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 October 1, 2005

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 an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes ☒ No ☐

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

Yes ☐ No ☒

As of November 4, 2005, the registrant had 44,506,630 shares of Common Stock, $.01 par value per share, outstanding.

GUESS?, INC.
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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)

		Oct. 1, 2005		Dec. 31, 2004
ASSETS				
Current assets:				
Cash and cash equivalents	$	138,891	$	106,003
Restricted cash		3,048		3,660
Receivables, net		103,806		53,915
Inventories, net		126,387		82,329
Prepaid expenses and other current assets		17,846		14,516
Deferred tax assets		10,600		10,600
Total current assets		400,578		271,023
Property and equipment, net		126,905		113,944
Goodwill		21,405		11,610
Long-term deferred tax assets		16,894		16,894
Other assets		20,229		10,833
	$	586,011	$	424,304
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Current installments of notes payable and long-term debt	$	38,164	$	13,430
Accounts payable		96,807		58,158
Accrued expenses		75,759		61,211
Total current liabilities		210,730		132,799
Notes payable and long-term debt, excluding current installments		45,027		41,396
Long-term deferred rent and lease incentives		27,967		25,282
Long-term deferred royalties		42,528		4,250
Other long-term liabilities		5,312		—
		331,564		203,727
Commitments and contingencies				
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 65,483,245 and 65,188,828 shares, outstanding 44,499,930 and 44,177,769 shares at October 1, 2005 and December 31, 2004, respectively		163		160
Paid-in capital		181,393		178,406
Deferred compensation		(1,382)		(1,093)
Retained earnings		225,759		192,748
Accumulated other comprehensive income		5,027		7,076
Treasury stock, 20,983,315 and 21,011,059 shares repurchased at October 1, 2005 and December 31, 2004, respectively		(156,513)		(156,720)
Total stockholders' equity		254,447		220,577
	$	586,011	$	424,304

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended		Nine Months Ended	
	Oct. 1, 2005	Sept. 25, 2004	Oct. 1, 2005	Sept. 25, 2004
Net revenue:				
Product sales	$ 251,695	$ 183,553	$ 624,802	$ 470,447
Net royalties	13,905	14,284	34,641	34,832
	265,600	197,837	659,443	505,279
Cost of product sales	151,162	122,583	396,304	319,705
Gross profit	114,438	75,254	263,139	185,574
Selling, general and administrative expenses	78,966	53,740	204,752	156,238
Earnings from operations	35,472	21,514	58,387	29,336
Other (income) expense:				
Interest expense	1,608	1,399	5,455	4,360
Interest income	(608)	(139)	(2,086)	(344)
	1,000	1,260	3,369	4,016
Earnings before income tax expense	34,472	20,254	55,018	25,320
Income tax expense	13,788	8,428	22,007	10,607
Net earnings	$ 20,684	$ 11,826	$ 33,011	$ 14,713
Earnings per share:				
Basic	$ 0.47	$ 0.27	$ 0.75	$ 0.33
Diluted	$ 0.46	$ 0.27	$ 0.74	$ 0.33
Weighted average shares outstanding:				
Basic	44,409	44,093	44,282	43,953
Diluted	45,162	44,620	44,817	44,515

See accompanying notes to condensed consolidated financial statements.

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

	Nine Months Ended	
	Oct. 1, 2005	Sept. 25, 2004
Cash flows from operating activities:		
Net earnings	$ 33,011	$ 14,713
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	24,065	26,002
Amortization of other assets	1,654	292
Loss (gain) on disposition of property and equipment	304	(278)
Other items, net	(2,359)	(412)
Changes in operating assets and liabilities:		
Restricted cash	612	582
Receivables	(3,078)	(26,107)
Inventories	(29,090)	(21,967)
Prepaid expenses and other assets	(691)	4,132
Accounts payable	21,746	9,305
Accrued expenses	4,483	11,438
Long-term deferred rent and lease incentives	2,685	2,421
Long-term deferred royalties	38,278	—
Net cash provided by operating activities	91,620	20,121
Cash flows from investing activities:		
Purchases of property and equipment	(37,441)	(21,788)
Proceeds from the disposition of property and equipment	2,531	1,020
Acquisition of European jeanswear licensee, net of cash acquired	(19,992)	—
Net cash used in investing activities	(54,902)	(20,768)
Cash flows from financing activities:		
Proceeds from notes payable and long-term debt	84,992	150,661
Repayments of notes payable and long-term debt	(91,648)	(157,226)
Issuance of common stock	2,908	3,122
Net cash used in financing activities	(3,748)	(3,443)
Effect of exchange rates on cash	(82)	(12)
Net increase (decrease) in cash and cash equivalents	32,888	(4,102)
Cash and cash equivalents at beginning of period	106,003	67,163
Cash and cash equivalents at end of period	$ 138,891	$ 63,061
Supplemental disclosures:		
Cash paid during the period for:		
Interest	$ 3,958	$ 3,750
Income taxes	23,275	8,707

See accompanying notes to condensed consolidated financial statements.

GUESS?, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
October 1, 2005
(unaudited)

(1) Basis of Presentation

In the opinion of management, the accompanying unaudited condensed consolidated financial statements of GUESS?, Inc. and its subsidiaries (the "Company") contain all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation of the condensed consolidated balance sheet as of October 1, 2005, and the condensed consolidated statements of operations for the three and nine months ended October 1, 2005 and September 25, 2004 and the condensed consolidated statements of cash flows for the nine months ended October 1, 2005 and September 25, 2004. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with Rule 10-01 of Regulation S-X of the Securities and Exchange Commission ("SEC"). Accordingly, they have been condensed and do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. The results of operations for the three and nine months ended October 1, 2005 are not necessarily indicative of the results of operations for the full fiscal year. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2004.

The Company's quarterly fiscal reporting period usually ends on the Saturday nearest the calendar quarter end and its year ends on December 31. The three months ended October 1, 2005 had the same number of days as the three months ended September 25, 2004. However, the nine months ended October 1, 2005 had 274 days compared to 269 days in the nine months ended September 25, 2004.

Certain reclassifications have been made to the prior years' condensed consolidated financial statements to conform to classifications used in the current year. These reclassifications had no impact on previously reported results.

(2) Summary of Significant Accounting Policies

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 and European businesses are included in selling, general and administrative expenses and amounted to $2.3 million and $2.1 million for the three months ended October 1, 2005 and September 25, 2004, respectively, and $5.8 million and $5.9 million for the nine months ended October 1, 2005 and September 25, 2004, respectively. The Company includes store selling, selling and merchandising, advertising, wholesale distribution costs, design and other corporate overhead costs as components of selling, general and administrative expenses.

Earnings Per Share

Basic earnings per share represents net earnings divided by the weighted-average number of common shares outstanding for the period. Diluted earnings per share represents net earnings divided by the weighted-average number of shares outstanding, inclusive of the dilutive impact of stock options. For the three and nine months ended October 1, 2005 and September 25, 2004, the difference between basic and diluted earnings per share was due to the potential dilutive impact of options to purchase common stock and was not significant. Options to purchase 82,577 shares of common stock at prices ranging from $22.26 to $27.31 during the three months ended October 1, 2005, options to purchase 334,267 shares of common stock at prices ranging from $16.10 to $27.31 during the three months ended September 25, 2004, options to purchase 296,075 shares of common stock at prices ranging from $17.36 to $27.31 during the nine months ended October 1, 2005 and options to purchase 1,029,699 shares of common stock at prices ranging from $15.59 to $27.31 during the nine months ended September 25, 2004 were not included in the computation of diluted earnings per share because the exercise prices were greater than the average market price of the common stock during such respective periods and therefore such options would be anti-dilutive.

Business Segment Reporting

The business segments of the Company are retail, wholesale, European and licensing. Information relating to these segments is summarized in Note 6. In the first quarter of 2005, the Company revised its segment reporting to include its European operations as a separate segment (see Note 9). The Company believes this segment reporting better reflects how its four business segments — retail, wholesale, European and licensing — are managed and each segment's performance is evaluated. The European segment includes both wholesale and retail operations in Europe. 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 licensing segment includes the worldwide licensing operations of the Company. All amounts for 2003 and 2004 have been revised to conform to the 2005 presentation and are included in Note 6. 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 corporate costs: information technology, human resources, accounting and finance, executive compensation, facilities and legal.

Comprehensive Income

Comprehensive income consists of net earnings, unrealized gain (loss) on investments available for sale and foreign currency translation adjustments. A reconciliation of comprehensive income for the three and nine-month periods ended October 1, 2005 and September 25, 2004 is as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	Oct. 1, 2005	**Sept. 25, 2004**	**Oct. 1, 2005**	**Sept. 25, 2004**
Net earnings	$ 20,684	$ 11,826	$ 33,011	$ 14,713
Unrealized gain (loss) on investments, net of tax	6	(127)	(124)	(1)
Foreign currency translation adjustment	872	(965)	(1,925)	(269)
Comprehensive income	$ 21,562	$ 10,734	$ 30,962	$ 14,443

Employee Stock Options

The Company has stock-based employee compensation plans. The Company accounts for those plans under the recognition and measurement principles of APB Opinion No. 25 ("APB 25"), "Accounting for Stock Issued to Employees," and related interpretations. No stock-based employee compensation cost for stock options is reflected in net earnings, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. In addition, no compensation expense is recognized for common stock purchases under the Employee Stock Purchase Plan. The Company records compensation expense related to its restricted stock awards at the market price of the underlying stock on the date of grant as unearned compensation and amortizes this amount to expense over the vesting period.

On June 20, 2005, the Compensation Committee and the Board of Directors approved the immediate acceleration of vesting of options to purchase 375,000 shares of common stock of the Company, of which 187,500 were held by each of Maurice Marciano and Paul Marciano, Co-Chairmen of the Board and Co-Chief Executive Officers. The accelerated stock options, which were originally granted on February 26, 2004 under the Company's 1996 Equity Incentive Plan, have an exercise price of $15.59 per share. The closing price of the Company's common stock on the New York Stock Exchange on the date of acceleration was $17.36 per share.

The purpose of the accelerated vesting was to enable the Company to avoid recognizing compensation expense associated with these options in future periods in its income statement, as would be required beginning January 1, 2006 under the recently issued Financial Accounting Standards Board ("FASB") Statement No. 123 (revised 2004) ("SFAS 123R"), "Share-Based Payments." The resulting amount that will not be required to be expensed by the Company is expected to be approximately $3.0 million over the course of the original vesting period, $1.2 million of which would have been for fiscal year 2006. Incremental expense of $3.9 million associated with the acceleration was included in the nine months ended October 1, 2005 pro forma disclosure presented in the following table. The Company strongly believes that given the existing substantial share ownership of Maurice Marciano and Paul Marciano in the Company, accelerating the vesting of these options will have no impact with respect to their retention.

The following table illustrates the effect on net earnings and earnings per share as if the Company had applied the fair value recognition provisions of FASB Statement No. 123, "Accounting for Stock-Based Compensation," as amended, to stock-based employee compensation (in thousands, except per share data):

	Three Months Ended		Nine Months Ended	
	Oct. 1, 2005	Sept. 25, 2004	Oct. 1, 2005	Sept. 25, 2004
Net earnings, as reported	$ 20,684	$ 11,826	$ 33,011	$ 14,713
Add: Stock-based employee compensation expense included in reported net earnings, net of related tax effects	173	174	462	420
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(616)	(782)	(3,879)	(2,267)
Pro forma net earnings	$ 20,241	$ 11,218	$ 29,594	$ 12,866
Earnings per share:				
Basic—as reported	$ 0.47	$ 0.27	$ 0.75	$ 0.33
Basic—pro forma	$ 0.46	$ 0.25	$ 0.67	$ 0.29
Diluted—as reported	$ 0.46	$ 0.27	$ 0.74	$ 0.33
Diluted—pro forma	$ 0.45	$ 0.25	$ 0.66	$ 0.29

The fair value of stock options used to compute pro forma net earnings and earnings per common share disclosures is the estimated value at the grant date using the Black-Scholes option-pricing model.

New Accounting Standards

In November 2004, the FASB issued SFAS No. 151 ("SFAS 151"), "Inventory Costs, an amendment of ARB No. 43, Chapter 4." SFAS 151 clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage) and requires that those items be recognized as current-period charges. SFAS 151 also requires that allocation of fixed production overhead to the costs of conversion be based on the normal capacity of the production facilities. SFAS 151 is effective for fiscal years beginning after June 15, 2005. The adoption of SFAS 151 is not expected to have a significant impact on the Company's consolidated financial position or results of operations.

In December 2004, the FASB issued SFAS 123R, which requires that companies recognize the grant-date fair value of stock options and other equity-based compensation issued to employees as an expense in the income statement. SFAS 123R generally requires that companies account for those transactions using the fair-value-based method, and eliminates using the intrinsic value method of accounting in APB 25. SFAS 123R is effective for the Company beginning with the first quarter of 2006. In March 2005, the SEC issued Staff Accounting Bulletin No. 107, which provides the staff's views regarding the interaction between SFAS 123R and certain SEC rules and regulations and provides the staff's views regarding the valuation of share-based payments arrangements for public companies. Although the pro forma effects of applying the original SFAS 123 (as set forth under "Employee Stock Options" in this Note 2) may be indicative of the effects of adopting SFAS 123R, the provisions of these two statements differ in some important respects. The actual effects of adopting SFAS 123R will be dependent on numerous factors including, but not limited to, the valuation model chosen by the Company to value stock-based awards; the assumed award forfeiture rate; the accounting policies adopted concerning the method of recognizing the fair value of awards over the service period; and the transition method chosen for adopting SFAS 123R. The Company is currently evaluating option valuation methodologies and assumptions in light of SFAS 123R.

In March 2005, the FASB issued FASB Interpretation No. 47 ("FIN 47"), "Accounting for Conditional Asset Retirement Obligations," which is an interpretation of SFAS No. 143 ("SFAS 143"), "Accounting for Asset Retirement Obligations." FIN 47 clarifies terminology within SFAS 143 and requires an entity to recognize a liability for the fair value of a conditional asset retirement obligation when incurred if the liability's fair value can be reasonably estimated. FIN 47 is effective for fiscal years ending after December 15, 2005. The Company does not anticipate that the adoption of FIN 47 will have a material impact on its consolidated financial statements.

In June 2005, the Emerging Issues Task Force ("EITF") issued EITF Issue 05-6, "Determining the Amortization Period for Leasehold Improvements Purchased after Lease Inception or Acquired in a Business Combination". The EITF reached a consensus that the amortization period for leasehold improvements acquired in a business combination or acquired subsequent to lease inception should be based on the lesser of the useful life of the leasehold improvements or the period of the lease including all renewal periods that are reasonably assured of exercise at the time of the acquisition. This consensus is consistent with the Company's policy regarding leasehold improvements.

