash provided by operating activities was \$61.8 million for the six months ended August 4, 2007, compared to \$63.1 million for the six months ended July 29, 2006, or a decrease of \$1.3 million. The \$31.7 million growth in net income for the six months ended August 4, 2007 versus the prior year period was offset primarily by investments in inventory and accounts receivable relating to our new businesses, our existing European operations and our North American retail operations, partially offset by corresponding growth in accounts payable.

At August 4, 2007, the Company had working capital (including cash and cash equivalents) of \$330.9 million compared to \$283.9 million at February 3, 2007 and \$221.4 million at July 29, 2006. The Company's primary working capital needs are for inventory and accounts receivable. Accounts receivable at August 4, 2007 amounted to \$186.9 million, up \$77.8 million, compared to \$109.1 million at July 29, 2006. Approximately \$43.6 million of the increase resulted from the growth in receivables related to our existing European

business, which totaled \$104.4 million at August 4, 2007, versus \$60.7 million at July 29, 2006. Approximately \$50.3 million of the \$104.4 million of receivables were insured for collection purposes. The acquisition of a 75% equity interest in Focus, and our new South Korea and Greater China operations, accounted for approximately \$28.7 million of the remaining growth in receivables, of which \$3.3 million was insured. The Company's inventory levels increased \$93.9 million to \$226.4 million at August 4, 2007 from \$132.5 million at July 29, 2006. Approximately \$49.3 million of this increase was attributed to the Company's new businesses, including the acquisition of Focus, our new South Korea, Greater China, Hong Kong and Mexico operations, and our new G by GUESS store concept, with the remaining increase driven by our existing North American retail, European and other international operations to support anticipated sales growth in fiscal 2008.

INVESTING ACTIVITIES

Net cash used in investing activities increased to \$57.7 million for the six months ended August 4, 2007, compared to \$32.8 million for the six months ended July 29, 2006. The increase in net cash used in investing activities was driven by the opening of 20 new stores in North America during the first half of the fiscal year compared to 17 new stores that were opened in the comparable prior year period, and the conversion of 18 stores to the new G by GUESS concept during the first half of this fiscal year.

FINANCING ACTIVITIES

Net cash used in financing activities increased to \$13.6 million for the six months ended August 4, 2007, compared to \$2.1 million for the six months ended July 29, 2006. The increase in net cash used in financing activities was primarily due to payment of cash dividends of \$11.2 million during the six months ended August 4, 2007. No dividends were paid in the prior year period.

DIVIDEND POLICY

On February 12, 2007, the Board of Directors declared a quarterly cash dividend of \$0.06 per share on the Company's common stock. The cash dividend was paid on March 12, 2007 to shareholders of record as of the close of business on February 26, 2007.

On June 5, 2007, the Board of Directors declared a quarterly cash dividend of \$0.06 per share on the Company's common stock. The dividend was paid on July 6, 2007 to shareholders of record at the close of business on June 20, 2007.

On September 4, 2007, the Board of Directors declared a quarterly cash dividend of \$0.08 per share on the Company's common stock. The dividend will be payable on October 5, 2007 to shareholders of record at the close of business on September 19, 2007.

CAPITAL RESOURCES

During the six months ended August 4, 2007, the Company relied on trade credit, available cash, short-term borrowings from our European bank facilities, real estate leases, and internally generated funds to finance its operations and expansion. The Company anticipates that it will be able to satisfy its ongoing cash requirements during the next twelve months for working capital, capital expenditures, and interest and principal payments on its debt, and dividend payments to shareholders, primarily with cash flow from operations supplemented by borrowings, if necessary, under the Credit Facility and bank facilities in Europe.

Gross capital expenditures totaled \$44.1 million, before deducting lease incentives of \$6.0 million, for the six months ended August 4, 2007. This compares to gross capital expenditures of \$26.5 million, before deducting lease incentives of \$3.4 million, for the six months ended July 29, 2006. The Company's capital expenditures for the full fiscal year 2008 are planned at approximately \$99 million, before deducting estimated lease incentives of approximately \$10 million, primarily for retail store expansion of approximately 54 stores in the U.S. and Canada, store remodeling programs, investments in information systems and enhancements in other infrastructure.

The Company evaluates strategic acquisitions and alliances and pursues those that we believe will support and contribute to our overall growth initiatives. Effective December 31, 2006, the Company purchased for approximately \$24.3 million, 75% of the outstanding shares of Focus, the Company's licensee for "GUESS by MARCIANO" contemporary apparel for women and men in Europe, the Middle East and Asia. In 2006, the Company paid \$15.8 million of the purchase price (\$13.2 million in cash and \$2.6 million in Company common stock). During 2007, the Company paid to the seller approximately \$8.5 million.

CREDIT FACILITIES

On September 19, 2006, the Company and certain of its affiliates 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 Credit Facility replaced the (a) Amended and Restated Loan and Security Agreement by and among Wachovia Capital Finance Corporation (Western) (formerly known as Congress Financial Corporation (Western)) and Guess, Guess? Retail, Inc. and Guess.com, Inc., dated as of December 20, 2002, as amended, and (b) Canadian Loan and Security Agreement by and among Wachovia Capital Finance Corporation (Canada) (formerly known as Congress Financial Corporation (Canada)) and Guess Canada, dated as of December 20, 2002, as amended (together, the "Prior Credit Facility").

The obligations under the Credit Facility are guaranteed by certain of the Company's existing and future domestic subsidiaries, and such obligations, including the guarantees, are secured by (a) substantially all present and future property and assets of the Company and each guarantor and (b) the equity interests of certain of the Company's direct and indirect U.S. subsidiaries and 65% of the equity interests of the Company's first tier foreign subsidiaries.

Direct borrowings under the Credit Facility will be made, at the Company's option, as (a) Eurodollar Rate Loans, which shall bear interest at the published LIBOR rate for the respective interest period plus an applicable margin (which was 0.75% at August 4, 2007) based on the Company's leverage ratio at the time, or (b) Base Rate Loans, which shall bear interest at the higher of (i) for domestic loans, 0.50% in excess of the federal funds rate, and for Canadian loans, 0.50% in excess of the average rate for 30 day Canada dollar bankers' acceptances, or (ii) the rate of interest as announced by Bank of America as its "prime rate," in each case as in effect from time to time, plus an applicable margin (which was 0.0% at August 4, 2007) based on the Company's leverage ratio at the time. The Company is also obligated to pay certain commitment, letter of credit and other fees customary for a credit facility of this size and type. At August 4, 2007, the Company had \$12.6 million in outstanding standby letters of credit, \$26.9 million in outstanding documentary letters of credit and no outstanding borrowings under the Credit Facility.

The Credit Facility requires the Company to comply with a leverage ratio and a fixed charge coverage ratio. In addition, the Credit Facility contains customary covenants, including covenants that limit or restrict the Company and its subsidiaries' ability to: incur liens, incur indebtedness, make investments, dispose of assets, make certain restricted payments, merge or consolidate, and enter into certain transactions with affiliates. Upon the occurrence of an event of default under the Credit Facility, the lenders may cease making loans, terminate the Credit Facility and declare all amounts outstanding to be immediately due and payable. The Credit Facility specifies a number of events of default (some of which are subject to applicable grace or cure periods), including, among other things, non-payment defaults, covenant defaults, cross-defaults to other material indebtedness, bankruptcy and insolvency defaults and material judgment defaults.

The Company, through its European subsidiaries, maintains short-term borrowing agreements, primarily for working capital purposes, with various banks in Italy. Under these agreements, which are generally secured by certain European accounts receivable, the Company can borrow up to \$152.7 million, limited by accounts receivable balances at the time of borrowing. Based on the applicable accounts receivable balances at August 4, 2007, the Company could have borrowed up to approximately \$120.0 million under these agreements, plus an additional \$5.5 million under one of the agreements which is secured by a standby letter of credit issued under the Credit Facility. At August 4, 2007, the Company had \$1.1 million of outstanding borrowings and \$6.7 million in outstanding documentary letters of credit under these agreements. The agreements are denominated in Euros, have no financial ratio covenants or stated maturities and provide for annual interest rates ranging from 4.0% to 7.8%. In addition, as part of the acquisition of Focus Europe S.r.l., as described in Note 12 to the Condensed Consolidated Financial Statements, effective December 31, 2006, the Company acquired \$0.3 million of bank debt with an interest rate of Euribor six-month rate plus 1.0%. The Company has classified this debt as current as it intends to pay this debt down in the short-term.

The Company entered into a capital lease of approximately \$16.0 million in December 2005 for a new building in Florence, Italy, with subsequent build-outs which were completed in 2006. Key functions related to the Company's Italian operation are represented in this building, including design and merchandising. This transaction resulted in a capital lease obligation of \$19.8 million as of August 4, 2007. The Company entered into separate interest rate swap agreements designated as non-hedging instruments resulting in a fixed rate of 3.55%. These interest rate swap agreements mature through 2016 and convert the nature of the capital lease obligation from Euribor floating rate debt to fixed rate debt. The fair value of the interest rate swap asset as of August 4, 2007 was approximately \$0.9 million.

SEASONALITY

The Company's business is impacted by the general seasonal trends characteristic of the apparel and retail industries. U.S. retail operations are generally stronger from July through December, and U.S. wholesale operations generally experience stronger performance in July, August and September. The European operations are largely wholesale and operate with two primary selling seasons. Spring/Summer primarily ships in January, February and March and Fall/Winter primarily ships in July, August and September. The remaining months of the year are relatively small shipping months. As the timing of the shipment of products may vary from year to year, the results for any particular quarter may not be indicative of results for the full year.

INFLATION

The Company does not believe that the relatively moderate rates of inflation experienced in the U.S. and Europe over the last three years have had a significant effect on 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 and sold, management does not believe that foreign rates of inflation have had a material adverse effect on its net revenue or profitability.

WHOLESALE BACKLOG

The backlog of wholesale orders at any given time is affected by various factors, including seasonality, cancellations, the scheduling of market weeks and manufacturing and shipment of products. 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. Backlog

The Company maintains a model stock program in its basic denim products which generally allows replenishment of a customer's inventory within 48 hours. The Company generally receives orders for fashion apparel 90 to 120 days prior to the time the products are delivered to stores. Regarding our U.S. 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. This year's backlog for product at August 25, 2007, as an example, reflected a longer shipping period of about two months for women's product and a shorter shipping period of one month for men's product compared to last year's backlog at August 26, 2006. We estimate that if we were to normalize the orders for this year's backlog to make the comparison consistent with the prior year, then the current backlog would be up about 24.6% from the prior year. Not taking into account the impact of this change, our U.S. wholesale backlog as of August 25, 2007, consisting primarily of orders for fashion apparel (including orders for the following fiscal year), was approximately \$66.1 million, compared to \$49.0 million for such orders at August 26, 2006, or up 34.9%.

Europe Backlog

Our European business operates with two primary wholesale selling seasons. The Spring/Summer season, which ships mostly in January, February and March and the Fall/Winter season, which ships mostly in July, August and September. Generally, the other months are relatively small shipping months. However, customers have 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. As of August 28, 2007, the European operations backlog was approximately \$204.6 million. The backlog comprises sales orders for the Fall/Winter 2007 and Spring/Summer 2008 seasons. As discussed above, these orders are subject to cancellation and may not be indicative of eventual actual shipments.

IMPACT OF RECENT ACCOUNTING PRONOUNCEMENTS

In September 2006, the FASB issued SFAS No. 157 ("SFAS 157"), "Fair Value Measurement." SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 does not require any new fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The Company is currently assessing the impact of SFAS No. 157 on its financial statements.

In February 2007, the FASB issued SFAS No. 159 ("SFAS 159"), "The Fair Value Option for Financial Assets and Financial Liabilities," which permits entities to voluntarily choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS 159 provides entities an opportunity to mitigate volatility in reported earnings that is caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS 159 is effective for years beginning after November 15, 2007. The Company is currently evaluating the impact of adopting SFAS 159 on its financial position and results of operations.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk.

Exchange Rate Risk

Approximately 53.3% of product sales and licensing revenue recorded for the six months ended August 4, 2007 were denominated in United States dollars. The Company's primary exchange rate risk relates to operations in Canada and Europe. The Company enters into derivative financial instruments, including forward exchange contracts and currency swaps, to manage exchange risk on foreign currency transactions.

During the six months ended August 4, 2007, the Company purchased U.S. dollar forward contracts in Canada, totaling US\$25.0 million to hedge forecasted merchandise purchases that were designated as cash-flow hedges at August 4, 2007. As of August 4, 2007, approximately US\$20.5 million were outstanding. Our derivative financial instruments are recorded on the consolidated balance sheet at fair value based on quoted market rates. These forward contracts are used to hedge forecasted merchandise purchases over specific months. Changes in the fair value of forward contracts designated as cash-flow hedges are recorded as a component of accumulated other comprehensive earnings within stockholders' equity, and are recognized in cost of goods sold in the period which approximates the time the hedged merchandise inventory is sold. An unrealized loss of approximately US\$1.4 million, net of tax, has been recorded in accumulated other comprehensive income at August 4, 2007, and will be recognized as a charge to cost of goods sold over the next ten months at the then current values, which can be different than the current quarter-end values. At August 4, 2007, the unrealized loss of these forward contracts was approximately US\$1.8 million and was recorded in current liabilities on the consolidated balance sheet.

Also, the Company 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 expenses. At August 4, 2007, the Company had Canadian dollar foreign currency contracts to purchase US\$10.0 million and Euro foreign currency contracts to purchase US\$18.6 million. For the six months ended August 4, 2007, the Company recorded losses for the Canadian and Euro foreign currency contracts of US\$1.7 million and US\$1.6 million, respectively, which has been included in other income and expenses. At August 4, 2007, the unrealized losses of these Canadian and Euro forward contracts were approximately US\$0.9 million and US\$1.1 million, respectively, and were recorded in current liabilities on the consolidated balance sheet.

At December 31, 2006, the Company had Canadian dollar currency exchange contracts to purchase US\$3.0 million and Euro currency exchange contracts to purchase US\$50.0 million. The value of those contracts at December 31, 2006 were US\$2.9 million and US\$51.5 million, respectively.

Interest Rate Risk

At August 4, 2007, approximately 93.3% of the Company's indebtedness related to a capital lease obligation which is covered by interest rate swap agreements resulting in a fixed interest rate of 3.55% over the life of the lease obligation. 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 immaterial impact during the six months ended August 4, 2007. Substantially all of the Company's remaining indebtedness, principally consisting of short-term borrowings under the short-term European borrowing agreements, 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 increased interest expense for the quarter ended August 4, 2007 by approximately \$0.1 million.

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 borrowing rate. At August 4, 2007, 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.

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 (the Exchange Act). 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 second quarter of the fiscal year ending February 2, 2008 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.

On February 1, 2005, a complaint was filed by Michele Evets against the Company in the Superior Court of the State of California for the County of San Francisco. The complaint purported to be a class action filed on behalf of current and former GUESS? store managers in California. Plaintiffs seek overtime wages and a preliminary and permanent injunction. The Company answered the complaint on April 28, 2005. The parties participated in a voluntary mediation in August 2006 and in February 2007 executed a settlement agreement, which shall become effective upon final court approval. A hearing date for final court approval has been set for November 2007. During the third quarter of 2006, the Company accrued \$1.0 million related to net charges in connection with the proposed settlement arrangement.

In 2006, the Officers of the Florence Customs Authorities ("Customs Authorities") began an import customs audit with respect to the Company's Italian subsidiary, Maco Apparel S.p.A. ("Maco"), in Florence, Italy, acquired on January 3, 2005. Maco was the Italian licensee of GUESS? jeanswear for men and women in Europe. As part of the audit, the Customs Authorities considered whether the Italian subsidiary should have included the royalty expense payable to Guess?, Inc., the parent company, as part of the cost of the product subject to customs duties. The Customs Authorities have subsequently reviewed specific transactions which occurred in 2003, 2004 and 2005 and provided a preliminary assessment that the royalty expenses are subject to customs duties and related penalties. The Company is disputing the Customs Authorities assessment and intends to vigorously defend its position. In addition, under the terms of the Maco purchase agreement, the seller is required to indemnify the Company for 90% of any loss with respect to Maco for periods prior to the acquisition. A hearing with the Florence Provincial Tax Commission has been set for October 29, 2007. The Company has concluded that the amount of any possible loss would not be material to the Company's consolidated financial statements and that the likelihood of incurring a loss is less than probable. Accordingly, no liability related to this matter has been accrued.

The Company is also involved in various other employment-related claims and other matters incidental to the Company's business, the resolution of which are not expected to have a material adverse effect on the Company's consolidated results of operations or financial position. With the exception of the class action accrual discussed above, no material amounts were accrued as of August 4, 2007 related to any of the Company's other 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 December 31, 2006 filed with the SEC on March 1, 2007.

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

None.

ITEM 3. Defaults Upon Senior Securities.

None.

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

The Annual Meeting of Stockholders of the Company was held on June 18, 2007 (the "Meeting"). Proxies for the Meeting were solicited pursuant to Regulation 14A under the Exchange Act. There was no solicitation in opposition to management's nominees for director as listed in the Proxy Statement. At the Meeting, the stockholders elected three directors and ratified the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the 2008 fiscal year. There were no other proposals voted upon by the stockholders at the Meeting. The stockholders voted at the Meeting as follows:

<u>Description</u>	<u>For</u>	<u>Against</u>	<u>Withheld</u>	<u>Abstain</u>	<u>Broker Non-Votes</u>
Election of Paul Marciano	84,504,372	N/A	5,171,743	N/A	—
Election of Anthony Chidoni	85,225,240	N/A	4,450,875	N/A	—
Election of Judith Blumenthal	89,387,280	N/A	288,835	N/A	—
Ratification of appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the year ending February 2, 2008	89,208,413	456,260	N/A	11,442	—

ITEM 5. Other Information.

None.

ITEM 6. Exhibits.

<u>Exhibit Number</u>	<u>Description</u>
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	Amended and Restated Bylaws of the Registrant (incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 29, 2001).
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	Amendment No. 2 to Credit Agreement dated as of September 19, 2006 by and among the Registrant and Guess? Canada Corporation, as Borrowers, lenders from time to time party thereto, Bank of America, N.A., as Domestic Administrative Agent and Domestic L/C Issuer, and Bank of America, N.A., acting through its Canada Branch, as Canadian Administrative Agent and Canadian L/C Issuer, dated as of July 5, 2007.
*10.2	Executive Employment Agreement dated August 6, 2007 between the Registrant and Carlos Alberini.
*10.3	Restricted Stock Agreement dated August 6, 2007 between the Registrant and Carlos Alberini.
*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 President and Chief Operating Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31.3	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 President and Chief Operating Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*32.3	Certification of Senior Vice President and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* 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: September 10, 2007

By: /s/ CARLOS ALBERINI
Carlos Alberini
President and Chief Operating Officer

Date: September 10, 2007

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

AMENDMENT NO. 2 TO CREDIT AGREEMENT

This Amendment No. 2 to Credit Agreement dated as of July 5, 2007 (this "Amendment") is entered into with reference to the Credit Agreement, dated as of September 19, 2006, as so amended by Amendment No. 1 thereto, dated as of March 29, 2007 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Credit Agreement"), among Guess?, Inc. (the "Domestic Borrower") and Guess? Canada Corporation (the "Canadian Borrower", and together with Domestic Borrower, collectively, the "Borrowers"), the Lenders from time to time party thereto, Bank of America, N.A., as Domestic Administrative Agent and Domestic L/C Issuer, and Bank of America, N.A., acting through its Canadian branch, as Canadian Administrative Agent and Canadian L/C Issuer (collectively, the "Administrative Agents"). Capitalized terms used in this Amendment and not otherwise defined herein are used with the meanings set forth for those terms in the Credit Agreement.