In October 2005, the FASB issued FASB Staff Position ("FSP") No. FAS 13-1 ("FSP13-1"), "Accounting for Rental Costs Incurred during the Construction Period," which requires that rental costs associated with ground or building operating leases that are incurred during a construction period be recognized as rental expense. These rental costs shall be included in income from continuing operations. The effective date of this FSP guidance is the first reporting period beginning after December 15, 2005. Early adoption is permitted for financial statements or interim financial statements that have not yet been issued. The Company is currently evaluating the impact of FSP 13-1 on its consolidated financial statements.

(3) Accounts Receivable

Accounts receivable consists of trade receivables, net of reserves aggregating $9,305,000 and $8,678,000, at October 1, 2005 and December 31, 2004, respectively, and royalty receivables, less allowance for doubtful accounts of $650,000 and $709,000, at October 1, 2005 and December 31, 2004, respectively.

(4) Inventories

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

	Oct. 1, 2005	Dec. 31, 2004
Raw materials	$ 7,998	$ 9,089
Work in progress	5,076	2,431
Finished goods — Europe	19,770	5,932
Finished goods — Retail	76,252	51,887
Finished goods — Wholesale	17,291	12,990
	$ 126,387	$ 82,329

As of October 1, 2005 and December 31, 2004, reserves to write-down inventories to the lower of cost or market totaled $8.1 million and $5.4 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.

(6) Segment Information

The Company's reportable business segments and respective accounting policies of the segments are the same as those described in Note 2. Management evaluates segment performance based primarily on revenues and earnings (loss) from operations. Corporate overhead, interest income and interest expense are evaluated on a consolidated basis and are not allocated to the Company's business segments.

Net revenue and earnings (loss) from operations are summarized as follows for the three and nine-month periods ended October 1, 2005 and September 25, 2004 (in thousands):

	Three Months Ended		Nine Months Ended	
	Oct 1, 2005	Sept. 25, 2004	Oct. 1, 2005	Sept. 25, 2004
Net revenue:				
Retail operations	$ 156,332	$ 132,133	$ 405,735	$ 346,905
Wholesale operations	30,955	34,112	88,101	87,415
European operations	64,408	17,308	130,966	36,127
Licensing operations	13,905	14,284	34,641	34,832
	$ 265,600	$ 197,837	$ 659,443	$ 505,279
Earnings (loss) from operations:				
Retail operations	$ 18,777	$ 12,743	$ 28,826	$ 23,611
Wholesale operations	1,776	(741)	4,182	(6,687)
European operations	16,911	4,580	27,911	9,363
Licensing operations	7,861	12,130	24,911	28,178
Corporate overhead	(9,853)	(7,198)	(27,443)	(25,129)
	$ 35,472	$ 21,514	$ 58,387	$ 29,336

The European operations segment includes net revenue and earnings from the acquired European jeanswear licensee commencing from the acquisition date of January 3, 2005. See Note 9 for details on the acquisition. In 2004, licensing income from the licensee was included in the licensing operations segment. Net revenues of the acquired business for the three and nine-month periods ended October 1, 2005 were $33,513 and $67,156, respectively. Earnings from operations for the acquired business for the same periods were $6,987 and $10,702, respectively. Licensing income in the acquired business included in the licensing operations segment for the three and nine-month periods ended September 25, 2004 were $989 and $4,141, respectively.

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.

All amounts for the years ended December 31, 2004 and 2003, and for each quarter of 2004, have been revised as follows to conform to the new segment reporting described in Note 2 (in thousands):

	First Quarter Ended Mar 27, 2004	Second Quarter Ended Jun 26, 2004	Third Quarter Ended Sep 25, 2004	Fourth Quarter Ended Dec 31, 2004	Year Ended December 31, 2004	Year Ended December 31, 2003
Net revenue:						
Retail operations	$ 99,524	$ 115,248	$ 132,133	$ 171,950	$ 518,855	$ 447,693
Wholesale operations	28,089	25,214	34,112	32,977	120,392	124,232
European operations	14,792	4,027	17,308	6,646	42,773	24,881
Licensing operations	10,940	9,608	14,284	12,410	47,242	39,779
	$ 153,345	$ 154,097	$ 197,837	$ 223,983	$ 729,262	$ 636,585
Earnings (loss) from operations:						
Retail operations	$ (1,678)	$ 12,546	$ 12,743	$ 24,177	$ 47,788	$ 32,370
Wholesale operations	(1,194)	(4,752)	(741)	1,122	(5,565)	(12,008)
European operations	5,291	(508)	4,580	(1,615)	7,748	3,032
Licensing operations	8,983	7,065	12,130	9,544	37,722	32,281
Corporate overhead	(8,793)	(9,138)	(7,198)	(7,082)	(32,211)	(35,075)
	$ 2,609	$ 5,213	$ 21,514	$ 26,146	$ 55,482	$ 20,600

(7) Long-Term Debt

On September 27, 2002, the Company entered into a credit facility led by Wachovia Securities, Inc., as arranger and administrative agent ("Credit Facility"). The Credit Facility has a term of four years and provides for a maximum line of credit of $85 million, including an amount made available to the Company's Canadian subsidiaries under a separate credit agreement (currently $15 million). The Credit Facility includes a $47.5 million sub-limit for letters of credit. Borrowings available under the Credit Facility are subject to a borrowing base and outstanding borrowings are secured by inventory, accounts receivable and substantially all other personal property of the borrowers.

For borrowings under the Credit Facility, the Company may elect an interest rate based on either the Prime Rate or a Eurodollar rate plus a margin, which fluctuates depending on availability under the Credit Facility and the Company's financial performance as measured by a cash flow test. This margin ranges from 0 to 75 basis points for Prime Rate loans and from 175 to 250 basis points for Eurodollar rate loans. Monthly commitment fees for unused borrowings up to $60 million under the Credit Facility are 37.5 basis points per annum. The Credit Facility requires the Company to maintain a minimum tangible net worth, as defined, if excess availability under the Credit Facility is less than $20 million. The agreement also restricts the payment of dividends by the Company, the incurrence of certain indebtedness and certain loans, and investments other than capital expenditures.

On December 30, 2004, the Company and certain of its affiliates entered into an amendment to the Credit Facility. The amendment, among other things, (i) increased to $55 million the aggregate amount of letters of credit that may be outstanding under the loan agreement, and limited the amount of letters of credit that may be issued in currencies other than U.S. dollars to $35 million, (ii) permitted the acquisition by the Company and its affiliates of the remaining shares of capital stock not then owned by the Company and its affiliates of Maco Apparel S.p.A. ("Maco"), a former licensee of the Company, and (iii) permitted the guarantee of certain indebtedness by the Company and its affiliates in connection with the acquisition. The documents covering the Canadian portion of the Credit Facility were also amended to permit the actions described in clauses (ii) and (iii) above. At October 1, 2005, the Company had $1.9 million in outstanding borrowings under the Credit Facility, $10.9 million in outstanding standby letters of credit, $14.0 million in outstanding documentary letters of credit, and approximately $46.9 million available for future borrowings.

On April 28, 2003, Guess? Royalty Finance LLC, an indirect wholly-owned subsidiary of the Company (the "Issuer"), issued in a private placement $75 million of 6.75% asset-backed notes due June 2012 ("Secured Notes"). The Secured Notes are secured by rights and interests in receivables generated from specific license agreements of specified GUESS? trademarks and all royalty monies payable or becoming payable under such license agreements, and a security interest in specified assets consisting primarily of such GUESS? trademarks and the specified license agreements. The Secured Notes obligate the Issuer to pay interest and amortize principal quarterly. Payment of principal and interest on the Secured Notes is guaranteed by Guess? IP Holder L.P. ("IP Holder"), an indirect wholly owned subsidiary of the Company, which is the owner of substantially all of the Company's domestic and many of the Company's foreign trademarks. Under the terms of the Secured Notes, the Issuer, IP Holder and the applicable indenture trustee have each agreed that none of them will take any action that would result in a material breach or impairment of any of the rights of any licensee under any license of the trademarks held by IP Holder, including the concurrent license of such trademarks back to the Company. The Secured Notes are subject to an interest reserve account in an amount equal to the greater of (1) the product of the interest rate and the outstanding principal amount or (2) $1,750,000. At October 1, 2005, the Company had approximately $3.0 million of restricted cash related to the interest reserve. The net proceeds, after interest reserve and expenses, of approximately $66.8 million, along with available cash and borrowings under the Credit Facility, were used to repay the Company's then outstanding 9½% Senior Subordinated Notes due August 2003. The Company redeemed the 9½% Senior Subordinated Notes on May 27, 2003. At October 1, 2005, the Company had $45.1 million outstanding under the Secured Notes, of which $31.7 million is classified as long term debt.

The Company's European operation had term loans with four banks totaling $17.3 million at October 1, 2005 with a weighted average annual interest rate of 3.4% for the nine months ended October 1, 2005. Of this amount, $13.3 million is classified as long term debt. Three of these loans are unsecured and have no financial ratio covenants. Their interest rates vary by bank but are either the Euribor six-month rate plus 1.5% or the Euribor three-month rate plus 1.5%. Depending on the bank, these three loans mature between April 2008 and January 2010 and require principal and interest payments monthly, quarterly or semi-annually. One term loan requires principal and accrued interest to be paid semi-annually beginning in January 2006 and ending in July 2010, provides for interest at the Euribor six-month rate plus 1.35% and contains certain financial ratio covenants. All four term loans are denominated in Euros.

(8) Bank Borrowing Agreements

The Company's European operation maintains short-term borrowing agreements, primarily for working capital purposes, with various banks in Italy. Under these agreements, the Company can borrow up to $68.1 million with annual interest rates ranging from 3.0% to 4.5%. At October 1, 2005, the Company had $18.9 million of borrowings outstanding under these agreements with a weighted average annual interest rate of 3.7%. These agreements are denominated in Euros, have no financial ratio covenants and are secured by accounts receivable, except for one borrowing agreement which is secured by an $8.4 million standby letter of credit issued under the Company's Credit Facility.

(9) Acquisition of Maco Apparel S.p.A.

During the first quarter of 2005, the Company and its wholly-owned subsidiary, Guess Italia S.r.l. ("Guess Italia") (collectively, the "Purchasers"), completed the acquisition of the remaining 90% of Maco the Company did not already own from Fingen S.p.A. and Fingen Apparel N.V. (collectively, the "Sellers"), as well as the assets and leases of nine retail stores in Europe. Since 1997, Maco was the Italian licensee of GUESS jeanswear for men and women in Europe. The agreement included the purchase of inventory and receivables, the assumption of certain liabilities, the repayment of debt and the transfer of leases for the GUESS retail locations. The results of operations for Maco and the acquired retail stores have been included in the condensed consolidated financial statements since January 3, 2005.

The total purchase price for the Maco shares and retail stores was $21.0 million plus the assumption of $44.9 million in debt. In the first quarter of 2005, the Company paid $15.7 million of the purchase price and refinanced $44.9 million of the outstanding debt of Maco. In the second quarter of 2005, the Company paid an additional $1.2 million of the purchase price. The remaining purchase price of $4.1 million is included in liabilities and is payable in $0.5 million installments on each January 30 and June 30 through June 30, 2009.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition. The allocation of the purchase price is preliminary and is therefore still subject to adjustments based on fair value appraisal information (in thousands):

		Jan. 1, 2005
Current assets	$	72,883
Property and equipment, net		1,657
Intangible assets		12,386
Goodwill		9,795
Total assets acquired		96,721
Current liabilities		(56,234)
Long-term liabilities		(19,529)
Total liabilities assumed		(75,763)
Net assets acquired, including cash of $966	$	20,958

The $12.4 million of acquired intangible assets are lease acquisition costs and are subject to amortization. The acquired intangible assets have a weighted-average useful life of approximately five years. The goodwill of $9.8 million is included in the European operations segment.

(10) Related Party Transactions

During the first quarter of 2005, the Company, through a wholly-owned Canadian subsidiary, began leasing a warehouse and administrative facilities in Montreal, Quebec from a partnership affiliated with Maurice Marciano and Paul Marciano. The lease has a term of 10 years with initial lease payments of approximately $530,000 Canadian per year. The Company and the lessors entered into a written lease agreement during the second quarter of 2005. Total rent expense was $381,000 Canadian in the nine months ended October 1, 2005. The Company believes the related party lease has not been significantly affected by the fact that the Company and the lessors are related.

The Company entered into an agreement with MPM Financial, LLC, a California limited liability company ("MPM Financial") owned by an affiliated trust of Maurice Marciano and Paul Marciano, to periodically charter an aircraft owned by MPM Financial and managed pursuant to an Aircraft Charter and Management Services Agreement dated December 31, 2004 by and between MPM Financial and The Air Group, Inc. ("The Air Group"), an independent third party. Under the charter arrangement, the Company was entitled to receive a ten percent discount from the standard hourly charter rates The Air Group charges for the aircraft to unrelated third parties. The Company and MPM Financial have terminated the agreement and the Company intends to enter into an agreement directly with The Air Group on substantially similar terms.

(11) Commitments and Contingencies

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 purports 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. No trial date has been set.

Most major corporations, particularly those operating retail businesses, become involved from time to time in a variety of employment-related claims and other matters incidental to their business. In the opinion of our management, the resolution of the above matter or any of these pending incidental matters is not expected to have a material adverse effect on our consolidated results of operations or financial condition; however, we cannot predict the outcome of these matters.

(12) Employee Stock Purchase Plan

In January 2002, the Company established a qualified employee stock purchase plan ("ESPP"), the terms of which allow for qualified employees (as defined) to participate in the purchase of designated shares of the Company's common stock at a price equal to 85% of the lower of the closing price at the beginning or end of each quarterly stock purchase period. The ESPP is a straight purchase plan and is not subject to any holding period, however all Company employees are subject to the terms of the Company's securities trading policy which generally prohibits the purchase or sale of any Company securities during the two weeks before the end of each fiscal quarter through two days after the public announcement by the Company of its earnings for that period. On January 23, 2002, the Company filed with the Securities and Exchange Commission a Registration Statement on Form S-8 registering 2,000,000 shares of common stock for the ESPP.

During the nine months ended October 1, 2005, 27,744 shares of the Company's common stock were issued pursuant to the ESPP at an average price of $13.05 per share.

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

IMPORTANT NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This Form 10-Q contains certain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). Forward-looking statements may also be contained in the Company's other reports filed under the Exchange Act, 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.