1. Amendments. The Borrowers and the Lenders hereby agree to amend the Credit Agreement as follows:

(a) Section 6.12(a) is hereby amended by inserting the words "wholly-owned" between the words "indirect" and "Subsidiary" in the second line thereof, by replacing the period at the end thereof with "; and" and by adding the following immediately thereafter:

"upon the formation or acquisition of any new direct or indirect non wholly-owned Subsidiary (other than any Foreign Subsidiary or a Subsidiary that is held directly or indirectly by a Foreign Subsidiary) by any Loan Party, then the Domestic Borrower shall, at the Domestic Borrower's expense:

(vi) within 45 days after such formation or acquisition, cause each direct and indirect parent of such Subsidiary (if it has not already done so) to duly execute and deliver amendments to the Pledge Agreement to the Domestic Administrative Agent (including delivery of all pledged Equity Interests in and of such Subsidiary owned directly and indirectly by the Domestic Borrower, and other instruments of the type specified in Section 4.01(a)(iv)), securing payment of all the Obligations of such parent under the Loan Documents, and

(vii) within 45 days after such formation or acquisition, cause such Subsidiary and each direct and indirect parent of such Subsidiary (if it has not already done so) to take whatever action reasonably requested by Domestic Administrative Agent (including the preparation of Uniform Commercial Code financing statements) that may be necessary or advisable in the reasonable opinion of the Domestic Administrative Agent to assist the Domestic Administrative Agent (or in any representative of the Domestic Administrative Agent designated by it) in obtaining valid and subsisting Liens on the properties purported to be subject to the pledge agreements delivered pursuant to this Section 6.12.

(b) Section 7.03(c) is hereby amended and restated in its entirety to read as follows:

“(c) (i) Investments by the Domestic Borrower and its wholly-owned Subsidiaries in each other or any of their respective wholly-owned Subsidiaries, (ii) Investments by the Domestic Borrower and its Subsidiaries in any of their non wholly-owned Foreign Subsidiaries, (iii) Investments by any of the Domestic Borrower’s non wholly-owned Subsidiaries in the Domestic Borrower or any of its Subsidiaries, (iv) Investments by the Domestic Borrower and its Subsidiaries in any of their non wholly-owned Domestic Subsidiaries that have complied or will comply, within 45 days of acquisition or formation, voluntarily with Section 6.12(a)(i-v), and (v) in an aggregate amount not to exceed \$50,000,000 (A) Investments by the Domestic Borrower and its Subsidiaries in any of their non wholly-owned Domestic Subsidiaries that have complied or will comply, within 45 days of acquisition or formation, with Section 6.12(vi-vii) and not Section 6.12(a)(i-v) and (B) Investments in minority Equity Interests held by the Domestic Borrower and its Subsidiaries in Persons organized under the laws of any jurisdiction other than a political subdivision of the United States.”

2. Conditions Precedent. The effectiveness of this Amendment shall be conditioned upon the receipt by the Domestic Administrative Agent of (a) counterparts of this Amendment executed by the Borrowers and (b) written consents hereto executed by the Guarantors in substantially the form of Exhibit A attached hereto.

3. Representations and Warranties. The Borrowers represent and warrant to the Administrative Agents and the Lenders that, as of the date of this Amendment, the representations and warranties of the Domestic Borrower and each other Loan Party contained in Article V or any other Loan Document, or which are contained in any document furnished at any time under or in connection therewith, shall be true and correct in all material respects on and as of the date hereof, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct in all material respects as of such earlier date, and except that the representations and warranties contained in Sections 5.05(a) and (b) shall be deemed to refer to the most recent statements furnished pursuant to Sections 6.01(a) and (b), respectively, and no Default now exists.

4. Confirmation. In all other respects, the terms of the Credit Agreement and the other Loan Documents are hereby confirmed.

5. Counterparts. This Amendment may be executed in any number of counterparts, and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

6. Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the California.

IN WITNESS WHEREOF, the Borrowers and the Lenders have executed this Amendment as of the date first written above by their duly authorized representatives.

GUESS?, INC.

By: /s/ Carlos Alberini

Name:

Carlos
Alberini
President
and Chief
Operating
Officer

Title:

GUESS? CANADA CORPORATION

By: /s/ Carlos Alberini

Name:

Carlos
Alberini
Chief
Operating
Officer

Title:

BANK OF AMERICA, N.A., as Domestic
Administrative Agent and Domestic Lender

By: /s/ Matthew Koenig

Name: _____ Matthew
Koenig
Title: Sr. Vice
President

BANK OF AMERICA, N.A., acting through its
Canadian Branch, as Canadian Administrative
Agent and Canadian Lender

By: /s/ Medina Sales De Andrade

Name: _____ Medina
Sales De
Andrade
Title: Vice
President

Exhibit A to Amendment No. 2

CONSENT

Dated as of July 5, 2007

Each of the undersigned, as Guarantors under a Guaranty (as such terms are defined in and under the Credit Agreement referred to in the foregoing Amendment No. 2) delivered pursuant to the Credit Agreement, hereby consent and agree to the said Amendment No. 2 and hereby confirm and agree that its Guaranty is, and shall continue to be, in full force and effect and is hereby ratified and confirmed in all respects.

GUESS ?, Inc.
GUESS.com, Inc.
GUESS? Retail, Inc.
GUESS? Value, LLC
GUESS? Bermuda Holdings, LLC

By: /s/ Carlos Alberini

Name:

Title:

Carlos
Alberini
President
and Chief
Operating
Officer

EXECUTIVE EMPLOYMENT AGREEMENT

This **EXECUTIVE EMPLOYMENT AGREEMENT** (the "Agreement"), made as of August 6, 2007 (the "Effective Date"), between Guess?, Inc., a Delaware corporation (the "Company"), and Carlos Alberini (the "Executive").

WITNESSETH:

WHEREAS, the Executive has served as the Company's President and Chief Operating Officer since December 2000.

WHEREAS, the Executive has heretofore been employed by the Company pursuant to an employment agreement made effective as of November 8, 2000 and amended as of June 16, 2003 (the "Prior Agreement").

WHEREAS, the Company recognizes that the Executive's talents and abilities are unique and have been integral to the success of the Company.

WHEREAS, the Company wishes to retain the services of the Executive and anticipates that the Executive's contribution to the growth and success of the Company will continue to be substantial.

WHEREAS, the Company and the Executive wish to amend and restate the Prior Agreement as evidenced by this Agreement, effective as of the date hereof.

NOW THEREFORE, in consideration of the foregoing, of the mutual promises contained herein and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. **POSITION/DUTIES.**

(a) During the Employment Term (as defined in Section 2 below), the Executive shall serve as the Company's President and Chief Operating Officer. In this capacity the Executive shall have such duties, authorities and responsibilities commensurate with the duties, authorities and responsibilities of persons in similar capacities in similarly sized companies and such other duties and responsibilities as the Board of Directors of the Company (the "Board") shall designate that are consistent with the Executive's position as President and Chief Operating Officer. The Executive shall report to the Chairman of the Board and to the Chief Executive Officer of the Company. The Executive shall have authority as is appropriate to carry out his duties and responsibilities as set forth in this Agreement.

(b) During the Employment Term (as defined below), the Executive shall use the Executive's best reasonable efforts to perform faithfully and efficiently the duties and responsibilities assigned to the Executive hereunder and shall devote substantially all of the Executive's business time (excluding periods of vacation and other approved leaves of absence) to such performance of the Executive's duties with the Company. Executive may serve on the board of directors or advisory boards of other non-profit companies or, subject to Board

approval, of other for-profit companies, provided that any such service does not create a potential business conflict or the appearance thereof.

(c) The Company shall not relocate the Executive's principal place of business outside of the Los Angeles metropolitan area without the Executive's written consent.

(d) The Executive shall be provided with appropriate office facilities and support services in the Company's corporate headquarters in Los Angeles, California in order for the Executive to perform his duties to the Company.

2. **EMPLOYMENT TERM.** The Executive's term of employment under this Agreement (such term of employment, as it may be extended or terminated, is herein referred to as the "Employment Term") shall be for a term commencing on the Effective Date and, unless terminated earlier as provided in Section 7 hereof, ending on the last day of the fourth whole Fiscal Year of the Company commencing on or after the Effective Date (the "Original Employment Term"), provided that the Employment Term shall be automatically extended, subject to earlier termination as provided in Section 7 hereof, for successive additional one (1) Fiscal Year periods (the "Additional Terms"), unless, on or before 90 days prior to the expiration of the Original Employment Term or of any Additional Term, the Company or the Executive has notified the other in writing that the Employment Term shall terminate at the end of the then-current term (a "Non-Renewal").

3. **BASE SALARY.** The Company agrees to pay the Executive a base salary (the "Base Salary") at an annual rate of not less than Eight Hundred Thousand Dollars (\$800,000), payable in accordance with the regular payroll practices of the Company, but not less frequently than monthly. The Executive's Base Salary shall be subject to annual review by the Board (or a committee thereof) and may be increased, but not decreased, from time to time by the Board. No increase to Base Salary shall be used to offset or otherwise reduce any obligations of the Company to the Executive hereunder or otherwise. The base salary as determined herein from time to time shall constitute "Base Salary" for purposes of this Agreement.

4. **ANNUAL INCENTIVE BONUS AND OTHER BONUSES.** During the Employment Term, the Executive shall be eligible to participate in the Company's annual bonus and other incentive compensation plans and programs for the Company's senior executives at a level commensurate with the Executive's position. For each fiscal year of the Company ("Fiscal Year") that begins on or after February 4, 2007 and ends not later than the expiration of the Employment Term, the Executive shall be eligible to earn an annual cash bonus (the "Bonus") under the Company's Annual Incentive Bonus Plan, as amended from time to time (the "Bonus Plan"), and, if appropriate, the Company's 2004 Equity Incentive Plan, as amended from time to time (the "Equity Plan"), based upon the achievement by the Company and its subsidiaries of performance goals under the Bonus Plan and under the Equity Plan for each such Fiscal Year established by the Compensation Committee of the Board of Directors (the "Compensation Committee"). The Compensation Committee shall establish objective criteria to be used to determine the extent to which such performance goals have been satisfied. The range of the Bonus opportunity for each Fiscal Year will be as determined by the Compensation Committee based upon the extent to which such performance goals are achieved, provided that the annual target Bonus opportunity shall be at least 80% of the Executive's Base Salary (for each such

year, the "Target Bonus"), the threshold Bonus for a Fiscal Year shall be one-half the Target Bonus for such year and the maximum Bonus payable pursuant to this Section 4 for any Fiscal Year shall not exceed the amount that is 120% of the Executive's Base Salary for such year. The Bonus, if any, payable to the Executive in respect of any Fiscal Year will be paid at the same time that bonuses are paid to other executives of the Company, but in any event within seventy-five days after the conclusion of such Fiscal Year. After the expiration of the Bonus Plan and the Equity Plan, Executive's right to receive future Bonus opportunities under such plan is subject to approval by the stockholders of the Company of a similar successor plan under which such opportunity may be granted. The Compensation Committee may, in its sole discretion, award additional bonuses to Executive.

5. **EQUITY BASED INCENTIVE AWARDS.**

(a) **EMPLOYMENT INDUCEMENT AWARD.** The Company shall grant the Executive under the Equity Plan as of the Effective Date a Restricted Stock Award ("Restricted Stock") equal to 150,000 shares of the Company's common stock subject to the following terms and conditions:

(i) If, for the third and fourth fiscal quarters of the Company's 2008 Fiscal Year, considered together as one period (the "Second Half of Fiscal 2008"), or for any one of the four whole Fiscal Years commencing on or after February 3, 2008 during the Original Employment Term, the Company shall record earnings per share ("Earnings per Share") growth of greater than the Applicable Annual Target as compared to the same fiscal period from the immediately preceding Fiscal Year, then 20% of the Restricted Stock shall become vested as of the first business day following the issuance of the Company's financial statement for such period, provided the Executive is then employed by the Company. If the Earnings per Share growth requirement is not met for any such period, all of the shares of the Restricted Stock eligible for vesting for that period shall vest on the first business day following the issuance of the Company's financial statement for any subsequent Fiscal Year during the Original Employment Term if the cumulative compounded average Earnings per Share growth from the Second Half of Fiscal 2008 through such subsequent Fiscal Year is more than the Applicable Cumulative Target for such subsequent Fiscal Year. The "Applicable Annual Target" for each of the Second Half of Fiscal 2008 and the first and second whole Fiscal Years that commences on or after February 3, 2008 is a growth in Earnings per Share of 15% or more as compared to the same fiscal period from the immediately preceding Fiscal Year. The "Applicable Cumulative Target" for each of the Second Half of Fiscal 2008 and the first and second whole Fiscal Years that commences on or after February 3, 2008 is a 15% rate of cumulative compounded average Earnings per Share growth. For the avoidance of doubt, the Applicable Cumulative Target for the first whole fiscal year commencing on February 3, 2008 shall be calculated by multiplying the sum of (A) the Company's actual Earnings per Share for the first and second fiscal quarters of the Company's 2008 Fiscal Year and (B) the Applicable Annual Target of Earnings per Share for the Second Half of Fiscal 2008, by 1.15. The "Applicable Annual Target" and the "Applicable Cumulative Target" for each of the third and fourth whole Fiscal Years that commences on or after February 3, 2008 will be a rate of Earnings per Share growth and cumulative compounded average Earnings per Share growth, respectively, determined by the

Compensation Committee of the Board in its sole discretion not later than the end of the first quarter of such Fiscal Year.

(ii) For purposes of this Agreement, Earnings per Share shall be equal to the basic earnings per share calculated in accordance with accounting principles generally accepted in the United States and as reported in the Company's financial statements as filed with the Securities and Exchange Commission, except that certain adjustments may be made for certain non-recurring or unusual non-cash items recognized in accordance with accounting principles generally accepted in the United States including, but not limited to, any write-offs of unamortized deferred financing costs and any asset impairment write-downs, which the Committee determines in its sole discretion to exclude for purposes of this Agreement.

(iii) The Executive shall have the right to vote the shares of the Restricted Stock, and shall have dividend rights as to such shares, before any forfeiture of the shares of the Restricted Stock and while such shares are restricted. The number of shares credited to the Executive shall be subject to adjustment in accordance with the provisions of the Equity Plan (for example, in connection with the payment of a stock dividend by the Company).

(iv) The shares of the Restricted Stock not yet vested or forfeited shall become 100% vested in the event that there is a Change in Control while the Executive is employed by the Company or an affiliate during the Employment Term. For this purpose, the term "Change in Control" is used as defined in the Equity Plan except that in no event shall a "Change in Control" be triggered pursuant to clause (A) of such term as so defined unless the Acquiring Person becomes 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)) in one or more bona fide transactions and such level of ownership of such Common Stock or Combined Voting Power, as applicable, exceeds the aggregate level of ownership of the Marcianos of such Common Stock or Combined Voting Power, respectively. For purposes of the preceding sentence, "Marcianos" means Maurice Marciano, Paul Marciano, and any trust established in whole or in part for the benefit of one or more of them or their family members, or any other entity controlled by one or more of them, and any other capitalized term used in such sentence is used as defined in the Equity Plan if not otherwise defined in this Agreement. If the Executive terminates his employment with the Company for "Good Reason" (as defined in Section 7(e) of this Agreement), or is terminated by the Company without "Cause" (as defined in Section 7(c) of this Agreement), the shares of the Restricted Stock not yet vested or forfeited shall become 100% vested.

(v) In all events other than those previously addressed in Section 5(a)(iv), if the Executive ceases to be an employee of the Company or an affiliate, the Executive shall be vested only as to that percentage of shares of the Restricted Stock

which are vested at the time of the termination of his employment and the Executive shall forfeit the right to the shares of the Restricted Stock which are not yet vested on the termination date. Further, any Restricted Stock which is unvested at the conclusion of the Original Employment Term (after the final vesting determination is made as described in Section 5(a)(i) herein) shall be forfeited and terminate. Unvested shares of the Restricted Stock that are forfeited shall be immediately transferred to the Company without any payment by the Company, and the Company shall have the full right to cancel any evidence of the Executive's ownership of such forfeited shares.

(vi) The Restricted Stock Award shall be granted pursuant to and, to the extent not contrary to the terms of this Agreement, shall be subject to all of the terms and conditions imposed upon such awards granted under the Equity Plan.

(b) **PERFORMANCE SHARE AWARDS.** The Company shall grant the Executive under the Equity Plan at the completion of each whole Fiscal Year commencing on and after February 4, 2007 and during the Employment Term shares of the Company's common stock ("Performance Shares") based upon the achievement by the Company and its subsidiaries of performance goals under the Equity Plan for each such Fiscal Year established by the Compensation Committee. The Compensation Committee shall establish objective criteria to be used to determine the extent to which such performance goals have been satisfied. Performance Shares will be granted for each whole Fiscal Year during the Employment Term at "target" and "stretch" levels of 90% (i.e., \$720,000 for fiscal 2008) and 135% (i.e., \$1,080,000 for fiscal 2008) of the Executive's Base Salary for such Fiscal Year. Performance Shares granted in any particular Fiscal Year will be subject to the standard vesting schedule established by the Compensation Committee for Performance Share grants in that year (the current vesting schedule is a 4-year vesting schedule). After the expiration of the Equity Plan, Executive's right to receive future grants of Performance Shares is subject to approval by the stockholders of the Company of a similar successor plan under which such awards may be granted.

(c) **STOCK OPTION AWARDS.** The Company shall grant the Executive under the Equity Plan at the completion of each whole Fiscal Year commencing on or after February 4, 2007 and during the Employment Term stock options to purchase the Company's common stock at an exercise price of not less than the fair market value of such stock on the grant date ("Stock Options") based upon the achievement by the Company and its subsidiaries of performance goals under the Equity Plan for each such Fiscal Year established by the Compensation Committee. The Compensation Committee shall establish objective criteria to be used to determine the extent to which such performance goals have been satisfied. Stock Options for each whole Fiscal Year during the Employment Term will be granted at a grant-date Black-Scholes value of 50% of the Executive's Base Salary for such Fiscal Year (i.e., \$400,000 for fiscal 2008). Stock Options granted in any particular Fiscal Year will be subject to the standard vesting schedule established by the Compensation Committee for Stock Option grants in that year (the current vesting schedule is a 4-year vesting schedule). After the expiration of the Equity Plan, Executive's right to receive future grants of Stock Options is subject to approval by the stockholders of the Company of a similar successor plan under which such awards may be granted.

(d) **DISCRETIONARY GRANTS.** In addition to the employment inducement Restricted Stock, Performance Share and Stock Option Awards under Section 5(a), (b) and (c) above, at the sole discretion of the Board or the Committee, the Executive shall be eligible to participate throughout the Employment Term in such long-term incentive plans and programs as may be in effect from time to time in accordance with the Company's compensation practices and the terms and provisions of any such plans or programs.

6. **EMPLOYEE BENEFITS.**

(a) **BENEFIT PLANS.** The Executive shall be entitled to participate in all employee benefit plans of the Company including, but not limited to, equity, pension, thrift, Section 401(k), profit sharing, medical coverage, education, or other retirement (including without limitation supplemental executive retirement plans) or welfare benefits that the Company has adopted or may adopt, maintain or contribute to for the benefit of its senior executives at a level commensurate with the Executive's positions subject to satisfying the applicable eligibility requirements. The Executive shall at all times during the Employment Term be entitled to participate in the Guess?, Inc. Supplemental Executive Retirement Plan, as in effect on January 1, 2006, and any deferred compensation plan which may be maintained by the Company from time to time.

(b) **VACATION.** The Executive shall be entitled to accrue annual paid vacation in accordance with the Company's policy applicable to senior executives, but in no event less than twenty business days per calendar year (as prorated for partial years), which vacation may be taken at such times as the Executive elects with due regard to the needs of the Company. Executive shall not be permitted to accrue more than a total of twenty five (25) vacation days at any time. Once Executive reaches the maximum accrual, Executive shall not accrue any additional vacation days until a portion of Executive's accrued vacation time is used.

(c) **AUTOMOBILE.** The Company shall continue to provide the Executive with an automobile or an automobile allowance during the Employment Term in a manner consistent with its past practice.