Forward-looking statements generally relate to future events or future financial performance, and include statements dealing with current plans, intentions, objectives, beliefs and expectations. Some forward-looking statements can be identified by terminology such as "may," "will," "should," "expects," "plans," "intends," "anticipates," "believes," "estimates," "predicts," "potential," "optimistic," "aims," or "continues" or the negative of such terms or other comparable terminology. Certain statements in this Form 10-Q, including but not limited to those relating to the Company's expected results, the accuracy of data relating to, and anticipated levels of, its future inventory and gross margins, its anticipated cash requirements and sources, and its business seasonality, are forward-looking statements.

Forward-looking statements are only expectations and involve known and unknown risks and uncertainties which may cause actual results in future periods and other future events to differ materially from what is currently anticipated. Factors which may cause actual results in future periods to differ from current expectations include, among other things, the continued desirability and customer acceptance of existing and future product lines (including licensed product lines), the successful integration of acquisitions, new stores and new licensees into existing operations, possible cancellations of wholesale orders, the success of competitive products, the continued availability of adequate sources of capital, general economic conditions, acts of terrorism or acts of war, government regulation, currency fluctuations and possible future litigation. In addition to these factors, the economic and other factors identified in the Company's most recent annual report on Form 10-K for the fiscal year ended December 31, 2004, including but not limited to the risk factors discussed therein, could affect the forward-looking statements contained herein and in the Company's other public documents.

Summary

We derive our net revenue from the sale of GUESS? men's and women's apparel, MARCIANO women's apparel and our licensees' products through our network of retail and factory outlet stores primarily in the United States and Canada, from the sale of GUESS? men's and women's apparel worldwide to wholesale customers and distributors, from net royalties from worldwide licensing activities, from the sale of GUESS? apparel through the wholesale channels of our 100% owned Canadian subsidiary, GUESS? Canada Corporation ("GUESS Canada"), our 100% owned Italian subsidiary, GUESS? Italia, S.r.l., and from the sale of GUESS? and MARCIANO apparel and our licensee products through our on-line stores at www.guess.com, www.guessfactory.com and www.marciano.com.

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.

The Company's quarterly fiscal reporting period usually ends on the Saturday nearest the calendar quarter end and its year ends on December 31. The three months ended October 1, 2005 had the same number of days as the three months ended September 25, 2004. However, the nine months ended October 1, 2005 had 274 days compared to 269 days in the nine months ended September 25, 2004.

The Company reports comparable store sales 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 or relocation results in a square footage change of more than 15%, the store is removed from the comparable store base until it has been opened at its new size or in its new location for 13 full months.

Executive Summary

During the third quarter of 2005, the Company reported record revenues and record earnings. Earnings per diluted share increased by 70% to $0.46 per share from $0.27 per share in the year ago period. Our overall Company revenues grew by 34.3% to $265.6 million in the third quarter of 2005 from $197.8 million in last year's third quarter, with our retail and European businesses contributing to this growth. Net earnings of the Company increased 74.9% in the third quarter of 2005 to $20.7 million compared with net earnings of $11.8 million in the third quarter of 2004. Our retail, European and wholesale segments posted better operating results during the period. Reported licensing segment earnings for the period included a performance-based compensation expense of $4.6 million, or $2.7 million after tax, or $0.06 per diluted share. There was no corresponding expense in the prior year period.

The gross margin (gross profit as a percentage of total net revenues) increased by 510 basis points to 43.1% as compared to 38.0% in the same period of 2004. Our retail and European operations, as well as wholesale to a lesser extent, contributed positively to the change in the gross margin rate. The SG&A rate this quarter was 29.7% of net revenues, a 250 basis point increase from our SG&A rate of 27.2% in the same quarter in 2004, of which 170 basis points was due to the effect of the performance-based compensation expense in our licensing business.

We ended the quarter with $141.9 million in cash and restricted cash versus $67.0 million a year ago. During 2005 we have successfully renegotiated license agreements for certain product categories including watches, handbags and eyewear. The renewal terms call for certain fixed, cash rights payments which are over-and-above our normal, ongoing royalty payments. This year we have received $42.7 million, most of which was collected in the third quarter. In addition, the watch, handbag and eyewear agreements provide for future payments of $50 million to be collected between now and 2012, of which $35.0 million is scheduled for 2012. Accounts receivable increased by $45.1 million from a year ago to $103.8 million due to the growth of our European business, including the effect of the acquisition of our former jeanswear licensee in Europe in the first quarter of 2005. Receivables for our European business totaled $67.7 million at October 1, 2005 versus $19.6 million a year ago. Of this amount, approximately 30% is insured for collection purposes. We closed the quarter with $126.4 million of inventory compared to $105.5 million at the end of the 2004 third quarter, an increase of $20.9 million. This change was attributable primarily to our European business, where inventories increased by $16.9 million. Average inventory per comparable store (refer to description of comparable store earlier in the Summary) in North America for the third quarter declined by about 2% versus the prior year period, despite a comparable store sales increase of 8.9%. Our debt levels increased to $83.2 million from $61.5 million at September 25, 2004, with our European debt increasing by $32.9 million and our domestic long-term debt declining by $13.1 million. Since the end of the first quarter 2005, our debt in Europe has been reduced by $18.8 million.

In the first quarter of 2005, the Company revised its segment reporting to include its European operations as a separate segment. The Company believes this segment reporting better reflects how its four business segments — retail, wholesale, European and licensing — are managed and how each segment's performance is evaluated. The European segment includes both wholesale and retail operations in Europe. 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 licensing segment includes the worldwide licensing operations of the Company.

Our retail segment, which includes full-priced and factory outlet stores in the U.S. and Canada, and E-commerce, generated net sales of $156.3 million during the third quarter of 2005, an increase of 18.3% from $132.1 million in the prior-year third quarter. In the U.S. and Canada, the growth was driven by a comparable store sales increase of 8.9% and a larger store base, which represented a 9.3% increase in average square footage compared to the same period last year. The comparable store sales increase reflects the favorable results of the young contemporary women's, men's and MARCIANO apparel lines and our accessories business. Earnings from operations for the retail segment increased to $18.8 million in the third quarter of 2005 from $12.7 million in the third quarter of 2004.

We ended the third quarter with a total of 305 stores in the U.S. and Canada, of which 187 were full priced retail stores, 95 were factory outlet stores and 23 were new concept stores, which include 12 MARCIANO stores and 11 Accessories stores. This compares to 269 stores a year ago, including 182 full priced retail stores, 79 factory outlet stores, four kids stores, three MARCIANO stores and one Accessories store. During the quarter, we opened two retail stores, one factory outlet store, three new concept stores, and closed two stores. All stores in the U.S. and Canada are owned and operated by the Company. Internationally, the Company owns 13 stores. All other international stores, totaling 273 as of October 1, 2005, are operated by our licensees or distributors.

In the wholesale segment, which includes our wholesale operations in the U.S., Canada and internationally, excluding Europe, third quarter 2005 revenues decreased 9.3% to $31.0 million from $34.1 million in the prior year period, mainly due to reduced off-price sales. Domestically, our products were sold in approximately 970 doors at the end of the third quarter of 2005 versus approximately 930 doors a year ago. Earnings from operations for the wholesale segment in the third quarter of 2005 increased to a profit of $1.8 million from a loss of $0.7 million in the 2004 third quarter. Our clean inventory position, which resulted in reduced sales of excess product in the off-price channel, and lower expenses contributed to this operating earnings improvement.

In our European segment, net revenues in the third quarter of 2005 increased $47.1 million to $64.4 million from $17.3 million in the same period last year. Revenues from operations from our newly acquired European business accounted for $33.5 million of the $47.1 million increase for the quarter. Earnings from operations from our European segment increased to $16.9 million for the third quarter of 2005 from $4.6 million in the prior year period, primarily due to our recent European acquisition,which had earnings of $7.0 million in the current year period.

Our licensing business continues to deliver solid performance. For the period, the revenue growth for this segment, excluding the European business we acquired, was almost 5%. For reporting purposes, licensing revenues were reduced by $1.0 million as a result of the acquisition of our European jeanswear licensee in January 2005, since these sales are now classified as revenues for the European segment. As a result, our reported licensing revenues were down about 2.7% for the period. Operating earnings in our licensing segment decreased by $4.2 million to $7.9 million this quarter from $12.1 million in last year's third quarter. These earnings are net of a performance-based compensation expense of $4.6 million related in part to the negotiation and successful extension of several major license agreements for products including watches, handbags and eyewear. The related licensing revenue pertaining to the fixed cash rights payments will be recognized in future periods over the license terms. Performance-based bonuses of $1.5 million and $3.5 million are payable in 2008 and 2012, respectively, if performance targets with respect to future earnings from operations for the Company's licensing segment are met.

Application of Critical Accounting Policies

The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States, which require management to make estimates and assumptions that affect the reported amounts of the assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Management bases its estimates and judgments on its historical experience and other relevant factors, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Management evaluates its estimates and judgments on an ongoing basis including those related to the valuation of inventories, accounts receivable allowances, the useful life of assets for depreciation, restructuring expenses and accruals, evaluation of impairment of long-lived assets, recoverability of deferred taxes and evaluation of net recoverable amounts and accruals for the sublet of certain lease obligations.

The Company believes that the following significant accounting policies involve a higher degree of judgment and complexity.

Accounts receivable reserves:

In the normal course of business, the Company grants credit directly to certain wholesale customers after a credit analysis based on financial and other criteria. Accounts receivable are recorded net of an allowance for doubtful accounts. The Company maintains allowances for doubtful accounts for estimated losses that result from the inability of its wholesale customers to make their required payments. The Company bases its allowances through analysis of the aging of accounts receivable at the date of the financial statements, assessments of historical collections trends and an evaluation of the impact of current economic conditions.

Costs associated with customer markdowns are recorded as a reduction to net revenues, and are included in the allowance for doubtful accounts. These costs result from seasonal negotiations with the Company's wholesale customers, as well as historic trends and the evaluation of the impact of current economic conditions.

Inventory reserves:

Inventories are valued at the lower of cost (first-in, first-out and weighted average method) or market. The Company continually evaluates its inventories by assessing slow moving current product as well as prior seasons' inventory. Market value of non-current inventory is estimated based on historical sales trends for this category of inventory of the Company's individual product lines, the impact of market trends, an evaluation of economic conditions and the value of current orders relating to the future sales of this type of inventory. The Company closely monitors its off-price sales to ensure the actual results closely match initial estimates. Estimates are regularly updated based upon this continuing review.

Valuation of goodwill, intangibles and other long-lived assets:

The Company assesses the impairment of its long-lived assets (i.e., goodwill, intangible assets and property and equipment), which requires the Company to make assumptions and judgments regarding the carrying value of these assets on an annual basis, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The assets are considered to be impaired if the Company determines that the carrying value may not be recoverable based upon its assessment of the asset's ability to continue to generate income from operations and positive cash flow in future periods or if significant changes in the Company's strategic business objectives and utilization of the assets occurred. If the assets (other than goodwill) are assessed to be recoverable, they are depreciated or amortized over the periods benefited. If the assets are considered to be impaired, the impairment recognized is the amount by which the carrying value of the assets exceeds the fair value of those assets. Fair value is determined based upon the discounted cash flows derived from the underlying asset.

Litigation reserves:

Estimated amounts for claims that are probable and can be reasonably estimated are recorded as liabilities in the consolidated balance sheets. The likelihood of a material change in these estimated reserves would be dependent on new claims as they may arise and the favorable or unfavorable outcome of the particular litigation. Both the amount and range of loss on any remaining pending litigation is uncertain. As additional information becomes available, the Company will assess the potential liability related to pending litigation and will revise estimates as appropriate. Such revisions in estimates of the potential liability could materially impact the results of operations and financial position.

RESULTS OF OPERATIONS

Three and nine months ended October 1, 2005 and September 25, 2004.

NET REVENUE. Net revenue for the three months ended October 1, 2005 increased $67.8 million, or 34.3%, to $265.6 million from $197.8 million in the three months ended September 25, 2004, due to sales growth in the retail and European segments.

Net revenue from retail operations increased $24.2 million, or 18.3%, to $156.3 million in the three months ended October 1, 2005 from $132.1 million in the three months ended September 25, 2004. The increase was driven by a comparable store sales increase of 8.9%, which accounted for $8.9 million of the increase, and a $15.3 million increase due to an average of 36 new stores in operation representing a 9.3% increase in average square footage as compared to the same period last year. The comparable store sales increase reflects the improved results of the young contemporary women's, men's and MARCIANO apparel lines and our accessories business. The most significant comparable store sales increases were in our Canadian stores. Currency fluctuations accounted for $2.1 million of the increase in net revenue.

Net revenue from wholesale operations decreased $3.1 million, or 9.3%, to $31.0 million in the three months ended October 1, 2005 from $34.1 million in the three months ended September 25, 2004 mainly due to reduced off-price sales in the 2005 period. The decline in overall wholesale revenues included a decrease in domestic wholesale revenue of $3.6 million, or 14.7%, from $24.5 million to $20.9 million during the third quarter of 2005 partially offset by an increase in non-European, international wholesale revenue of $0.5 million, or 5.2%, from $9.6 million to $10.1 million during the third quarter of 2005 compared to the same prior year period. Our products were sold domestically in approximately 970 doors at the end of the third quarter of 2005 compared with approximately 930 doors at the end of the third quarter of 2004. Non-European, international wholesale net revenue increased primarily as a result of improved sales in Asia.

Net revenue from European operations increased $47.1 million, or 272.1%, to $64.4 million in the three months ended October 1, 2005 from $17.3 million in the same prior year period. The increase reflected the impact of the acquired jeanswear licensee and significant growth from the accessories business in Europe. Revenues from our newly acquired European jeanswear business, including the acquired retail stores, totaled $33.5 million for the quarter. Currency fluctuations had only a negligible impact on the increase in net revenue.

Net royalty revenue for the three months ended October 1, 2005 decreased $0.4 million, or 2.7%, to $13.9 million from $14.3 million during the same period in 2004. Licensing revenues were reduced as a result of the acquisition of our European jeanswear licensee in January 2005, since the revenues of the acquired business are now classified as revenues for the European segment, partially offset by increased revenue from both domestic and international licensees. Licensing income included in the licensing operations segment from our acquired European jeanswear licensee for the three-month period ended September 25, 2004 totaled $1.0 million. Excluding the effect of the royalties from the acquired European business, revenue growth from our domestic and international licensees increased 4.6% compared to the prior year period, as a result of the strength of the accessories business and higher sales by these licensees.

Net revenue for the nine months ended October 1, 2005, increased $154.1 million, or 30.5%, to $659.4 million from $505.3 million in the nine months ended September 25, 2004, primarily due to growth of our European and retail segments.

Net revenue from retail operations increased $58.8 million, or 17.0%, to $405.7 million in the nine months ended October 1, 2005 from $346.9 million in the nine months ended September 25, 2004. This increase was due to a comparable store sales increase of 6.0%, which accounted for $22.7 million of the increase, and a $36.1 million increase due to an average of 31 new stores in operation representing an 8.7% increase in average square footage as compared to the same prior year period. The most significant comparable store sales increases were in our Canadian stores. Currency fluctuations accounted for $4.8 million of the increase in net revenue.

Net wholesale revenue increased by $0.7 million, or 0.8%, to $88.1 million in the nine months ended October 1, 2005 compared to $87.4 million in the same prior year period. International wholesale net revenues, excluding Europe, increased $3.6 million, or 15.7%, to $26.5 million in the nine months ended October 1, 2005 from $22.9 million in the same prior year period. Domestic wholesale revenue decreased $2.9 million to $61.6 million in the nine months ended October 1, 2005 from $64.5 million during the same period in 2004 mainly due to reduced off-price sales. International wholesale revenue increased primarily due to improved sales in Asia.

Net revenue from European operations increased $94.8 million, or 262.5%, to $131.0 million in the nine months ended October 1, 2005 from $36.2 million in the same prior year period. Revenues from our newly acquired European jeanswear business totaled $67.2 million in the nine months ended October 1, 2005. The remaining increase of $27.6 million was primarily due to increased sales of accessories as compared to the same prior year period. Currency fluctuations accounted for $1.7 million of the increase in net revenue.

Net royalty revenue decreased by $0.2 million, or 0.5%, to $34.6 million for the nine-month period ended October 1, 2005 from $34.8 million during the comparable 2004 period. The decrease was attributable to the reduced royalty stream from the European business which we acquired, since the revenues of the acquired business are now classified as revenues for the European segment, partially offset by the improved performance of our domestic and international licensing business, as a result of the strength of the accessories business and higher sales by these licensees. Licensing income included in the licensing operations segment from our acquired European jeanswear licensee for the nine-month period ended September 25, 2004 totaled $4.1 million.

GROSS PROFIT. Gross profit increased $39.1 million, or 52.1%, to $114.4 million in the three months ended October 1, 2005, from $75.3 million in the comparable 2004 period. Gross profit for the retail segment increased $14.9 million, or 35.5%, to $57.0 million, primarily attributable to the 18.3% growth in retail sales and reduced markdowns during the third quarter of 2005 compared to the same prior year period. Gross profit for the wholesale segment decreased $0.3 million, or 2.0%, to $10.0 million during the third quarter of 2005 compared to the same prior year period as a result of decreased sales partially offset by the positive margin impact of reduced sales of excess inventory in the domestic low margin off-price channel. Gross profit for our European operations increased $24.9 million to $33.5 million during the third quarter of 2005 compared to the same prior year period. The gross profit generated by the European business we acquired accounted for approximately $15.6 million of the increase.

Gross margin increased to 43.1% in the three months ended October 1, 2005 from 38.0% in the same period of 2004. Our retail and European operations, as well as wholesale to a lesser extent, contributed positively to the 510 basis points change in the gross margin rate. Our clean inventory position resulted in reduced sales of excess product in the domestic off-price channel which contributed to better gross margin performance during the three months ended October 1, 2005. Licensing had a negative impact on the rate as this high margin segment was a smaller percentage of the overall business compared to last year. Gross margin from product sales increased to 39.9% in the three months ended October 1, 2005 from 33.2% in the three months ended September 25, 2004.

Gross profit increased $77.5 million, or 41.8%, to $263.1 million in the nine months ended October 1, 2005, from $185.6 million in the nine months ended September 25, 2004. The increase in gross profit during the nine-month period ended October 1, 2005 resulted from increased sales and improved margins in our retail, wholesale and European segments. Gross profit for the retail segment increased $26.7 million, or 25.0%, to $133.3 million during the nine months of 2005 compared to the same prior year period primarily due to higher retail sales. Gross profit for the wholesale segment increased $2.5 million, or 10.0%, to $28.0 million during the nine months ended October 1, 2005 compared to the same prior year period, as a result of improved performance of product sales in the off-price market related to our domestic wholesale business. Gross profit for our European operations increased $48.5 million to $67.2 million during the nine months ended October 1, 2005 compared to the same prior year period due to higher sales. The European acquisition accounted for approximately $31.7 million of the increase.

Gross margin increased during the nine months ended October 1, 2005 to 39.9% from 36.7% during the same period in 2004. Gross margin from product sales increased to 36.6% during the nine months ended October 1, 2005 from 32.0% during the same period in 2004. Our retail, wholesale and European operations contributed positively to the change in the gross margin rate. Licensing had a negative impact on the rate as this high margin segment was a smaller percentage of the overall business as compared to a year ago due primarily to the acquisition of our European jeanswear licensee in January 2005. Gross margin in the retail segment increased primarily as a result of improved leverage of store occupancy costs due to the increase in comparable store sales. The improved margins in wholesale reflected better performance in our domestic and non-European, international wholesale businesses. The increased volume of sales in the high margin European business for the current nine-month period compared to the same prior year period contributed to the Company's overall improved gross margin.

The Company's gross margins 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 a portion of them from gross margin, including them instead in selling, general and administrative expenses.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative (“SG&A”) expenses increased by $25.3 million, or 46.9%, to $79.0 million in the three months ended October 1, 2005, from $53.7 million in the comparable 2004 period, primarily attributable to the increase in European operations. SG&A expenses in our European operations increased by $12.5 million in the third quarter to $16.6 million from $4.1 million in the same 2004 period, primarily due to our recent acquisition. The remaining increase of $12.8 million was primarily due to a $2.8 million increase representing the cost of operating an average of 36 net new stores, a $1.2 million increase in store selling expenses resulting from higher sales, a $6.0 million increase in accrued bonus, including $4.6 million of performance-based compensation related to our licensing segment. Future performance-based bonuses of $1.5 million and $3.5 million are payable in 2008 and 2012, respectively, if performance targets with respect to future earnings from operations for the Company’s licensing segment are met. As a percentage of net revenue, SG&A expenses increased to 29.7% in the three months ended October 1, 2005 from 27.2% in the comparable 2004 period. This higher rate reflects increased costs as we develop our infrastructure in Europe and domestically in Retail, and a higher performance-based compensation bonus expense in the licensing segment, partially offset by lower expenses in the wholesale business. The SG&A rate in the current period was 250 basis points higher than in the comparable prior year period, of which 170 basis points was due to the effect of the performance-based compensation expense in our licensing business.

SG&A expenses increased $48.6 million, or 31.1%, to $204.8 million in the nine months ended October 1, 2005 from $156.2 million in the nine months ended September 25, 2004. The increase was primarily attributable to a $29.9 million increase in our European operations as a result of our recent acquisition, a $6.7 million increase in accrued bonus, an $8.0 million increase representing the cost of operating an average of 31 net new stores and a $3.3 million increase in store selling expenses resulting from higher sales. As a percentage of net revenue, SG&A expenses increased to 31.0% in the nine months ended October 1, 2005 from 30.9% in the comparable 2004 period.

EARNINGS FROM OPERATIONS. Earnings from operations increased to $35.5 million in the three months ended October 1, 2005 compared with earnings from operations of $21.5 million in the three months ended September 25, 2004. The retail segment generated earnings from operations of $18.8 million in the three months ended October 1, 2005 versus earnings from operations of $12.7 million during the same period in 2004 with higher sales and gross profit partially offset by an increase in store selling and other costs. The wholesale segment improved its earnings from operations to $1.8 million in the three months ended October 1, 2005 from a loss of $0.7 million in the comparable 2004 period. The improvement in earnings from operations for the wholesale segment is principally due to improved performance in our domestic wholesale business based on reduced sales of excess product in the off-price channel and lower operating expenses in that segment. The European operations increased its earnings from operations to $16.9 million in the three months ended October 1, 2005 from $4.6 million in the comparable 2004 period primarily due to our recent European acquisition and improved performance of our accessories business in Europe. Earnings from our newly acquired jeanswear business totaled $7.0 million in the three months ended October 1, 2005. Earnings from operations for the licensing segment decreased $4.2 million to $7.9 million in the three months ended October 1, 2005 from $12.1 million for the comparable 2004 period primarily due to a $4.6 million higher performance based compensation expense related to the performance and contributions of the licensing business to the Company’s operations. There was no corresponding expense in the comparable prior year period. Licensing income included in the licensing operations segment from our acquired European jeanswear licensee for the three-month period ended September 25, 2004 totaled $1.0 million. The cost of unallocated corporate overhead increased to $9.9 million in the three months ended October 1, 2005 from $7.2 million in the comparable 2004 period mainly due to higher compensation costs.

Earnings from operations for the nine months ended October 1, 2005 increased to $58.4 million from $29.3 million for the nine months ended September 25, 2004. The retail segment generated earnings from operations of $28.8 million in the nine months ended October 1, 2005 compared to $23.6 million in the same 2004 period. Earnings from operations for the wholesale segment were $4.2 million in the nine months ended October 1, 2005 compared to a loss from operations of $6.7 million in the same 2004 period. The increase in earnings from operations for the wholesale segment was principally due to $8.4 million less in expenses and a $2.5 million increase in wholesale gross profit as a result of improved performance due to less sales in the off-price market related to our domestic wholesale business. The European segment increased its earnings from operations to $27.9 million in the nine months ended October 1, 2005 from $9.3 million in the comparable 2004 period primarily due to $94.8 million of additional sales. Earnings from our newly acquired jeanswear business totaled $10.7 million in the nine months ended October 1, 2005. Earnings from operations for the licensing segment decreased to $24.9 million for the 2005 nine-month period from $28.2 million for the same 2004 period due primarily to a $4.6 million higher performance-based compensation expense and reduced revenue as a result of our European acquisition partially offset by lower other costs. Licensing income included in the licensing operations segment from our acquired European jeanswear licensee for the nine-month period ended September 25, 2004 totaled $4.1 million. The cost of unallocated corporate overhead increased to $27.4 million in the nine months ended October 1, 2005 from $25.1 million in the comparable 2004 period mainly due to higher compensation costs.

INTEREST EXPENSE AND INTEREST INCOME. Interest expense increased 14.9% to $1.6 million in the three months ended October 1, 2005 from $1.4 million in the comparable 2004 period. Total debt at October 1, 2005 was $83.2 million, which included $45.1 million of the Company's 6.75% Secured Notes due 2012 and approximately $38.1 million of bank debt, primarily from our European operations. On a comparable basis, the average debt balance for the three months ended October 1, 2005 was $86.1 million, with an average effective interest rate of 7.3%, versus an average debt balance of $62.1 million, with an average effective interest rate of 9.0%, for the same period in 2004. Interest income increased to $0.6 million in the three months ended October 1, 2005 from $0.1 million in the comparable 2004 period due to higher average invested cash balances. Increased interest income on a higher level of invested cash more than offset the increased interest on a higher average debt balance related to the European acquisition.

Interest expense increased 25.1% to $5.5 million in the nine months ended October 1, 2005 from $4.4 million for the same period in 2004. On a comparable basis, the average debt balance for the nine months ended October 1, 2005 was $92.8 million, with an average effective interest rate of 7.7%, versus an average debt balance for the nine months ended September 25, 2004 of $64.9 million, with an average effective interest rate of 9.0%. Interest income increased to $2.1 million in the nine months ended October 1, 2005 from $0.3 million in the comparable 2004 period due to higher average invested cash balances.

INCOME TAXES. Income tax expense for the three months ended October 1, 2005 was $13.8 million, or a 40.0% effective tax rate, compared to income tax expense of $8.4 million, or a 41.6% effective tax rate, for the three months ended September 25, 2004. Income tax expense for the nine months ended October 1, 2005 was $22.0 million, or a 40.0% effective tax rate, compared to the income tax expense of $10.6 million, or a 41.9% effective tax rate, for the nine months ended September 25, 2004. 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. During the second quarter of 2005, the Company re-evaluated the anticipated tax rate for the 2005 year and reduced it to 40% from the previously estimated rate of 41%.

NET EARNINGS. Net earnings increased by $8.9 million to $20.7 million in the three months ended October 1, 2005, from $11.8 million in the three months ended September 25, 2004. For the 2005 nine-month period, net earnings increased by $18.3 million to $33.0 million, from earnings of $14.7 million during the same period in 2004.

LIQUIDITY AND CAPITAL RESOURCES

Our need for liquidity primarily arises from the funding of our European growth, principal payments on our debt, expansion and remodeling of our retail stores, shop-in-shop programs, systems, infrastructure and operations. We have historically financed our operations primarily from internally generated funds and borrowings under our Credit Facility (defined below) 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.

On September 27, 2002, the Company entered into a credit facility led by Wachovia Securities, Inc., as arranger and administrative agent ("Credit Facility"). The Credit Facility has a term of four years and provides for a maximum line of credit of $85 million, including an amount made available to the Company's Canadian subsidiaries under a separate credit agreement (currently $15 million). The Credit Facility includes a $47.5 million sub-limit for letters of credit. Borrowings available under the Credit Facility are subject to a borrowing base and outstanding borrowings are secured by inventory, accounts receivable and substantially all other personal property of the borrowers.

For borrowings under the Credit Facility, the Company may elect an interest rate based on either the Prime Rate or a Eurodollar rate plus a margin, which fluctuates depending on availability under the Credit Facility and the Company's financial performance as measured by a cash flow test. This margin ranges from 0 to 75 basis points for Prime Rate loans and from 175 to 250 basis points for Eurodollar rate loans. Monthly commitment fees for unused borrowings up to $60 million under the Credit Facility are 37.5 basis points per annum. The Credit Facility requires the Company to maintain a minimum tangible net worth, as defined, if excess availability under the Credit Facility is less than $20 million. The agreement also restricts the payment of dividends by the Company, the incurrence of certain indebtedness and certain loans, and investments other than capital expenditures.

On December 30, 2004, the Company and certain of its affiliates entered into an amendment to the Credit Facility. The amendment, among other things, (i) increased to $55 million the aggregate amount of letters of credit that may be outstanding under the loan agreement, and limited the amount of letters of credit that may be issued in currencies other than U.S. dollars to $35 million, (ii) permitted the acquisition by the Company and its affiliates of the remaining shares of capital stock not then owned by the Company and its affiliates of Maco, a former licensee of the Company, and (iii) permitted the guarantee of certain indebtedness by the Company and its affiliates in connection with the acquisition. The documents covering the Canadian portion of the Credit Facility were also amended to permit the actions described in clauses (ii) and (iii) above. At October 1, 2005, the Company had $1.9 million in outstanding borrowings under the Credit Facility, $10.9 million in outstanding standby letters of credit, $14.0 million in outstanding documentary letters of credit, and approximately $46.9 million available for future borrowings. As of October 1, 2005, the Company was in compliance with all of its covenants under the Credit Facility.