(d) **PERQUISITES.** The Company shall provide to the Executive, at the Company's cost, all perquisites which other senior executives of the Company are generally entitled to receive in accordance with Company policy as set by the Board from time to time.

(e) **BUSINESS AND ENTERTAINMENT EXPENSES.** Upon presentation of appropriate documentation, the Executive shall be reimbursed in accordance with the Company's expense reimbursement policy for all reasonable and necessary business and entertainment expenses incurred in connection with the performance of the Executive's duties hereunder.

7. **TERMINATION.** The Executive's employment and the Employment Term shall terminate on the first of the following to occur:

(a) **DISABILITY.** Upon written notice by the Company to the Executive of termination due to Disability, while the Executive remains Disabled. For purposes of this Agreement, "Disabled" and "Disability" shall (i) have the meaning defined under the Company's

then-current long-term disability insurance plan, policy, program or contract as entitles the Executive to payment of disability benefits thereunder, or (ii) if there shall be no such plan, policy, program or contract, mean permanent and total disability as defined in Section 22(e)(3) of the Internal Revenue Code of 1986, as amended (the "Code").

(b) **DEATH.** Automatically on the date of death of the Executive.

(c) **CAUSE.** Immediately upon written notice by the Company to the Executive of a termination for Cause. "Cause" shall mean (i) Executive's conviction or plea of nolo contendere to a felony or any crime involving moral turpitude; (ii) a willful act of theft, embezzlement or misappropriation from the Company; or (iii) a determination by a two-thirds majority of the members of the Board (excluding the Executive from such vote and the denominator) that Executive has willfully and continuously failed to perform substantially the Executive's duties (other than any such failure resulting from the Executive's Disability or incapacity due to bodily injury or physical or mental illness), after (A) a written demand for substantial performance is delivered to the Executive by the Board which specifically identifies the manner in which the Board believes that the Executive has not substantially performed the Executive's duties and provides the Executive with the opportunity to correct such failure if, and only if, such failure is capable of cure; and (B) the Executive's failure to correct such failure which is capable of cure within 30 days of receipt of the demand for performance. For the avoidance of doubt, the parties expressly agree that only Cause pursuant to Section 7(c)(iii) shall be deemed capable of cure. Notwithstanding the foregoing, "Cause" shall not include any act or omission that the Executive believes in good faith to have been in or not opposed to the interest of the Company (without intent of Executive to gain therefrom, directly or indirectly, a profit to which he was not legally entitled). In the event that the Board has so determined in good faith that Cause exists, the Board shall have no obligation to terminate the Executive's employment if the Board determines in its sole discretion that such a decision not to terminate the Executive's employment is in the best interest of the Company.

(d) **WITHOUT CAUSE.** Upon written notice by the Company to the Executive of an involuntary termination without Cause and other than due to death or Disability prior to age sixty-five.

(e) **GOOD REASON.** Upon written notice by the Executive to the Company of termination for Good Reason unless the reasons for any proposed termination for Good Reason are remedied in all material respects by the Company within thirty (30) days following written notification by the Executive to the Company. "Good Reason" means the occurrence of any one or more of the following events prior to age sixty-five unless Executive specifically agrees in writing that such event shall not be Good Reason:

- (i) Any material breach of this Agreement by the Company, including:
 - (A) the failure of the Company to pay the compensation and benefits set forth in Sections 3 through 6 of this Agreement;

(B) any material adverse change in the Executive's status, position or responsibilities as President and Chief Operating Officer of the Company;

(C) causing or requiring the Executive to report to anyone other than the Board, the Chairman of the Board or the Chief Executive Officer; or

(D) assignment of duties materially inconsistent with his position and duties described in this Agreement;

(ii) the failure of the Company to assign this Agreement to a successor to all or substantially all of the business or assets of the Company or failure of such a successor to the Company to explicitly assume and agree to be bound by this Agreement;

(iii) requiring the Executive to be principally based at any office or location outside of the Los Angeles metropolitan area;

(iv) purported termination of the Executive's employment for "Cause" in a bad faith violation of the substantive and procedural requirements of Section 7(c); or

(v) a termination of employment by the Executive for any reason or no reason during the 30-day period commencing 6 months after a Change in Control.

(f) **BY EXECUTIVE WITHOUT GOOD REASON.** Upon thirty (30) days' prior written notice by the Executive to the Company of the Executive's termination of employment without Good Reason (which the Company may, in its sole discretion, make effective earlier than any notice date).

8. **CONSEQUENCES OF TERMINATION.** Any termination payments made and benefits provided under this Agreement to the Executive shall be in lieu of any termination or severance payments or benefits for which the Executive may be eligible under any of the plans, policies or programs of the Company or its affiliates. Except to the extent otherwise provided in this Agreement, all benefits and awards under the Company's compensation and benefit programs shall be subject to the terms and conditions of the plan or arrangement under which such benefits accrue, are granted or are awarded. The following amounts and benefits shall be due to the Executive:

(a) **DISABILITY.** Upon such termination, the Company shall pay or provide the Executive (i) any unpaid Base Salary through the date of termination and any accrued vacation in accordance with Company policy; (ii) any unpaid Bonus earned with respect to any Fiscal Year ending on or preceding the date of termination; (iii) reimbursement for any unreimbursed business expenses incurred through the date of termination; and (iv) all other payments, benefits or perquisites to which the Executive may be entitled under the terms of any applicable compensation arrangement or benefit, equity or perquisite plan or program or grant or this Agreement (collectively, "Accrued Amounts"). The Executive will also be paid a pro-rata portion of the Executive's Bonus for the performance year in which the Executive's termination occurs, payable at the time that annual Bonuses are paid to other senior executives (determined by multiplying the amount the Executive would have received based upon target performance

had employment continued through the end of the performance year by a fraction, the numerator of which is the number of days during the performance year of termination that the Executive is employed by the Company and the denominator of which is 365).

(b) **DEATH.** In the event the Employment Term ends on account of the Executive's death, the Executive's estate (or to the extent a beneficiary has been designated in accordance with a program, the beneficiary under such program) shall be entitled to any Accrued Amounts. The Executive's estate (or beneficiary) will also be paid a pro-rata portion of the Executive's Bonus for the performance year in which the Executive's termination occurs, payable at the time that annual Bonuses are paid to other senior executives (determined by multiplying the amount the Executive would have received based upon target performance had employment continued through the end of the performance year by a fraction, the numerator of which is the number of days during the performance year of termination that the Executive is employed by the Company and the denominator of which is 365).

(c) **TERMINATION FOR CAUSE OR BY EXECUTIVE WITHOUT GOOD REASON.** If the Executive's employment should be terminated by the Company for Cause or by the Executive without Good Reason, the Company shall pay to the Executive any Accrued Amounts. In addition, the Company, at its election, shall have the option in its full and absolute discretion to retain the Executive as a consultant for a one-year period following the last day of the Employment Term (the "Consulting Period"), with the terms of such consultancy to be governed by the terms of the consulting agreement attached as Appendix A below.

(d) **TERMINATION WITHOUT CAUSE OR FOR GOOD REASON.** If the Executive's employment by the Company is terminated by the Company other than for Cause (other than a termination due to Disability or death) or by the Executive for Good Reason, the Company shall pay or provide the Executive with

(i) the Accrued Amounts;

(ii) a pro-rata portion of the Executive's Bonus for the performance year in which the Executive's termination occurs, payable at the time that annual Bonuses are paid to other senior executives, determined by multiplying the amount the Executive would have received based upon actual performance had employment continued through the end of the performance year (but in no event less than the amount for target performance), by a fraction, the numerator of which is the number of days during the performance year of termination that the Executive is employed by the Company and the denominator of which is 365; and

(iii) an amount equal to the sum of the Executive's Base Salary and the then Target Bonus; provided, however, that in the event such termination under this Section 8(d), whether by the Company without Cause or by the Executive for Good Reason, occurs following a Change in Control and prior to the expiration of the Original Employment Term, the amount payable under this clause (iii) shall be an amount equal to two times the sum of the Executive's Base Salary and the then Target Bonus, in either case payable in a single lump-sum, with such payment being made on the earliest payroll

date that does not result in adverse tax consequences to the Executive under Section 409A of the Code.

In addition, the Company, at its election, shall have the option in its full and absolute discretion to retain the Executive as a consultant for a one-year period following the last day of the Employment Term, with the terms of such consultancy to be governed by the terms of the consulting agreement attached as Appendix A below. Notwithstanding anything to the contrary contained herein, the Company shall have no obligation to provide any of the monetary payments and/or benefits provided for in this Section 8 (other than Accrued Amounts) unless and until Executive executes an effective general release of all claims in favor of the Company in a form acceptable to the Company (the "Release"). For the avoidance of doubt, Executive's execution of the Release is a condition precedent to any obligation of the Company to provide the monetary payments and/or benefits provided for in this Section 8 (other than Accrued Amounts).

(e) **NON-RENEWAL.** Upon a termination as a result of a Non-Renewal at the expiration of the Employment Term, the Company shall pay to the Executive any Accrued Amounts. In addition, the Company, at its election, shall have the option in its full and absolute discretion to retain the Executive as a consultant for a one-year period following the last day of the Employment Term, with the terms of such consultancy to be governed by the terms of the consulting agreement attached as Appendix A below.

9. **CONFIDENTIALITY; NON-COMPETITION; NON-SOLICITATION.**

(a) **CONFIDENTIALITY.** The Executive agrees that the Executive shall not, directly or indirectly, use, make available, sell, disclose or otherwise communicate to any person, other than in the course of the Executive's employment and for the benefit of the Company, either during the period of the Executive's employment or at any time thereafter, any nonpublic, proprietary or confidential information, knowledge or data relating to the Company, any of its subsidiaries, affiliated companies or businesses, which shall have been obtained by the Executive during the Executive's employment by the Company. The foregoing shall not apply to information that (i) was known to the public prior to its disclosure to the Executive; (ii) becomes known to the public subsequent to disclosure to the Executive through no wrongful act of the Executive or any representative of the Executive; or (iii) the Executive is required to disclose by applicable law, regulation or legal process (provided that the Executive provides the Company with prior notice of the contemplated disclosure and reasonably cooperates with the Company at its expense in seeking a protective order or other appropriate protection of such information). Notwithstanding clauses (i) and (ii) of the preceding sentence, the Executive's obligation to maintain such disclosed information in confidence shall not terminate where only portions of the information are in the public domain.