On April 28, 2003, GUESS? Royalty Finance LLC, an indirect wholly-owned subsidiary of the Company (the “Issuer”), issued in a private placement $75 million of 6.75% asset-backed notes due June 2012 (“Secured Notes”). The Secured Notes are secured by rights and interests in receivables generated from specific license agreements of specified GUESS? trademarks and all royalty monies payable or becoming payable under such license agreements, and a security interest in specified assets consisting primarily of such GUESS? trademarks and the specified license agreements. The Secured Notes obligate the Issuer to pay interest and amortize principal quarterly. Payment of principal and interest on the Secured Notes is guaranteed by GUESS? IP Holder L.P. (“IP Holder”), an indirect wholly owned subsidiary of the Company, which is the owner of substantially all of the Company’s domestic and many of the Company’s foreign trademarks. Under the terms of the Secured Notes, the Issuer, IP Holder and the applicable indenture trustee have each agreed that none of them will take any action that would result in a material breach or impairment of any of the rights of any licensee under any license of the trademarks held by IP Holder, including the concurrent license of such trademarks back to the Company. The Secured Notes are subject to an interest reserve account in an amount equal to the greater of (1) the product of the interest rate and the outstanding principal amount or (2) $1,750,000. At October 1, 2005, the Company had approximately $3.0 million of restricted cash related to the interest reserve. The net proceeds, after interest reserve and expenses, of approximately $66.8 million, along with available cash and borrowings under the Credit Facility, were used to repay the Company’s then outstanding 9½% Senior Subordinated Notes due August 2003. The Company redeemed the 9½% Senior Subordinated Notes on May 27, 2003. At October 1, 2005, the Company had $45.1 million outstanding under the Secured Notes, of which $31.7 million is classified as long term debt.

The Company’s European operation had term loans with four banks totaling $17.3 million at October 1, 2005 with a weighted average annual interest rate of 3.4% for the nine months ended October 1, 2005. Of this amount, $13.3 million is classified as long term debt. Three of these loans are unsecured and have no financial ratio covenants. Their interest rates vary by bank but are either the Euribor six-month rate plus 1.5% or the Euribor three-month rate plus 1.5%. Depending on the bank, these three loans mature between April 2008 and January 2010 and require principal and interest payments monthly, quarterly or semi-annually. One term loan requires principal and accrued interest to be paid semi-annually beginning in January 2006 and ending in July 2010, provides for interest at the Euribor six-month rate plus 1.35% and contains certain financial ratio covenants. All four term loans are denominated in Euros.

The Company’s European operation maintains short-term borrowing agreements, primarily for working capital purposes, with various banks in Italy. Under these agreements, the Company can borrow up to $68.1 million with annual interest rates ranging from 3.0% to 4.5%. At October 1, 2005, the Company had $18.9 million of borrowings outstanding under these agreements with a weighted average annual interest rate of 3.7%. These agreements are denominated in Euros, have no financial ratio covenants and are secured by accounts receivable, except for one borrowing agreement which is secured by an $8.4 million standby letter of credit issued under the Company’s Credit Facility.

During the nine months ended October 1, 2005, the Company relied on trade credit along with available cash and borrowings under the Credit Facility, European bank facilities, real estate leases, and internally generated funds to finance its operations and expansion. Net cash provided by operating activities was $91.6 million for the nine months ended October 1, 2005, compared to $20.1 million for the nine months ended September 25, 2004, or an increase of $71.5 million.

The $71.5 million increase in cash provided by operating activities over the prior year period was due primarily to an $18.3 million improvement in net earnings in the nine months ended October 1, 2005 versus the same 2004 period and a $55.1 million net favorable change in operating assets and liabilities. The primary source of cash from operating activities for the nine months ended October 1, 2005 was from the fixed royalty payments totaling $42.7 million which related to certain renegotiated license agreements and increased accounts payable. The main uses of cash during the nine months ended October 1, 2005 were to support increased inventories both in North America and in Europe. At October 1, 2005, the Company had working capital of $189.8 million compared to $138.2 million at December 31, 2004 and $119.1 million at September 25, 2004.

Capital expenditures totaled $37.4 million, excluding lease incentives of $4.0 million, for the nine months ended October 1, 2005. This compares to $21.8 million, excluding lease incentives of $4.4 million, for the same 2004 period. The Company's capital expenditures in North America for 2005 are planned at approximately $48.0 million, excluding estimated lease incentives of approximately $6.0 million, primarily for retail store expansion of approximately 37 stores, significant store remodeling programs, investments in information systems and enhancements in other infrastructure. In addition, we are planning to lease a new headquarters building in Florence, Italy for our European operations. This transaction is expected to close in December, 2005 and will be accounted for as a capital lease totaling approximately $16.0 million in 2005, with subsequent build-outs in 2006 to be negotiated.

In addition, during the first quarter of 2005, the Company purchased for $21.0 million, including cash acquired of $1.0 million, the remaining 90% of the shares of its European jeanswear licensee which it did not already own as well as certain retail stores in Europe. In the first quarter of 2005, the Company paid $15.7 million of the purchase price and refinanced $44.9 million of the outstanding debt of Maco. In the second quarter of 2005, the Company paid an additional $1.2 million of the purchase price. The remaining purchase price of $4.1 million is included in liabilities and is payable in $0.5 million installments on each January 30 and June 30 through June 30, 2009.

The Company's primary working capital needs are for inventory and accounts receivable. Accounts receivable as of October 1, 2005 increased $45.1 million as compared to September 25, 2004 as a result of the business growth of our European operations. Receivables for our European business totaled $67.7 million at October 1, 2005 versus $19.6 million a year ago, an increase of $48.1 million. Approximately $20.3 million of our European segment's accounts receivable is insured for collection purposes. The Company's inventory levels increased $20.9 million to $126.4 million at October 1, 2005 from $105.5 million at September 25, 2004, and also increased by $44.1 million from $82.3 million at December 31, 2004. The change versus the year ago period was primarily due to an increase of $16.9 million in inventories in Europe, as a result of our acquired business. 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, primarily with cash flow from operations supplemented by borrowings, if necessary, under the Credit Facility and bank facilities in Europe.

In January 2002, the Company established a qualified employee stock purchase plan ("ESPP"), the terms of which allow for qualified employees to participate in the purchase of designated shares of the Company's common stock at a price equal to 85% of the lower of the closing price at the beginning or end of each quarterly stock purchase period. On January 23, 2002, the Company filed with the SEC a Registration Statement on Form S-8 registering 2,000,000 shares of common stock for the ESPP. During the nine months ended October 1, 2005, 27,744 shares of the Company's common stock were issued out of its treasury shares pursuant to the ESPP at an average price of $13.05 per share for a total of $0.4 million.

On August 23, 2005, the Board of Directors of The Company adopted a Supplemental Executive Retirement Plan ("SERP") to become effective January 1, 2006. The SERP will provide select employees who satisfy certain eligibility requirements with certain benefits upon retirement, termination of employment, death, disability or a change in control of the Company, in certain prescribed circumstances. The initial participants in the SERP are Maurice Marciano and Paul Marciano, Co-CEO's and Co-Chairmen of the Board and Carlos Alberini, President and Chief Operating Officer. The Company is expected to make periodic payments in the future to fund the obligations arising under the SERP. The amount of future payments will depend on the future years of service and future annual compensation of the participants.

WHOLESALE 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. At October 29, 2005, we had unfilled domestic wholesale orders, consisting primarily of orders for fashion apparel, of approximately $41.7 million, compared to $43.8 million for such orders at October 30, 2004, or down 4.7%. The backlog of wholesale orders at any given time is affected by various factors, including seasonality and the scheduling of 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.

SEASONALITY

The Company's business is impacted by the general seasonal trends characteristic of the apparel and retail industries. Retail operations are generally stronger in the third and fourth quarters, and wholesale operations generally experience stronger performance in the third quarter. Our European business is stronger in the first and third quarters than in the second and fourth. As the timing of the shipment of products may vary from year to year, the result for any particular quarter may not be indicative of results for the full year.

INFLATION

The Company does not believe that the relatively moderate rates of inflation experienced in the United States 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.

IMPACT OF RECENT ACCOUNTING PROUNCEMENTS

In November 2004, the FASB issued SFAS No. 151 ("SFAS 151"), "Inventory Costs, an amendment of ARB No. 43, Chapter 4." SFAS 151 clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage) and requires that those items be recognized as current-period charges. SFAS 151 also requires that allocation of fixed production overhead to the costs of conversion be based on the normal capacity of the production facilities. SFAS 151 is effective for fiscal years beginning after June 15, 2005. The adoption of SFAS 151 is not expected to have a significant impact on the Company's consolidated financial position or results of operations.

In December 2004, the FASB issued SFAS 123 (revised 2004) ("SFAS 123R"), "Share-Based Payments," which requires that companies recognize the grant-date fair value of stock options and other equity-based compensation issued to employees as an expense in the income statement. SFAS 123R generally requires that companies account for those transactions using the fair-value-based method, and eliminates using the intrinsic value method of accounting in APB 25. SFAS 123R is effective for the Company beginning with the first quarter of 2006. In March 2005, the SEC issued Staff Accounting Bulletin No. 107, which provides the staff's views regarding the interaction between SFAS 123R and certain SEC rules and regulations and provides the staff's views regarding the valuation of share-based payments arrangements for public companies. Although the pro forma effects of applying the original SFAS 123 (as set forth under "Employee Stock Options" in Note 2 to the financial statements) may be indicative of the effects of adopting SFAS 123R, the provisions of these two statements differ in some important respects. The actual effects of adopting SFAS 123R will be dependent on numerous factors including, but not limited to, the valuation model chosen by the Company to value stock-based awards; the assumed award forfeiture rate; the accounting policies adopted concerning the method of recognizing the fair value of awards over the service period; and the transition method chosen for adopting SFAS 123R. The Company is currently evaluating option valuation methodologies and assumptions in light of SFAS 123R.

In March 2005, the FASB issued FASB Interpretation No. 47 ("FIN 47"), "Accounting for Conditional Asset Retirement Obligations," which is an interpretation of SFAS No. 143 ("SFAS 143"), "Accounting for Asset Retirement Obligations." FIN 47 clarifies terminology within SFAS 143 and requires an entity to recognize a liability for the fair value of a conditional asset retirement obligation when incurred if the liability's fair value can be reasonably estimated. FIN 47 is effective for fiscal years ending after December 15, 2005. The Company does not anticipate that the adoption of FIN 47 will have a material impact on its consolidated financial statements.

In June 2005, the Emerging Issues Task Force ("EITF") issued EITF Issue 05-6, "Determining the Amortization Period for Leasehold Improvements Purchased after Lease Inception or Acquired in a Business Combination". The EITF reached a consensus that the amortization period for leasehold improvements acquired in a business combination or acquired subsequent to lease inception should be based on the lesser of the useful life of the leasehold improvements or the period of the lease including all renewal periods that are reasonably assured of exercise at the time of the acquisition. This consensus is consistent with the Company's policy regarding leasehold improvements.

In October 2005, the FASB issued FASB Staff Position ("FSP") No. FAS 13-1 ("FSP 13-1"), "Accounting for Rental Costs Incurred during the Construction Period," which requires that rental costs associated with ground or building operating leases that are incurred during a construction period be recognized as rental expense. These rental costs shall be included in income from continuing operations. The effective date of this FSP guidance is the first reporting period beginning after December 15, 2005. Early adoption is permitted for financial statements or interim financial statements that have not yet been issued. The Company is currently evaluating the impact of FSP 13-1 on its consolidated financial statements.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk.

Exchange Rate Risk

The Company received United States dollars ("USD") for approximately 68% of product sales and licensing revenue based on revenues during the nine months ended October 1, 2005. Inventory purchases from offshore contract manufacturers are primarily denominated in USD; however, purchase prices for products may be impacted by fluctuations in the exchange rate between the USD and the local currencies of the contract manufacturers, which may have the effect of increasing the cost of goods in the future. In addition, royalties received from international licensees are subject to foreign currency translation fluctuations as a result of the net sales of the licensee being denominated in local currency and royalties being paid to the Company in USD. During the last three fiscal years, exchange rate fluctuations have not had a material impact on inventory costs. Due to the increase in foreign currency transactions and the fact that not all foreign currencies react in the same manner as the USD, the Company cannot quantify in any meaningful way the effect of currency fluctuations on future income.

The Company may enter into derivative financial instruments, including forward exchange contracts, to manage exchange risk on foreign currency transactions. These financial instruments can be used to protect the Company from the risk that the eventual net cash inflows from the foreign currency transactions will be adversely affected by changes in exchange rates. Changes in the fair value of derivative financial instruments are either recognized periodically through the income statement or through stockholders' equity as a component of comprehensive income or loss. The classification depends on whether the derivative financial instrument qualifies for hedge accounting, and if so, whether it qualifies as a fair value hedge or cash flow hedge. Generally, changes in fair values of derivatives designated as fair value hedges are matched in the income statement against the respective gain or loss relating to the hedged items. Changes in fair values of derivatives accounted for as cash flow hedges, to the extent they are effective as hedges, are recorded in other comprehensive income or loss net of deferred taxes. Changes in fair values of derivatives not qualifying as hedges are currently reported in income.

Forward Exchange Contracts	USD Equivalent	Maturity Date	Fair Value in USD at October 1, 2005
Canadian dollars	$ 1,000,000	October 3 to October 28, 2005	$ 1,061,913
Canadian dollars	1,000,000	October 31 to November 25, 2005	1,052,700
Canadian dollars	1,000,000	November 28 to December 30, 2005	1,047,877
Canadian dollars	1,000,000	January 5 to January 31, 2006	1,030,741
Canadian dollars	1,000,000	February 1 to February 28, 2006	1,017,739
	$ 5,000,000		$ 5,210,970
Euros	500,000	October 27, 2005	502,328
Euros	350,000	October 27, 2005	352,547
Euros	600,000	November 11, 2005	603,519
Euros	500,000	November 11, 2005	501,959
Euros	350,000	November 11, 2005	352,252
	$ 2,300,000		$ 2,312,605
	$ 7,300,000		$ 7,523,575

Based upon the rates at October 1, 2005, the cost to buy the equivalent USD discussed above was approximately $6.1 million Canadian dollars and approximately €1.9 million. At October 1, 2005 the Company had forward exchange contracts to purchase $7.3 million USD and the fair value of those contracts at that date was $7.5 million USD.