(b) **NON-COMPETITION.** During the Executive's employment with the Company and during the Consulting Period, if any, the Executive shall not, directly or indirectly, whether as owner, consultant, employee, partner, venturer, agent, through stock ownership, investment of capital, lending of money or property, rendering of services, or otherwise, compete with the Company or any of its affiliates or subsidiaries in any business in which any of them is engaged while the Executive is employed with Company, including, without limitation, the

design, marketing, distribution and licensing of apparel, accessories and related consumer products (such businesses are hereinafter referred to as the "Business"), or assist, become interested in or be connected with any corporation, firm, partnership, joint venture, sole proprietorship or other entity which so competes with the Business. During the Consulting Period, if any, the restrictions imposed by this Section 9(b) shall not apply to any business in which the Company or its affiliates and subsidiaries were not engaged at the time of termination of the Executive's employment hereunder or to any geographic area in which the Company or its affiliates and subsidiaries were not engaged in the Business at the time of termination.

(c) **NON-SOLICITATION OF CUSTOMERS AND SUPPLIERS.** During the Executive's employment with the Company and during the Consulting Period, if any (and, in the event of a termination by the Company for Cause or by the Executive other than for Good Reason, for a period of twenty-four (24) months following the date of such termination), the Executive shall not, directly or indirectly, influence or attempt to influence customers or suppliers of the Company or any of its subsidiaries or their affiliates to divert their business to any business, individual, partner, firm, corporation or other entity that is then a direct competitor of the Company or its subsidiaries or their affiliates (each such competitor, a "Competitor of the Company"); provided, however, that if the Executive is employed by customers or suppliers of the Company following his termination of employment and such employment does not violate Section 9(b) hereof, the normal execution of his duties in connection with such employment shall not constitute a violation of this Section 9(c).

(d) **NON-SOLICITATION OF EMPLOYEES.**

(i) The Executive recognizes that he will possess confidential information about other employees of the Company and its subsidiaries or their affiliates relating to their education, experience, skills, abilities, compensation and benefits, and interpersonal relationships with customers of the Company and its subsidiaries or their affiliates.

(ii) The Executive recognizes that the information he will possess about these other employees is not generally known, is of substantial value to the Company and its subsidiaries in developing their business and in securing and retaining customers, and has been and will be acquired by him because of his business position with the Company and its subsidiaries.

(iii) The Executive agrees that, during the Executive's employment with the Company and for a period of twenty-four (24) months following the date of termination, he will not, directly or indirectly, solicit or recruit any employee of the Company or its subsidiaries or their affiliates for the purpose of being employed by him or by any Competitor of the Company on whose behalf he is acting as an agent, representative or employee and that he will not convey any such confidential information or trade secrets about other employees of the Company and its subsidiaries or their affiliates to any other person.

(e) **REMEDIES.** In the event of a breach or threatened breach of this Section 9, the Executive agrees that the Company shall be entitled to apply for injunctive relief in a court

of appropriate jurisdiction to remedy any such breach or threatened breach, the Executive acknowledging that damages would be inadequate and insufficient. Without limiting the foregoing and in addition to whatever other rights and remedies the Company may have at equity or in law, if the Executive breaches any of the provisions contained in this Section 9, all benefits and payments payable pursuant to Section 8 hereof shall cease.

10. **NO ASSIGNMENT.**

(a) This Agreement is personal to each of the parties hereto. Except as provided in Section 10(b) below, no party may assign or delegate any rights or obligations hereunder without first obtaining the written consent of the other party hereto.

(b) The Company may assign this Agreement to any successor to all or substantially all of the business and/or assets of the Company provided the Company shall require such successor to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place and shall deliver a copy of such assignment to the Executive.

11. **NOTICE.** For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given (a) on the date of delivery if delivered by hand, (b) on the date of transmission, if delivered by confirmed facsimile, (c) on the first business day following the date of deposit if delivered by guaranteed overnight delivery service, or (d) on the fourth business day following the date delivered or mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

At the address (or to the facsimile number) shown
on the records of the Company

If to the Company:

Guess?, Inc.
1444 South Alameda Street
Los Angeles, California 90021
Attention: General Counsel
Facsimile No.: (213) 744-7821

or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

12. **SECTION HEADINGS; INCONSISTENCY.** The section headings used in this Agreement are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Agreement. In the event of any inconsistency between this Agreement and any other agreement (including but not limited to any option, stock, long-term incentive or other equity award agreement), plan, program, policy or practice (collectively,

“Other Provision”) of the Company, the terms of this Agreement shall control over such Other Provision to the extent that the terms of this Agreement are more beneficial to the Executive.

13. **SEVERABILITY.** The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

14. **COUNTERPARTS.** This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instruments. One or more counterparts of this Agreement may be delivered by facsimile, with the intention that delivery by such means shall have the same effect as delivery of an original counterpart thereof.

15. **DISPUTE RESOLUTION.** In the event of any controversy, dispute or claim between the parties under, arising out of or related to this Agreement (including but not limited to, claims relating to breach, termination of this Agreement, or the performance of a party under this Agreement), other than with respect to relief sought by the Company at its option in a court of appropriate jurisdiction pursuant to Section 9(e) hereof, whether based on contract, tort, statute or other legal theory (collectively referred to hereinafter as “Disputes”), the parties shall follow the dispute resolution procedures set forth below. Any Dispute shall be settled exclusively by arbitration, conducted before a single arbitrator in Los Angeles, California, administered by the American Arbitration Association (“AAA”) in accordance with its Commercial Arbitration Rules then in effect. The parties agree to (i) appoint an arbitrator who is knowledgeable in employment and human resource matters and, to the extent possible, the industry in which the Company operates, and instruct the arbitrator to follow substantive rules of law; (ii) require the testimony to be transcribed; and (iii) require the award to be accompanied by findings of act and a statement of reasons for the decision. The arbitrator shall have the authority to permit discovery, to the extent deemed appropriate by the arbitrator, upon request of a party. The arbitrator shall have no power or authority to add to or detract from the written agreement of the parties. If the parties cannot agree upon an arbitrator within ten (10) days after demand by either of them, either or both parties may request the American Arbitration Association name a panel of five (5) arbitrators. The Company shall strike the names of two (2) off this list, the Executive shall also strike two (2) names, and the remaining name shall be the arbitrator. The parties shall stipulate that arbitration shall be completed within ninety (90) days. The decision of the arbitrator will be final and binding upon the parties hereto. Judgment may be entered on the arbitrator’s award in any court having jurisdiction. The Company shall bear the costs of the arbitrator and any related forum fee.

16. **INDEMNIFICATION.** The Company hereby agrees to indemnify the Executive in accordance with the indemnification provisions set forth in the Company’s Restated Certificate of Incorporation and Amended and Restated Bylaws, in each case as amended.

17. **LIABILITY INSURANCE.** The Company shall cover the Executive under directors and officers liability insurance both during and, while potential liability exists, after the term of this Agreement in the same amount and to the same extent as the Company covers its other officers and directors.

18. **MISCELLANEOUS.** No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and such officer or director as may be designated by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. This Agreement together with all exhibits hereto sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California without regard to its conflicts of law principles. Notwithstanding the foregoing, the Company's rights pursuant to any confidentiality, proprietary information, assignment of inventions or similar agreement shall survive and continue in effect.

19. **PAYMENT OF COMPENSATION.** Notwithstanding anything in this Agreement or elsewhere to the contrary:

(a) If payment or provision of any amount or other benefit that is "deferred compensation" subject to Section 409A of the Code at the time otherwise specified in this Agreement or elsewhere would subject such amount or benefit to additional tax pursuant to Section 409A(a)(1)(B) of the Code, and if payment or provision thereof at a later date would avoid any such additional tax, then the payment or provision thereof shall be postponed to the earliest date on which such amount or benefit can be paid or provided without incurring any such additional tax. In the event that deferred payment is required in order to comply with Section 409A, such payment shall be accumulated and paid in a single lump sum on such earliest date together with interest for the period of delay, compounded annually, equal to the prime rate (as published in The Wall Street Journal), and in effect as of the date the payment should otherwise have been provided.

(b) If any payment or benefit permitted or required under this Agreement, or otherwise, is reasonably determined by either party to be subject for any reason to a material risk of additional tax pursuant to Section 409A(a)(1)(B) of the Code, including when final regulations and issued thereunder, then the parties shall promptly agree in good faith on appropriate provisions to avoid such risk without materially changing the economic value of this Agreement to either party.

20. **FULL SETTLEMENT.** Except as set forth in this Agreement, the Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any circumstances, including without limitation, set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others, except to the extent any amounts are due the Company or its subsidiaries or affiliates pursuant to a judgment against the Executive. In no event shall the Executive be obliged to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement, nor shall the amount of any payment hereunder be reduced by any compensation earned by the Executive as a result of employment by another employer, except as set forth in this Agreement.

21. **REPRESENTATIONS.** Except as otherwise disclosed to the Company in writing, the Executive represents and warrants to the Company that the Executive has the legal right to enter into this Agreement and to perform all of the obligations on the Executive's part to be performed hereunder in accordance with its terms and that the Executive is not a party to any agreement or understanding, written or oral, which could prevent the Executive from entering into this Agreement or performing all of the Executive's obligations hereunder.

22. **WITHHOLDING.** The Company may withhold from any and all amounts payable under this Agreement such federal, state and local taxes as may be required to be withheld pursuant to any applicable law or regulation.

23. **NON-EXCLUSIVITY OF RIGHTS.** Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, bonus, incentive or other plan or program provided by the Company and for which the Executive may qualify, nor shall anything herein limit or otherwise affect such rights as the Executive may have under any restricted stock unit or other agreement with the Company or any of its affiliated companies. Except as otherwise provided herein, amounts and benefits which are vested benefits or which the Executive is otherwise entitled to receive under any plan, program, agreement or arrangement of the Company at or subsequent to the date of termination shall be payable in accordance with such plan or program.

24. **SURVIVAL.** The respective obligations of, and benefits afforded to, the Company and Executive that by their express terms or clear intent survive termination of Executive's employment with the Company, including, without limitation, the provisions of Sections 8, 9, 10, 15, 16, 17, 19, 20 and 22 of this Agreement, will survive termination of Executive's employment with the Company, and will remain in full force and effect according to their terms.

25. **AGREEMENT OF THE PARTIES.** The language used in this Agreement will be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction will be applied against any party hereto. Neither Executive nor the Company shall be entitled to any presumption in connection with any determination made hereunder in connection with any arbitration, judicial or administrative proceeding relating to or arising under this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

GUESS?, INC.

By: /s/ Paul Marciano

Name:

Paul
Marciano

Its: Chief Executive Officer

CARLOS ALBERINI

/s/ Carlos Alberini

APPENDIX A

CONSULTING AGREEMENT

CONSULTING AGREEMENT dated this th day of 20 by and between Guess?, Inc. (the “Company”) and Carlos Alberini (“Alberini”).

WITNESSETH:

WHEREAS, Alberini has served as the Company’s President and Chief Operating Officer;

WHEREAS, Alberini will no longer serve as the Company’s President and Chief Operating Officer (the effective date of such termination of service is referred to as the “Termination Date”) but has agreed to provide consulting services to the Company as the Board of Directors of the Company (the “Board”) may reasonably consider appropriate; and

WHEREAS, the parties desire to set forth their respective rights and obligations regarding Alberini’s consulting arrangement.

NOW, THEREFORE, in consideration of the covenants set forth herein and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties, intending to be legally bound, agree as follows:

1. Consulting Period. The Company agrees to retain Alberini as a consultant to provide the services described in Section 2 below from the Termination Date until the first anniversary of the Termination Date (the “Consulting Period”), as provided in this Consulting Agreement.
 2. Consulting Services. Alberini shall provide such consulting services to the Company as reasonably requested by the Board from time to time. These services may include but are not limited to performing any transition and integration services related to the Company’s business and cooperating with the Company regarding any litigation initiated involving matters of which Alberini has particular knowledge. Alberini agrees to be available up to seven days per month during the Consulting Period to perform the Consulting Services. The Consulting Services will be performed at such times as are reasonably requested by the Company after reasonable consultation with Alberini. Alberini shall provide these services in Los Angeles, California, provided that Alberini shall be required to travel for business and client meetings as reasonably requested by the Company.
 3. Fees. As compensation for the Consulting Services, the Company shall pay Alberini fifty percent of Alberini’s Base Salary as of the Termination Date per annum during the Consulting Period. Fees shall be paid monthly in arrears by the 15th day of the following month. Alberini shall not be entitled to participate, and shall not participate in any employee benefit plan providing benefits to Company employees, whether presently in force or adopted subsequent to this Consulting Agreement, with respect to his Consulting Services. Notwithstanding the
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foregoing, Alberini shall retain all compensation and benefits that continue past his Termination Date pursuant to the terms of his Employment Agreement with the Company dated August 5, 2007 or otherwise. All reasonable and necessary business expenses incurred by Alberini in the performance of the Consulting Services shall be promptly reimbursed by the Company in accordance with the Company's standard expense reimbursement policies applicable to independent contractors.

4. Status. Alberini acknowledges and agrees that his status at all times during the Consulting Period shall be that of an independent contractor. Alberini hereby waives any rights to be treated as an employee or deemed employee of the Company or any of its affiliates for any purpose following his termination of employment at the Termination Date except as provided under his Employment Agreement. The parties hereby acknowledge and agree that the compensation provided for in Section 3 shall represent fees for Consulting Services provided by Alberini as an independent contractor, and shall be paid without any deductions or withholdings for taxes.

5. Retained Property. During the Consulting Period, Alberini shall retain all property of the Company in his possession, including, but not limited to, credit cards, security key cards, telephone cards, car service cards, computer software or hardware, Company identification cards, Company records and copies of records, correspondence and copies of correspondence and other books or manuals issued by the Company.

6. Assignability. Alberini may not assign or transfer this Consulting Agreement or any of Alberini's rights, duties or obligations hereunder. The Company may assign this Consulting Agreement to any person or entity acquiring all or substantially all of the assets (by merger or otherwise) of the Company so long as such person, entity or affiliate assumes the Company's obligations hereunder.

7. Entire Agreement. This Consulting Agreement constitutes the full and complete understanding and agreement of the parties hereto with respect to engaging Alberini as a consultant to the Company. This Consulting Agreement may not be changed or amended orally, but only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification or discharge is sought.

8. Divisibility. If any one or more of the provisions of this Consulting Agreement or any application thereof shall be invalid, illegal or unenforceable in any respect, the validity, legality or enforceability of the remaining provisions and other application thereof shall not in any way be affected or impaired.

9. Applicable Law. This Consulting Agreement shall be governed by, and the rights and obligations of the parties determined in accordance with, the laws of the State of California as in effect for contracts made and to be performed in the State of California.

10. Survival. All of the Company's obligations hereunder shall survive the termination of this Consulting Agreement.

11. Counterparts. This Consulting Agreement may be executed in counterparts, each of which shall be deemed an original, all of which shall together constitute one and the same Consulting Agreement.

IN WITNESS WHEREOF, the undersigned have duly executed this Consulting Agreement as of the day and year first above written.

CARLOS ALBERINI

COMPANY

By: _____
Its: _____

RESTRICTED STOCK AGREEMENT

This **RESTRICTED STOCK AGREEMENT** (the "Agreement"), dated as of **August 6, 2007** (the "Date of Grant"), is entered into by and between GUESS?, INC., a Delaware corporation (the "Company"), and **Carlos Alberini** (the "Grantee").

RECITALS

WHEREAS, the Company maintains the Guess?, Inc. 2004 Equity Incentive Plan (the "Plan").

WHEREAS, the Compensation Committee of the Company's Board of Directors (the "Committee") has determined to grant a restricted stock award (the "Award") to the Grantee under the Plan in order to increase Grantee's participation in the success of the Company and as an inducement to enter into the Executive Employment Agreement dated as of August 6, 2007 by and between the Company and the Grantee (the "Employment Agreement");

NOW, THEREFORE, the parties hereto agree as follows:

1. **Definitions; Incorporation of Plan Terms.** Capitalized terms used herein without definition shall have the meanings assigned to them in the Plan. The Award and all rights of the Grantee under this Agreement are subject to, and the Grantee agrees to be bound by, all of the terms and conditions of the Plan, incorporated herein by this reference. In the event of any conflict or inconsistency between the Plan and this Award Agreement, the Plan shall govern.
 2. **Grant of Restricted Stock.** The Grantee shall be entitled to purchase **150,000** restricted shares of the Company's common stock, par value \$0.01 per share (the "Common Stock"), pursuant to the terms and conditions of this Agreement (the "Restricted Stock").
 3. **Purchase Price.** The Grantee shall pay to the Company, in cash, an aggregate purchase price of **\$1,500** (the "Purchase Price"), which amount is equal to the aggregate amount of the par value of the Restricted Stock. Such payment of the Purchase Price shall be made to the Company within 30 days after the date hereof.
 4. **Restricted Period.** Subject to Section 7 below, the Award shall vest and restrictions shall lapse as follows (the period from the date hereof through each applicable vesting date, the "Restricted Period"):
 - A. If, for the third and fourth fiscal quarters of the Company's 2008 fiscal year, considered together as one period (the "Second Half of Fiscal 2008"), or for any one of the four whole fiscal years of the Company ("Fiscal Year") commencing on or after February 3, 2008 during the Original Employment Term (as defined in the Employment Agreement), the Company shall record earnings per share ("Earnings per Share") growth of greater than the Applicable Annual Target (as defined below) as
-

compared to the same fiscal period from the immediately preceding Fiscal Year, then 20% of the Restricted Stock shall become vested as of the first business day following the issuance of the Company's financial statement for such period, provided the Grantee is then employed by the Company. If the Earnings per Share growth requirement is not met for any such period, all of the shares of the Restricted Stock eligible for vesting for that period shall vest on the first business day following the issuance of the Company's financial statement for any subsequent Fiscal Year during the Original Employment Term (as defined in the Employment Agreement) if the cumulative compounded average Earnings per Share growth from the Second Half of Fiscal 2008 through such subsequent Fiscal Year is more than the Applicable Cumulative Target (as defined below) for such subsequent Fiscal Year. The "Applicable Annual Target" for each of the Second Half of Fiscal 2008 and the first and second whole Fiscal Years that commences on or after February 3, 2008 is a growth in Earnings per Share of 15% or more as compared to the same fiscal period from the immediately preceding Fiscal Year. The "Applicable Cumulative Target" for each of the Second Half of Fiscal 2008 and the first and second whole Fiscal Years that commences on or after February 3, 2008 is a 15% rate of cumulative compounded average Earnings per Share growth. For the avoidance of doubt, the Applicable Cumulative Target for the first whole fiscal year commencing on February 3, 2008 shall be calculated by multiplying the sum of (A) the Company's actual Earnings per Share for the first and second fiscal quarters of the Company's 2008 Fiscal Year and (B) the Applicable Annual Target of Earnings per Share for the Second Half of Fiscal 2008, by 1.15. The "Applicable Annual Target" and the "Applicable Cumulative Target" for each of the third and fourth whole Fiscal Years that commences on or after February 3, 2008 will be a rate of Earnings per Share growth and cumulative compounded average Earnings per Share growth, respectively, determined by the Compensation Committee of the Board in its sole discretion not later than the end of the first quarter of such Fiscal Year; provided that the outcome is substantially uncertain at the time the Compensation Committee actually establishes each such target. The parties acknowledge and agree that the grant of Restricted Stock made hereby is intended to qualify as performance-based compensation that is exempt from the deductibility limitations of Section 162(m) of the Internal Revenue Code.