Interest Rate Risk

At October 1, 2005, 54.2% of the Company's indebtedness contained a fixed interest rate of 6.75%. At September 25, 2004, 94.5% of the Company's indebtedness contained a fixed interest rate of 6.75%. Substantially all of the Company's remaining indebtedness, including any borrowings under the Credit Facility or from European banks, 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 change in interest rates would have increased interest expense for the quarter ended October 1, 2005 by approximately $0.2 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 October 1, 2005, 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 officers 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 officers and our principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the quarterly period covered by this report.

There was no change in our internal control over financial reporting during the third quarter of 2005 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. As a result, no corrective actions were required or undertaken. In the third quarter of 2005, we completed an upgrade of certain information system modules that we used to accumulate financial data used in financial reporting. We utilized these new modules to generate financial statements for the third quarter. The upgrade was not made in response to any deficiency in our internal controls.

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 purports 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. No trial date has been set.

Most major corporations, particularly those operating retail businesses, become involved from time to time in a variety of employment-related claims and other matters incidental to their business. In the opinion of our management, the resolution of the above matter or any of these pending incidental matters is not expected to have a material adverse effect on our consolidated results of operations or financial condition; however, we cannot predict the outcome of these matters.

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.

None.

ITEM 5. Other Information.

None.

ITEM 6. Exhibits.

Exhibit Number	Description
3.1	Restated Certificate of Incorporation of the Company. (1)
3.2	Amended and Restated Bylaws of the Company. (2)
4.3	Specimen stock certificate. (1)
10.66	Guess?, Inc. Nonqualified Deferred Compensation Plan. (3)
*10.67	Guess?, Inc. Supplemental Executive Retirement Plan.
*10.68	Written description of performance-based bonus criteria for Paul Marciano.
*31.1.	Certification of Co-Chief Executive Officer and Director pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (4)
*31.2.	Certification of Co-Chief Executive Officer and Director pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (4)
*31.3.	Certification of President, Chief Operating Officer and Director pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (4)
*31.4.	Certification of Senior Vice President and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (4)
*32.1.	Certification of Co-Chief Executive Officer and Director pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (5)
*32.2.	Certification of Co-Chief Executive Officer and Director pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (5)
*32.3.	Certification of President, Chief Operating Officer and Director pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (5)
*32.4.	Certification of Senior Vice President and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (5)

* Filed herewith

(1) Incorporated by reference from Amendment No. 3 to the Registration Statement on Form S-1 (Registration No. 333-4419) filed by the Company on July 30, 1996.

(2) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended September 29, 2001.

(3) Incorporated by reference from the Registration Statement on Form S-8 (Registration No. 333-129349) filed by the Company on November 1, 2005.

(4) A signed original of this written statement required by Section 302 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

(5) A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

SIGNATURES

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

GUESS?, INC.

Date:	November 9, 2005	By:	/s/ CARLOS ALBERINI Carlos Alberini President, Chief Operating Officer and Director
Date:	November 9, 2005	By:	/s/ FREDERICK G. SILNY Frederick G. Silny Senior Vice President and Chief Financial Officer (Principal Financial Officer)

Exhibit 10.67

Guess?, Inc.
Supplemental Executive Retirement Plan
Plan Document

Effective January 1, 2006

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GUESS?, INC.
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

Effective January 1, 2006

Purpose

The purpose of this Plan is to provide specified benefits to a select group of management or highly compensated Employees who contribute materially to the continued growth, development and future business success of Guess?, Inc., a Delaware corporation, and its subsidiaries, if any, that sponsor this Plan. This Plan shall be unfunded for tax purposes and for purposes of Title I of ERISA.

ARTICLE 1
Definitions

For purposes hereof, unless otherwise clearly apparent from the context, the following phrases or terms shall have the following indicated meanings:

1.1 "Actuarial Equivalent" shall mean a benefit or benefits, or a payment or payments, which are of equal value to the benefits for which they are to be substituted. Equivalence of value is determined from actuarial calculations based on certain actuarial assumptions as to mortality and interest, applied with respect to the particular form or forms of payment under this Plan. For purposes of this Plan, the following shall be used in any actuarial calculations: (a) the 1983 GAM rate tables for males and females, and (b) an annual rate equal to 6%. For purposes of this Plan, the standard form of benefit shall be a Life Annuity as set forth in Article 4.

1.2 "Average Compensation" shall mean the highest average of a Participant's Compensation for any two (2) full calendar years of employment with the Employer (or, if a Participant has been employed for less than two (2) full calendar years, the actual number of the Participant's full calendar years of employment with the Employer) out of the last three (3) full calendar years of employment immediately prior to the Participant's Determination Date.

1.3 "Beneficiary" or "Beneficiaries" shall mean one or more persons, trusts, estates or other entities designated in accordance with Article 10 that is entitled to receive benefits under this Plan upon the death of a Participant.

1.4 "Beneficiary Designation Form" shall mean the form established from time to time by the Committee that a Participant completes, signs and returns to the Committee to designate one or more Beneficiaries.

1.5 “Benefit Percentage” shall be used to determine a Participant’s SERP Benefit and shall be calculated on the basis of the Participant’s Years of Service as of the Determination Date, in accordance with the following schedule:

Years of Service	Benefit Percentage
1	2.50%
2	5.00%
3	7.50%
4	10.00%
5	12.50%
6	15.00%
7	17.50%
8	20.00%
9	22.50%
10	25.00%
11	27.50%
12	30.00%
13	32.50%
14	35.00%
15	37.50%
16	40.00%
17	42.50%
18	45.00%
19	47.50%
20	50.00%
21	52.50%
22	55.00%
23	57.50%
24 or more	60.00%

The maximum Benefit Percentage used for purposes of determining a Participant’s SERP Benefit shall be fifty percent (50%); provided, however, that the maximum Benefit Percentage used for purposes of determining the SERP Benefit for each of Maurice Marciano and Paul Marciano shall be sixty percent (60%).

1.6 “Board” shall mean the board of directors of the Company.

1.7 “Change in Control” shall mean a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of Section 409A(a)(2)(A)(v) of the Code and related Treasury guidance.

1.8 “Change in Control Benefit” shall mean the benefit set forth in Section 3.4.

1.9 “Claimant” shall have the meaning set forth in Section 9.1.

1.10 “Code” shall mean the Internal Revenue Code of 1986, as it may be amended from time to time.

1.11 “Committee” shall mean the committee described in Article 8.

1.12 “Company” shall mean Guess?, Inc., a Delaware corporation, and any successor to all or substantially all of the Company’s assets or business.

1.13 “Compensation” shall mean the annual base salary and bonus paid to a Participant pursuant to the Guess?, Inc. Annual Incentive Bonus Plan and/or such other bonus or incentive arrangement designated by the Committee, and such other cash-based compensation specifically designated as Compensation hereunder by the Committee. Except for any such cash-based compensation specifically designated by the Committee as Compensation, Compensation shall not include commissions, overtime, fringe benefits, stock options and other equity-based awards, relocation expenses, non-monetary awards, director fees and other fees, airplane benefits and automobile and other allowances (whether or not such allowances are included in the Participant’s gross income). Annual base salary and bonus amounts shall be calculated before reduction for compensation deferred pursuant to all qualified, non-qualified and Code Section 125 plans of the Employer; provided, however, that all such amounts will be included in compensation only to the extent that had there been no such plan, the amount would have been payable in cash to the Participant.

1.14 “Death Benefit” shall mean the benefits due, if any, to a Participant’s Beneficiary pursuant to Article 3 upon the Participant’s death.

1.15 “Determination Date” shall mean, for purposes of calculating the SERP Benefit, the first to occur of a Participant’s Retirement, Termination of Employment, death, Disability, or separation from service from all Employers for any reason within the twelve-month period immediately following a Change in Control, as applicable.

1.16 “Disability” or “Disabled” shall mean that a Participant is (a) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, or (b) by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident or health plan covering employees of the Participant’s Employer.

1.17 “Disability Benefit” shall mean the benefit set forth in Section 3.3.

1.18 “Election Form” shall mean the form established from time to time by the Committee that a Participant completes, signs and returns to the Committee to make an election under the Plan.

1.19 “Employee” shall mean a person who is an employee of any Employer.

1.20 “Employer(s)” shall mean the Company and/or any of its subsidiaries (now in existence or hereafter formed or acquired) that have been selected by the Board to participate in the Plan and have adopted the Plan as a sponsor.

1.21 “ERISA” shall mean the Employee Retirement Income Security Act of 1974, as it may be amended from time to time.

1.22 “Estimated Social Security Benefit” shall mean the maximum monthly benefit available as of the Participant’s Social Security “normal retirement age” under the Federal Social Security Act, based on all assumptions selected by the Committee, in its sole discretion. In the event the Participant’s Determination Date is a date other than his or her Social Security “normal retirement age”, the Committee shall adjust the above-described calculation in the manner it deems appropriate, in its sole discretion, whether or not a monthly benefit is payable to the Participant by the Social Security Administration on such Determination Date. The Committee shall, in all events, apply all assumptions made pursuant to this Section 1.22 consistently to similarly situated Participants in the Plan.

For purposes of determining a Participant’s Estimated Social Security Benefit, Social Security “normal retirement age” shall have the same meaning as such term is defined in the Federal Social Security Act, as amended.

1.23 “Fifteen Year Term Certain Life Annuity” shall mean a benefit that is payable monthly in the form of an annuity for the life of the Participant or fifteen (15) years, whichever is longer, and that is equal to the Participant’s SERP Benefit.

1.24 “Joint and 50% Survivor Annuity” shall mean a benefit that is payable monthly in the form of an annuity for the life of the Participant with a 50% survivor annuity for the life of such Participant’s Beneficiary, and that is equal to the Participant’s SERP Benefit.

1.25 “Life Annuity” shall mean a benefit that is payable monthly in the form of an annuity for the life of the Participant and that is equal to the Participant’s SERP Benefit.

1.26 “Participant” shall mean any Employee, (i) who is selected to participate in the Plan, (ii) who submits an executed Plan Agreement, Election Form and Beneficiary Designation Form, which are accepted by the Committee, and (iii) whose Plan Agreement has not terminated.

1.27 “Plan” shall mean the Guess?, Inc. Supplemental Executive Retirement Plan, which shall be evidenced by this instrument and by each Plan Agreement, as amended from time to time.

1.28 “Plan Agreement” shall mean a written agreement, as may be amended from time to time, which is entered into by and between the Employer and a Participant. Each Plan Agreement executed by a Participant shall provide for the entire benefit to which such Participant is entitled under the Plan; should there be more than one Plan Agreement, the Plan Agreement bearing the latest date of acceptance by the Employer shall supercede all previous Plan Agreements in their entirety and shall govern such entitlement. The terms of any Plan Agreement may be different for any Participant, and any Plan Agreement may provide additional benefits not set forth in the Plan or limit the benefits otherwise provided under the Plan; provided, however, that any such additional benefits or benefit limitations must be agreed upon by both the Employer and the Participant.

1.29 “Plan Year” shall mean a period beginning on January 1 of each calendar year and continuing through December 31 of such calendar year.

1.30 “Retirement” or “Retires” shall mean a Participant’s separation from service with all Employers as an Employee for any reason other than an authorized leave of absence, death or Disability, as determined in accordance with Code Section 409A and related Treasury guidance, on or after the date on which the Participant has attained age sixty-five (65).

1.31 "Retirement Benefit" shall mean the benefit set forth in Section 3.1.

1.32 "SERP Benefit" shall mean a monthly amount, payable to a Participant in the form provided in Article 4 and commencing in accordance with the provisions of Article 3. Notwithstanding the actual commencement date of the SERP Benefit, the monthly amount shall be fixed and determined and shall be computed based on the Participant's Determination Date as follows:

(a) the Participant's Average Compensation, divided by twelve (12);

(b) the amount determined in (a) above multiplied by the Participant's Benefit Percentage;

(c) the amount determined in (b) above less the Participant's Estimated Social Security Benefit;

(d) the amount determined in (c) above multiplied by the Participant's Vesting Percentage.

1.33 "Ten Year Term Certain Life Annuity" shall mean a benefit that is payable monthly in the form of an annuity for the life of the Participant or ten (10) years, whichever is longer, and that is equal to the Participant's SERP Benefit.

1.34 "Termination Benefit" shall mean the benefit set forth in Section 3.2.

1.35 "Termination of Employment" or "Terminates Employment" or "Terminated" shall mean a Participant's separation from service with all Employers as an Employee, voluntarily or involuntarily, for any reason other than Retirement, Disability, death or an authorized leave of absence, as determined in accordance with Code Section 409A and related Treasury guidance.

1.36 "Trust" shall mean one or more trusts established by the Company in accordance with Article 11.

1.37 "Years of Plan Participation" shall mean the total number of full Plan Years a Participant has been a Participant in the Plan prior to the Participant's Determination Date. Any partial year shall not be counted.

1.38 "Years of Service" shall mean the total number of full years in which a Participant has been employed by one or more Employers prior to the Participant's Determination Date. For purposes of this definition, a year of employment shall be a 365 day period (or 366 day period in the case of a leap year) that, for the first year of employment, commences on the Employee's date of hiring and that, for any subsequent year, commences on an anniversary of that hiring date. The Committee shall make a determination as to whether any partial year of employment shall be counted as a Year of Service. The maximum number of Years of Service that may be used for purposes of determining a Participant's Benefit Percentage under this Plan shall be twenty (20) years; provided, however, that the maximum number of Years of Service that may be used for purposes of determining the Benefit Percentage for each of Maurice Marciano and Paul Marciano under this Plan shall be twenty four (24) years.

1.39 "Vesting Percentage" shall be used to determine a Participant's SERP Benefit. A Participant's Vesting Percentage shall be determined in accordance with the schedule set forth in his or her Plan Agreement or any other agreement entered into between the Participant and his or her Employer. If not addressed in such agreements, a Participant's Vesting Percentage shall be based on the Participant's Years of Plan Participation as of the Determination Date, in accordance with the following schedule:

Years of Plan Participation	Vesting Percentage
1-5	0%
6	20%
7	40%
8	60%
9	80%
10 or more	100%

Notwithstanding the foregoing, upon death, Disability or a Change in Control, the Participant shall become fully vested and the Vesting Percentage shall be one hundred percent (100%); provided, however, the vesting schedule described above shall not be accelerated upon a Change in Control to the extent that the Committee determines that such acceleration would cause the deduction limitations of Section 280G of the Code to apply (unless such Participant is entitled to a "gross-up" payment to eliminate the effect of the excise tax under Section 4999 of the Code pursuant to his or her employment agreement or other agreement entered into between such Participant and the Employer). In the event of such a determination, the Participant may request independent verification of the Committee's calculations with respect to the application of Code Section 280G. In such case, the Committee must provide to the Participant within ninety (90) days of such a request an opinion from a nationally recognized accounting firm selected by the Participant (the "Accounting Firm"). The opinion shall state the Accounting Firm's opinion that any limitation in the vested percentage hereunder is necessary to avoid the limits of Section 280G and contain supporting calculations. The cost of such opinion shall be paid for by the Company.

ARTICLE 2
Eligibility

2.1 **Selection by Committee**. Participation in the Plan shall be limited to a select group of management and highly compensated Employees of an Employer, as determined by the Committee in its sole discretion.

2.2 **Enrollment Requirements**. As a condition to participation, a Participant shall complete, execute and return to the Committee a Plan Agreement and a Beneficiary Designation Form, all within the time period specified by the Committee. In addition, the Committee shall establish from time to time such other enrollment requirements as it determines in its sole discretion are necessary.

2.3 **Commencement of Participation**. Provided that a Participant has met all enrollment requirements set forth in this Plan and required by the Committee, including returning all required documents to the Committee within the specified time period, he or she shall commence participation in the Plan on the date specified by the Committee. If a Participant fails to meet any such requirements within the period required, in accordance with Section 2.2, he shall not be eligible to participate in the Plan until the completion of those requirements.

ARTICLE 3
Benefits

3.1 **Retirement Benefit**. Subject to Section 3.4, a Participant who Retires shall receive, as his Retirement Benefit, a SERP Benefit in the form set forth in Article 4. Retirement Benefit payments shall commence within sixty (60) days immediately following the last day of the six-month period immediately following the date on which the Participant Retires.

3.2 **Termination Benefit**. Subject to Section 3.4, a Participant who experiences a Termination of Employment shall receive as his Termination Benefit, a SERP Benefit in the form set forth in Article 4. Termination Benefit payments shall commence within sixty (60) days immediately following the last day of the six-month period immediately following the date on which the Participant attains age sixty-five (65).

3.3 **Disability Benefit**. If a Participant experiences a Disability during his employment and prior to such Participant's attainment of age sixty-five (65), he shall receive, as his Disability Benefit, a SERP Benefit in the form of a lump sum that is the Actuarial Equivalent of the Participant's SERP Benefit had such SERP Benefit been payable in the form of a Life Annuity commencing at age sixty-five (65). If a Participant experiences a Disability during his employment and on or after such Participant's attainment of age sixty-five (65), he shall receive, as his Disability Benefit, a SERP Benefit in the form set forth in Article 4. Disability Benefit payments shall commence within sixty (60) days following the date on which the Participant experiences a Disability.

3.4 **Change in Control Benefit**. If a Participant experiences a separation from service with all Employers as an Employee for any reason within the twelve-month period immediately following a Change in Control, the Participant shall receive as his Change in Control Benefit, a SERP Benefit in the form of a lump sum that is the Actuarial Equivalent of the Participant's SERP Benefit had such benefit been payable in the form set forth in Article 4. The Change in Control Benefit payment shall be made within sixty (60) days immediately following the last day of the six-month period immediately following the date on which the Participant experiences such a separation from service.

3.5 **Death Prior to the Commencement of Benefits**. If a Participant who is entitled to a benefit pursuant to this Plan should die prior to the date on which his benefit payment is scheduled to commence, the form in which the Participant elected to receive such benefit shall determine the amount, if any, payable to such Participant's Beneficiary as a Death Benefit. The Death Benefit, if any, shall be a SERP Benefit in the form of a lump sum that is the Actuarial Equivalent of the

Participant's SERP Benefit. Payment of the Death Benefit, if any, will be made to the Beneficiary no later than sixty (60) days after the date of the Participant's death.

3.6 **Death After the Commencement of Benefits**. If a Participant dies after his benefits have commenced, the form in which such Participant's benefits have been paid shall determine the amount, if any, and the form of the Death Benefit payable to such Participant's Beneficiary.

3.7 **Limitation on Benefits**. Notwithstanding the foregoing provisions of this Article 3, in no event shall a Participant or his Beneficiary receive more than one form of benefit under this Article 3.

3.8 **Withholding and Payroll Taxes**. The Employer shall withhold from any and all benefits made under this Article 3, or from cash compensation if withholding is required prior to payment of benefits, all federal, state, local or foreign income, employment and other taxes required to be withheld by the Employer in connection with the benefits hereunder, in amounts to be determined in the sole discretion of the Employer.

ARTICLE 4
Forms of Benefit Payment

4.1 **Normal Form of Benefits**. Except as provided in Article 3, a Participant who is entitled to receive a SERP Benefit pursuant to this Plan shall receive such benefit in the form of a Life Annuity unless an optional form of benefit payment is elected by a Participant in accordance with Section 4.2.

4.2 **Optional Form of Benefits**. A Participant may elect, in connection with his commencement of participation in the Plan, to receive his SERP Benefit in a form other than a Life Annuity by electing to receive such benefit in the form of a (i) Ten Year Term Certain Life Annuity, (ii) Fifteen Year Term Certain Life Annuity, or (iii) Joint and 50% Survivor Annuity; provided, however, that the Participant's SERP Benefit will be increased or decreased, as applicable, to be a benefit that is the Actuarial Equivalent of a Life Annuity, and which reflects the actual form of benefit payment elected by the Participant pursuant to this Section 4.2. If a Participant does not make any election in connection with his commencement of participation in the Plan with respect to the form of the benefit in accordance with this Section 4.2, then such Participant shall be deemed to have elected to receive such benefit as a Life Annuity in accordance with Section 4.1.

4.3 **Changes to Form of SERP Benefit**. A Participant may change the form of his SERP Benefit from a Life Annuity to an allowable form provided in Section 4.2 by submitting an Election Form to the Committee in accordance with the following criteria:

(i) The election shall have no effect until at least twelve (12) months after the date on which the election is made; and

(ii) The first benefit payment (excluding payments made upon the Participant's death or Disability) shall be delayed at least five (5) years from the date on which such payment would otherwise have been made.

Notwithstanding the foregoing, the Committee shall interpret all provisions relating to a Participant's election to change the form of his SERP Benefit under this Section 4.3 in a manner that is consistent with Code Section 409A and related Treasury guidance.

The Election Form most recently accepted by the Committee shall govern the payout of the SERP Benefit.

ARTICLE 5
Forfeiture

5.1 **Forfeiture**. Notwithstanding any provision of this Plan to the contrary, the right of a Participant and his Beneficiaries to be eligible to receive or to continue to receive benefits hereunder is expressly conditioned upon the Participant not violating any noncompete provisions contained in the Participant's Plan Agreement. If the Committee determines that a Participant has violated the terms of this Section 5.1, the Participant and his or her Beneficiaries shall forfeit any benefits not yet received under this Plan and shall be required to repay to the Employer any benefits already received from the Plan.

ARTICLE 6
Termination of Plan Participation, Amendment or Modification of the Plan

6.1 **Termination of Plan Participation**. Although each Employer anticipates that it will continue the Plan for an indefinite period of time, there is no guarantee that any Employer will continue the Plan or will not terminate the Plan at any time in the future. Accordingly, each Employer reserves the right to terminate the participation in the Plan as to some or all of the Participants at any time. Following the termination of participation in the Plan, (i) each affected Participant's SERP Benefit shall stop accruing (except for necessary actuarial adjustments), and (ii) each Participant's SERP Benefit (determined without regard to any increases in Compensation, Years of Service or Years of Plan Participation after the termination of the participation in the Plan) shall commence no sooner than the date on which the Participant or his Beneficiary becomes eligible to receive such benefit in accordance with Articles 3 and 4 of the Plan.

Notwithstanding the foregoing, to the extent permissible under Code Section 409A and related Treasury guidance, following a Change in Control each Employer may, in its discretion, terminate the participation in the Plan with respect to all Participants and distribute benefits to the Participants in the form of a lump sum that is the Actuarial Equivalent of each Participant's SERP Benefit, determined as of the date of the termination of participation in the Plan (without regard to any increases in Compensation, Years of Service or Years of Plan Participation after such date), provided that the distribution of the Participants' benefits are made no later than six (6) months after the Change in Control.

The termination of participation in the Plan accordance with this Section 6.1 shall not adversely affect any Participant or Beneficiary who has become entitled to the payment of any benefits under the Plan as of the date of such termination of participation.

6.2 **Amendment**.

(a) The Board may, at any time, amend or modify the Plan in whole or in part. Notwithstanding the foregoing, (i) no amendment or modification shall be effective to reduce any benefits a Participant has become entitled to as of the date the amendment or modification is made, and (ii) no amendment or modification of this Section 6.2 shall be effective.

(b) If a Participant's Plan Agreement contains benefits or limitations that are not in this Plan document, the Board may amend or terminate such provisions with the written consent of the Participant.

(c) Notwithstanding any provision of the Plan to the contrary, in the event that the Committee or the Board determines that any provision of the Plan or any Plan Agreement may cause amounts deferred under the Plan to become immediately taxable to any Participant under Code Section 409A and related Treasury guidance, the Board may (i) adopt such amendments to the Plan, Plan Agreement and appropriate policies and procedures, including amendments and policies with retroactive effect, that are determined to be necessary or appropriate to preserve the intended tax treatment of the Plan benefits provided by the Plan and/or (ii) take such other actions that are determined to be necessary or appropriate to comply with the requirements of Code Section 409A and related Treasury guidance.

6.3 **Effect of Payment**. Absent the earlier termination, modification or amendment of the Plan, the full payment of the applicable benefit as provided under Articles 3 and 4 of the Plan shall completely discharge all obligations to a Participant and his Beneficiaries under this Plan and the Participant's Plan Agreement shall terminate.

ARTICLE 7
Other Benefits and Agreements

7.1 **Coordination with Other Benefits**. The benefits provided for a Participant and such Participant's Beneficiaries under this Plan are in addition to any other benefits available to the Participant under any other plan or program for employees of the Participant's Employer. The Plan shall supplement and shall not supersede, modify or amend any other such plan or program except as may otherwise be expressly provided.

ARTICLE 8
Administration of the Plan

8.1 **Committee Duties**. This Plan shall be administered by a Committee, which shall consist of the Compensation Committee of the Board. Members of the Committee may not be Participants under this Plan. The Committee shall also have the discretion and authority to (a) make, amend, interpret and enforce all appropriate rules and regulations for the administration of this Plan and (b) decide or resolve any and all questions including interpretations of this Plan, and find facts necessary to make such determinations as may arise in connection with the Plan. When making a determination or calculation, the Committee shall be entitled to rely on information furnished by the Participant, the Employer or appropriate experts, including agents and actuarial experts. The Committee may, in its sole discretion and from time to time, delegate any administrative or ministerial duties related to the Plan to any officers or staff of the Company.

8.2 **Agents**. In the administration of this Plan, the Committee may, from time to time, employ agents and delegate to them such administrative duties as it sees fit (including acting through a duly appointed representative) and may from time to time consult with counsel who may but need not be counsel to the Company.

8.3 **Binding Effect of Decisions**. The decision or action of the Committee with respect to any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.

8.4 **Indemnity of Committee**. All Employers shall indemnify and hold harmless the members of the Committee and any Employee to whom duties of the Committee may be delegated in accordance with Section 8.1, from any and all claims, losses, damages, expenses or liabilities arising from any action or failure to act with respect to this Plan, except in the case of willful misconduct by any such member of the Committee or any such Employee who seeks indemnification hereunder.

8.5 **Company Information**. To enable the Committee to perform its functions, the Company and each Employer shall supply full and timely information to the Committee on all matters relating to the compensation of its Participants, the date and circumstances of the Retirement, Disability, death or Termination of Employment of its Participants, and such other pertinent information as the Committee may reasonably require.

ARTICLE 9
Claims Procedures

9.1 **Presentation of Claim**. Any Participant or Beneficiary of a deceased Participant (such Participant or Beneficiary being referred to below as a "Claimant") may deliver to the Committee a written claim for a determination with respect to the amounts distributable to such Claimant from the Plan. If such a claim relates to the contents of a notice received by the Claimant, the claim must be made within sixty (60) days after such notice was received by the Claimant. All other claims must be made within 180 days of the date on which the event that caused the claim to arise occurred. The claim must state with particularity the determination desired by the Claimant.

9.2 **Notification of Decision**. The Committee shall consider a Claimant's claim within a reasonable time, but no later than ninety (90) days after receiving the claim. If the Committee determines that special circumstances require an extension of time for processing the claim, written notice of the extension shall be furnished to the Claimant prior to the termination of the initial ninety (90) day period. In no event shall such extension exceed a period of ninety (90) days from the end of the initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Committee expects to render the benefit determination. The Committee shall notify the Claimant in writing:

(a) that the Claimant's requested determination has been made, and that the claim has been allowed in full; or

(b) that the Committee has reached a conclusion contrary, in whole or in part, to the Claimant's requested determination, in which case such notice must set forth in a manner calculated to be understood by the Claimant:

(i) the specific reason(s) for the denial of the claim, or any part of it;

(ii) specific reference(s) to pertinent provisions of the Plan upon which such denial was based;

(iii) a description of any additional material or information necessary for the Claimant to perfect the claim, and an explanation of why such material or information is necessary;

(iv) an explanation of the claim review procedure set forth in Section 9.3 below; and

(v) a statement of the Claimant's right to bring a civil action under ERISA Section 502(a) following an adverse benefit determination on review.

9.3 **Review of a Denied Claim**. On or before sixty (60) days after receiving a notice from the Committee that a claim has been denied, in whole or in part, a Claimant (or the Claimant's duly authorized representative) may file with the Committee a written request for a review of the denial of the claim. The Claimant (or the Claimant's duly authorized representative):

(a) may, upon request and free of charge, have reasonable access to, and copies of, all documents, records and other information relevant to the claim for benefits;

(b) may submit written comments or other documents; and/or

(c) may request a hearing, which the Committee, in its sole discretion, may grant.

9.4 **Decision on Review**. The Committee shall render its decision on review promptly, and no later than sixty (60) days after the Committee receives the Claimant's written request for a review of the denial of the claim. If the Committee determines that special circumstances require an extension of time for processing the claim, written notice of the extension shall be furnished to the Claimant prior to the termination of the initial sixty (60) day period. In no event shall such extension exceed a period of sixty (60) days from the end of the initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Committee expects to render the benefit determination. In rendering its decision, the Committee shall take into account all comments, documents, records and other information submitted by the Claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The decision must be written in a manner calculated to be understood by the Claimant, and it must contain:

(a) specific reasons for the decision;

(b) specific reference(s) to the pertinent Plan provisions upon which the decision was based;

(c) a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of, all documents, records and other information relevant (as defined in applicable ERISA regulations) to the Claimant's claim for benefits; and

(d) a statement of the Claimant's right to bring a civil action under ERISA Section 502(a).