- B. For purposes of this Agreement, Earnings per Share shall be equal to the basic earnings per share calculated in accordance with accounting principles generally accepted in the United States and as reported in the Company's financial statements as filed with the Securities and Exchange Commission, except that certain adjustments may be made for certain non-recurring or unusual non-cash items recognized in accordance with accounting principles generally accepted in the United States including, but not limited to, any write-offs of unamortized deferred financing costs

and any asset impairment write-downs, which the Committee determines in its sole discretion to exclude for purposes of this Agreement.

5. Rights of a Stockholder. From and after the Date of Grant and for so long as the Restricted Stock is held by or for the benefit of the Grantee, the Grantee shall have all the rights of a stockholder of the Company with respect to the Restricted Stock, including but not limited to the right to receive dividends, if applicable, and the right to vote such shares.
6. Adjustments Upon Specified Events. Upon the occurrence of certain events relating to the Company's Common Stock contemplated by Section 16(b) of the Plan, the Committee will make adjustments, if appropriate, in the number and kind of securities subject to the Award. If any adjustment is made under Section 16(b) of the Plan, the restrictions applicable to the shares of Restricted Stock shall continue in effect with respect to any consideration or other securities (the "Restricted Property" and, for the purposes of this Award Agreement, "Restricted Stock" shall include "Restricted Property," unless the context otherwise requires) received in respect of such Restricted Stock. Such Restricted Property shall vest at such times in such proportion as the shares of Restricted Stock to which the Restricted Property is attributable. To the extent that the Restricted Property includes any cash (other than regular cash dividends provided for in Section 5 hereof), such cash shall be invested, pursuant to policies established by the Committee, in interest bearing, FDIC-insured (subject to applicable insurance limits) deposits of a depository institution selected by the Committee, the earnings on which shall be added to and become a part of the Restricted Property.
7. Effect of Cessation of Employment.
 - A. The shares of the Restricted Stock not yet vested or forfeited shall become 100% vested in the event that there is a Change in Control (as defined below), while the Grantee is employed by the Company or an affiliate during the Employment Term (as defined in the Employment Agreement). For this purpose, the term "Change in Control" is used as defined in the Plan except that in no event shall a "Change in Control" be triggered pursuant to clause (A) of such term as so defined unless the Acquiring Person becomes 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)) in one or more bona fide transactions and such level of ownership of such Common Stock or Combined Voting Power, as applicable, exceeds the aggregate level of ownership of the Marcianos (as defined below) of such Common Stock or Combined Voting Power, respectively. For purposes of the preceding sentence, "Marcianos" means Maurice Marciano, Paul Marciano, and any trust established in whole or in part for the benefit of one or more of

them or their family members, or any other entity controlled by one or more of them, and any other capitalized term used in such sentence is used as defined in the Equity Plan if not otherwise defined in this Agreement. If the Grantee terminates his employment with the Company for "Good Reason" (as defined in Section 7(e) of the Employment Agreement), or is terminated by the Company without "Cause" (as defined in Section 7(c) of the Employment Agreement), the shares of the Restricted Stock not yet vested or forfeited shall become 100% vested.

- B. In all events other than those previously addressed in Section 7(A) herein, if the Grantee ceases to be an employee of the Company or an affiliate, the Grantee shall be vested only as to that percentage of shares of the Restricted Stock which are vested at the time of the termination of his employment and the Grantee shall forfeit the right to the shares of the Restricted Stock which are not yet vested on the termination date. Further, any Restricted Stock which is unvested at the conclusion of the Original Employment Term (after the final vesting determination is made as described in Section 4(A) herein) shall be forfeited and terminate.
- C. Upon the occurrence of any forfeiture of shares of Restricted Stock hereunder, such unvested, forfeited shares and related Restricted Property shall be automatically transferred to the Company, without any other action by the Grantee, or the Grantee's beneficiary or personal representative, as the case may be, and the Company shall refund the Purchase Price to the Grantee (or the Grantee's beneficiary or personal representative); no additional consideration shall be paid by the Company with respect to such transfer. No interest shall be credited with respect to nor shall any other adjustments be made to the Purchase Price for fluctuations in the fair market value of the Common Stock either before or after the transfer date. The Company may exercise its powers under Section 10(D) hereof and take any other action necessary or advisable to evidence such transfer. The Grantee, or the Grantee's beneficiary or personal representative, as the case may be, shall deliver any additional documents of transfer that the Company may request to confirm the transfer of such unvested, forfeited shares and related Restricted Property to the Company.

8. Reserved.

9. Restrictions on Transfer. Prior to the lapse of the Restricted Period, neither the Restricted Stock, nor any interest therein, amount payable in respect thereof or Restricted Property shall be sold, transferred, pledged, hypothecated or otherwise disposed of by the Grantee; provided, however, that such transfer restrictions shall not apply to (i) transfers to the Company or (ii) transfers by will or descent and distribution. Grantee agrees that the Restricted Stock will not be sold or otherwise disposed of in any manner that would constitute a violation of any applicable federal or state securities laws.

10. 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 10(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 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 the lapse of restrictions 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:

“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 Agreement entered into between the registered owner and Guess?, Inc. A copy of such Agreement is on file in the office of the Secretary of Guess?, Inc.”
- C. *Delivery of Certificates Upon Lapse of Restricted Period.* Promptly after the lapse of the Restricted Period as to any shares of Restricted Stock pursuant to Section 4 and the satisfaction of any and all related tax withholding obligations pursuant to Section 11, the Company shall, as applicable, either remove the notations on any shares of Restricted Stock issued in book entry form which have vested or deliver to the Grantee a certificate or certificates evidencing the number of shares of Restricted Stock which have vested (or, in either case, such lesser number of shares as may be permitted pursuant to Section 11). The Grantee (or the Beneficiary or Personal Representative of the Grantee in the event of the Grantee’s death or incapacity, 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 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 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 Agreement and to execute such documents as the Company or such representatives deem necessary or advisable in connection with any such transfer.

- E. *Postponement of Issuance.* Notwithstanding any other provisions of this Agreement, the issuance or delivery of any shares of Common Stock (whether subject to restrictions or unrestricted) may be postponed for such period as may be required to comply with applicable requirements of any national securities exchange or any requirements under any law or regulation applicable to the issuance or delivery of such shares. The Company shall not be obligated to issue or deliver any shares of Stock if the issuance or delivery thereof shall constitute a violation of any provision of any law or of any regulation of any governmental authority or any national securities exchange.
11. Withholding of Tax. The Company shall reasonably determine the amount of any federal, state, local or other income, employment, or other taxes which the Company or any of its affiliates may reasonably be obligated to withhold with respect to the grant, vesting, making of an election under Section 83(b) of the Internal Revenue Code of 1986, as amended (the “Code”), or other event with respect to the Restricted Stock. The Company may, in its sole discretion, withhold and/or reacquire a sufficient number of shares of Restricted Stock in connection with the vesting of such shares at their then Fair Market Value (determined either as of the date of such withholding or as of the immediately preceding trading day, as determined by the Company in its discretion) to satisfy the amount of any such withholding obligations that arise with respect to the vesting of such shares. The Company may take such action(s) without notice to the Grantee and shall remit to the Grantee the balance of any proceeds from withholding and/or reacquiring such shares in excess of the amount reasonably determined to be necessary to satisfy such withholding obligations. The Grantee shall have no discretion as to the satisfaction of tax withholding obligations in such manner. If, however, the Grantee makes an election under Section 83(b) of the Code with respect to the Restricted Stock, if any other withholding event occurs with respect to the Restricted Stock other than the vesting of such stock, or if the Company for any reason does not satisfy the withholding obligations with respect to the vesting of the Restricted Stock as provided above in this Section 11, the Company shall be entitled to require a cash payment by or on behalf of the Grantee and/or to deduct from other compensation payable to the Grantee the amount of any such withholding obligations.
12. Compliance. Grantee hereby agrees to cooperate with the Company, regardless of Grantee’s employment status with the Company, to the extent necessary for the Company to comply with applicable state and federal laws and regulations relating to the Restricted Stock.
13. 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 on record with the Company or such other address as may be designated by Grantee in writing to the Company; or to the Company, Attention: Stock Plan Administrator, 1444 South Alameda Street, Los Angeles, California 90021, or such other address as the Company may designate in writing to the Grantee.

14. 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.
15. Governing Law. This Agreement shall be governed by and construed according to the laws of the State of Delaware.
16. Amendments. This Agreement may be amended or modified at any time by an instrument in writing signed by both parties.
17. Agreement Not a Contract of Employment. Neither the grant of the Restricted Stock, this Agreement nor any other action taken in connection herewith shall constitute or be evidence of any agreement or understanding, express or implied, that the Grantee is an employee of the Company or any subsidiary of the Company.
18. Committee's Powers. No provision contained in this Agreement shall in any way terminate, modify or alter, or be construed or interpreted as terminating, modifying or altering any of the powers, rights or authority vested in the Committee or, to the extent delegated, in its delegate pursuant to the terms of the Plan or resolutions adopted in furtherance of the Plan, including, without limitation, the right to make certain determinations and elections with respect to the Restricted Stock.
19. Section 83(b) Election. The Grantee hereby acknowledged 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 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.

20. Termination of this Agreement. Upon termination of this Agreement, all rights of the Grantee hereunder shall cease.

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: /s/ Deborah Siegel

Print Name: Deborah Siegel

Its: Secretary

GRANTEE

/s/ Carlos Alberini
Signature

Carlos Alberini
Print Name

Employee ID

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 quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officers 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 quarterly 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 quarterly 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 quarterly 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 officers 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 function):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal controls 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: September 10, 2007

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

I, Carlos Alberini, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Guess?, Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officers 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 quarterly 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 quarterly 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 quarterly 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 officers 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 function):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal controls 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: September 10, 2007

By: /s/ CARLOS ALBERINI
Carlos Alberini
President and Chief Operating Officer

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 quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officers 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 quarterly 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 quarterly 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 quarterly 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 officers 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 function):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal controls 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: September 10, 2007

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 August 4, 2007, 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; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 10, 2007

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, Carlos Alberini, President and Chief Operating 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 August 4, 2007, 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; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 10, 2007

By: /s/ CARLOS ALBERINI
Carlos Alberini
President and Chief Operating Officer

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 August 4, 2007, 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; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 10, 2007

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