9.5 **Legal Action**. A Claimant's compliance with the foregoing provisions of this Article 9 is a mandatory prerequisite to a Claimant's right to commence any legal action with respect to any claim for benefits under this Plan.

ARTICLE 10
Beneficiary Designation

10.1 **Beneficiary**. Each Participant shall have the right, at any time, to designate his Beneficiary(ies) (both primary as well as contingent) to receive any Death Benefits payable under the Plan to a beneficiary upon the death of the Participant. The Beneficiary(ies) designated under this Plan may be the same as or different from the Beneficiary(ies) designated under any other plan of an Employer in which the Participant participates.

10.2 **Beneficiary Designation; Change; Spousal Consent**. A Participant shall designate his Beneficiary(ies) by completing and signing the Beneficiary Designation Form, and returning it to the Committee or its designated agent. A Participant shall have the right to change a Beneficiary by completing, signing and otherwise complying with the terms of the Beneficiary Designation Form and the Committee's rules and procedures, as in effect from time to time. If the Participant names someone other than his spouse as a Beneficiary, the Committee may, in its sole discretion, determine that spousal consent is required to be provided in a form designated by the Committee, executed by such Participant's spouse and returned to the Committee. Upon the acceptance by the Committee of a new Beneficiary Designation Form, all Beneficiary designations previously filed shall be cancelled. The Committee shall be entitled to rely on the last Beneficiary Designation Form filed by the Participant and accepted by the Committee prior to his death.

10.3 **Acknowledgment**. No designation or change in designation of a Beneficiary shall be effective until received and acknowledged in writing by the Committee or its designated agent.

10.4 **No Beneficiary Designation**. If a Participant fails to designate a Beneficiary as provided in Sections 10.1, 10.2, and 10.3 above, or if all designated Beneficiaries predecease the Participant or die prior to complete distribution of the Participant's benefits, then the Participant's designated Beneficiary shall be deemed to be his surviving spouse. If the Participant has no surviving spouse, the benefits remaining under the Plan to be paid to a Beneficiary shall be payable to the executor or personal representative of the Participant's estate.

10.5 **Doubt as to Beneficiary**. If the Committee has any doubt as to the proper Beneficiary(ies) to receive payments pursuant to this Plan, the Committee shall have the right, exercisable in its discretion, to cause the Participant's Employer to withhold such payments until this matter is resolved to the Committee's satisfaction.

10.6 **Discharge of Obligations**. The payment of benefits under the Plan to a Participant's Beneficiary(ies) shall fully and completely discharge all Employers and the Committee from all further obligations under this Plan with respect to the Participant, and that Participant's Plan Agreement shall terminate upon such full payment of benefits.

ARTICLE 11
Trust

11.1 **Establishment of the Trust.** In order to provide assets from which to fulfill the obligations of the Participants and their Beneficiaries under the Plan, the Company may establish a Trust by a trust agreement with a third party, the trustee, to which each Employer may, in its discretion, contribute cash or other property to the Trust in order to provide for the benefits payments under the Plan.

11.2 **Interrelationship of the Plan and the Trust.** The provisions of the Plan and the Plan Agreement shall govern the rights of the Participants to receive distributions pursuant to the Plan. The provisions of the Trust, if any, shall govern the rights of the Employers, the Participants and the creditors of the Employers to the assets transferred to the Trust. Each Employer shall at all times remain liable to carry out its obligations under the Plan.

11.3 **Distributions From the Trust.** Each Employer's obligations under the Plan may be satisfied with Trust assets distributed pursuant to the terms of the Trust, if any, and any such distribution shall reduce the Employer's obligations under this Plan.

ARTICLE 12
Miscellaneous

12.1 **Status of the Plan**. The Plan is intended to be a plan that is not qualified within the meaning of Code Section 401(a), and is intended to be "unfunded and maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees" within the meaning of ERISA Sections 201(2), 301(a)(3) and 401(a)(1). The Plan shall be administered and interpreted (i) to the extent possible in a manner consistent with the intent described in the preceding sentence, and (ii) in accordance with Code Section 409A and other applicable tax law, including but not limited to Treasury Regulations promulgated pursuant to Code Section 409A.

12.2 **Unsecured General Creditor**. Participants and their Beneficiaries, heirs, successors and assigns shall have no legal or equitable rights, interests or claims in any property or assets of an Employer. For purposes of the payment of benefits under this Plan, any and all of an Employer's assets shall be, and remain, the general, unpledged unrestricted assets of the Employer. An Employer's obligation under the Plan shall be merely that of an unfunded and unsecured promise to pay money in the future.

12.3 **Employer's Liability**. An Employer's liability for the payment of benefits shall be defined only by the Plan and the Plan Agreement, as entered into between the Employer and a Participant. An Employer shall have no obligation to the Participant under the Plan except as expressly provided in the Plan and his Plan Agreement.

12.4 **Nonassignability**. Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate, alienate or convey in advance of actual receipt, the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are, expressly declared to be, unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure, attachment, garnishment or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency or be transferable to a spouse as a result of a property settlement or otherwise.

12.5 **Not a Contract of Employment**. The terms and conditions of this Plan shall not be deemed to constitute a contract of employment between any Employer and the Participant. Such employment is hereby acknowledged to be an "at will" employment relationship that can be terminated at any time for any reason, or no reason, with or without cause, and with or without notice, unless expressly provided in a written employment agreement. Nothing in this Plan shall be deemed to give a Participant the right to be retained in the service of any Employer or to interfere with the right of any Employer to discipline or discharge a Participant at any time.

12.6 **Furnishing Information**. A Participant or his Beneficiary will cooperate with the Committee by furnishing any and all information requested by the Committee and take such other actions as may be requested in order to facilitate the administration of the Plan and the payments of benefits hereunder, including but not limited to taking such physical examinations as the Committee may deem necessary.

12.7 **Terms**. Whenever any words are used herein in the masculine, they shall be construed as though they were in the feminine in all cases where they would so apply; and wherever any words are used herein in the singular or in the plural, they shall be construed as though they were used in the plural or the singular, as applicable, in all cases where they would so apply.

12.8 **Captions**. The captions of the articles, sections and paragraphs of this Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.

12.9 **Governing Law**. Subject to ERISA, the provisions of this Plan shall be construed and interpreted according to the internal laws of the State of Delaware without regard to its conflict of laws principles.

12.10 **Notice**. Any notice or filing required or permitted to be given to the Committee under this Plan shall be sufficient if in writing and hand-delivered, or sent by registered or certified mail, to the address below:

Guess?, Inc.
Director of Human Resources
1444 South Alameda Street
Los Angeles, CA 90021

Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.

Any notice or filing required or permitted to be given to a Participant under this Plan shall be sufficient if in writing and hand-delivered, or sent by mail, to the last known address of the Participant.

12.11 **Successors**. The provisions of this Plan shall bind and inure to the benefit of each Participant's Employer and its successors and assigns and such Participant and the Participant's designated Beneficiaries.

12.12 **Spouse's Interest**. The interest in the benefits hereunder of a spouse of a Participant who has predeceased the Participant shall automatically pass to the Participant and shall not be transferable by such spouse in any manner, including but not limited to such spouse's will, nor shall such interest pass under the laws of intestate succession.

12.13 **Validity**. In case any provision of this Plan shall be illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but this Plan shall be construed and enforced as if such illegal and invalid provision had never been inserted herein.

12.14 **Incompetent**. If the Committee determines in its discretion that a benefit under this Plan is to be paid to a minor, a person declared incompetent or to a person incapable of handling the disposition of that person's property, the Committee may direct payment of such benefit to the guardian, legal representative or person having the care and custody of such minor, incompetent or incapable person. The Committee may require proof of minority, incompetency, incapacity or guardianship, as it may deem appropriate, prior to distribution of the benefit. Any payment of a benefit shall be a payment for the account of the Participant and the Participant's Beneficiary, as applicable, and shall be a complete discharge of any liability under the Plan for such payment amount.

12.15 **Court Order**. The Committee is authorized to comply with any court order in any action in which the Plan or Committee has been named as a party, including any action involving a determination of the rights or interests in a Participant's benefits under the Plan. Notwithstanding the foregoing, the Committee shall interpret this provision in a manner that is consistent with applicable tax law, including but not limited to guidance issued after the effective date of this Plan.

12.16 **Insurance**. The Employers, on their own behalf or, if applicable, on behalf of the trustee of the Trust, and, in their sole discretion, may apply for and procure insurance on the life of a Participant, in such amounts and in such forms as the Employer or trustee of the Trust may elect. The Employers or the trustee of the Trust, as applicable, shall be the sole owner and beneficiary of any such insurance. The Participant shall have no interest whatsoever in any such policy or policies, and at the request of the Employers shall submit to medical examinations and supply such information and execute such documents as may be required by the insurance company or companies to whom the Employers have applied for insurance.

12.17 **Legal Fees To Enforce Rights After Change in Control**. The Company and each Employer is aware that upon the occurrence of a Change in Control, the Board or the board of directors of a Participant's Employer (which might then be composed of new members) or a shareholder of the Company or the Participant's Employer, or of any successor corporation might then cause or attempt to cause the Company, the Participant's Employer or such successor to refuse to comply with its obligations under the Plan and might cause or attempt to cause the Company or the Participant's Employer to institute, or may institute, litigation seeking to deny Participants the benefits intended under the Plan. In these circumstances, the purpose of the Plan could be frustrated. Accordingly, if, following a Change in Control, (i) a Participant or Beneficiary institutes any litigation or other legal action which seeks to recover benefits under the Plan or which otherwise asserts that the Committee, the Company, the Employer or any successor entity to the Company or the Employer has failed to comply with any of its obligations under this Plan or any agreement thereunder with respect to such Participant or Beneficiary, or if the Committee, the Company, the Employer or any other person takes any action to declare this Plan void or unenforceable or institutes any litigation or other legal action designed to deny, diminish or to recover from any Participant or Beneficiary the benefits intended to be provided under the Plan, and (ii) the Participant or Beneficiary retains counsel in connection with such litigation or legal action, then, if the final decision of a court of competent jurisdiction determines that the Participant or Beneficiary has prevailed with respect to all or part of such litigation or legal action the Company and such Employer (who shall be jointly and severally liable) shall be required to pay the reasonable attorneys fees and expenses of the Participant or Beneficiary in connection with the initiation or defense of such litigation or legal action with respect to such matters, whether by or against the Committee, the Company, the Employer or any director, officer, shareholder or other person affiliated with the Company, the Employer or any successor thereto in any jurisdiction.

IN WITNESS WHEREOF, this Plan document is adopted as of October 31, 2005.

"Company"

Guess?, Inc., a Delaware corporation

/s/ Carlos Alberini

By: Carlos Alberini
Title: President and Chief Operating Officer

Exhibit 10.68

GUESS?, INC.

WRITTEN DESCRIPTION OF PERFORMANCE-BASED BONUS CRITERIA
FOR PAUL MARCIANO

On September 27, 2005, the following cash bonus awards were authorized by the Compensation Committee of the Board of Directors of Guess?, Inc. (the "Company") to be paid to Paul Marciano, Co-Chairman of the Board and Co-Chief Executive Officer of the Company, under the Company's 2004 Equity Incentive Plan (the "Incentive Plan") if the specified levels of earnings from operations for the Company's licensing segment with respect to the fourth quarter of 2005 and the 2006, 2007 and 2008 calendar years are achieved:

Performance Period	Incentive Compensation Award
Fourth Quarter 2005	$3.0 million (payable only upon certification of achievement of performance standard for fourth quarter 2005)
2006 Calendar Year	$1.3 million (payable only upon certification of achievement of performance standard for 2006 calendar year)
2007 Calendar Year	$1.5 million (payable only upon certification of achievement of performance standard for 2007 calendar year)
2008 Calendar Year	$3.5 million (payable only upon certification of (i) achievement of performance standard for 2008 calendar year and (ii) receipt by the Company of the $35.0 million payment due in January 2012 pursuant to the license agreement with the Company's watch licensee)

All such potential awards are intended to qualify as performance-based compensation within the meaning of Internal Revenue Code Section 162(m). Such potential awards are in addition to any other performance-based awards for which Paul Marciano is eligible under the Incentive Plan, the Company's Annual Incentive Bonus Plan or otherwise.

Exhibit 31.1

I, Maurice Marciano, Co-Chief Executive Officer and Director, 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: November 9, 2005

By: /s/ Maurice Marciano
Maurice Marciano
Co-Chief Executive Officer and Director

Exhibit 31.2

I, Paul Marciano, Co-Chief Executive Officer and Director, 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: November 9, 2005

By: /s/ Paul Marciano
Paul Marciano
Co-Chief Executive Officer and Director

Exhibit 31.3

I, Carlos Alberini, President, Chief Operating Officer and Director, 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: November 9, 2005

By: /s/ Carlos Alberini
Carlos Alberini
President, Chief Operating Officer and Director

Exhibit 31.4

I, Frederick G. Silny, Senior Vice President and Chief Financial Officer, 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: November 9, 2005

By: /s/ Frederick G. Silny
Frederick G. Silny
Senior Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350

AS ADOPTED PURSUANT TO SECTION 906

OF THE SARBANES-OXLEY ACT OF 2002

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

- the Quarterly Report on Form 10-Q of the Company for the period ended October 1, 2005, 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: November 9, 2005

By: /s/ Maurice Marciano
Maurice Marciano
Co-Chief Executive Officer and Director

Exhibit 32.2

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

- the Quarterly Report on Form 10-Q of the Company for the period ended October 1, 2005, 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: November 9, 2005

By: /s/ Paul Marciano
Paul Marciano
Co-Chief Executive Officer and Director

Exhibit 32.3

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

- the Quarterly Report on Form 10-Q of the Company for the period ended October 1, 2005, 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: November 9, 2005

By: /s/ Carlos Alberini
Carlos Alberini
President, Chief Operating Officer and Director

Exhibit 32.4

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350

AS ADOPTED PURSUANT TO SECTION 906

OF THE SARBANES-OXLEY ACT OF 2002

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

- the Quarterly Report on Form 10-Q of the Company for the period ended October 1, 2005, 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: November 9, 2005

By: /s/ Frederick G. Silny
Frederick G. Silny
Senior Vice President and Chief Financial Officer