SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the Fiscal Year Ended December 31, 2000
Commission File Number 1-11893

GUESS?, INC.

(Exact name of registrant as specified in its charter)

Delaware	95-3679695
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

1444 South Alameda Street
Los Angeles, California 90021
(213) 765-3100

(Address, including zip code, and telephone number, including area code)

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $0.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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 [X] No [   ]

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

As of the close of business on March 12, 2001, the aggregate market value of the voting and non-voting common equity stock held by non-affiliates of the registrant was $50,220,989.

As of the close of business on March 12, 2001, the registrant had 43,623,827 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the proxy statement for the registrant's 2001 Annual Meeting of Stockholders are incorporated by reference into Part III herein.

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PART I

ITEM 1. BUSINESS

IMPORTANT FACTORS REGARDING FORWARD-LOOKING STATEMENTS

Various forward-looking statements have been made in this Form 10-K. Forward-looking statements may also be in the Company's other reports filed under the Securities Exchange Act of 1934, 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 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. Certain statements in this Form 10-K, including those relating to the Company's expected results and operations, the accuracy of data relating to, and anticipated levels of, its future inventory and gross margins, its anticipated cash requirements and sources, its cost containment efforts, estimated charges, its plans regarding store openings and closings, e-commerce and its business seasonality, are forward-looking statements. Such statements involve risks and uncertainties, which may cause actual results to differ materially from those set forth in these statements. Factors which may cause actual results in future periods to differ from its current expectations include, among other things, the continued availability of sufficient working capital, the successful integration of new stores into existing operations, the continued desirability and customer acceptance of existing and future product lines, possible cancellations of wholesale orders, the success of competitive products, the success of the Company's programs to strengthen its inventory cost accounting controls and procedures and the availability of adequate sources of capital. In addition to these factors, the economic and other factors identified in this Form 10-K, including but not limited to the risk factors discussed herein and in the Company's previously filed public documents, could affect the forward-looking statements contained in herein and therein.

Forward-looking statements generally refer to future plans and performance, and are identified by the words "believe," "expect," "anticipate," "optimistic," "intend," "aim," "will" or the negative thereof and similar expressions. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of which they are made. The Company undertakes no obligation to update publicly or revise any forward-looking statements.

For additional information regarding forward-looking statements, refer to "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" contained herein.

GENERAL

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

We design, market, distribute and license one of the world's leading lifestyle collections of casual apparel and accessories for men, women and children that reflect the American lifestyle and European fashion sensibilities. Our apparel is marketed under numerous trademarks including GUESS, GUESS?, GUESS U.S.A., GUESS Jeans, GUESS? and Triangle Design, Question Mark and Triangle Design, GUESS Kids, and GUESS Collection. The lines include full collections of denim and cotton clothing, including jeans, pants, overalls, skirts, dresses, shorts, blouses, shirts, jackets and knitwear. We also selectively grant licenses to manufacture and distribute a broad range of products that complement our apparel lines, including eyewear, watches, footwear, infant apparel and other fashion accessories.

Our products are sold through three primary distribution channels: in our own stores, to a network of wholesale accounts and through the internet. GUESS? branded products, some of which are produced under license, are also sold internationally through a series of licensees and distributors. Our core customer is a style-conscious consumer between the ages of 15 and 25. These consumers are part of a highly desirable demographic group that we believe is growing rapidly and has significant disposable income. We also appeal to customers outside this group through specialty product lines that include GUESS Collection, a more sophisticated fashion line targeted to women, and GUESS Kids, targeted to boys and girls ages 6 to 12.

We were founded in 1981 and currently operate as a Delaware corporation.

BUSINESS SEGMENTS

Our business consists of three reportable business segments: retail operations, wholesale operations and licensing operations. Financial information about each segment for the fiscal years ended December 31, 2000, 1999 and 1998 are included under Note 13 to the Consolidated Financial Statements contained herein.

In 2000, 50.4% of our net revenue was generated from retail operations, 44.8% from wholesale operations and 4.8% from licensing operations. Our total net revenue in 2000 was $779.2 million and net earnings were $16.5 million.

BUSINESS STRENGTHS

We believe we have several business strengths which are necessary for the execution of our strategies. These business strengths include:

BRAND EQUITY. We believe that our name has become one of the most familiar in fashion and is one of our most valuable assets. We believe the enduring strength of the GUESS? brand name and image is due mainly to our consistent emphasis on innovative and distinctive product designs that stand for exceptional styling and quality. Our industry is highly competitive and subject to rapidly changing consumer preferences and tastes. The success of our brand depends on our ability to anticipate the fashion preferences of our customers. We have a team of designers who, under the direction of Maurice Marciano, seek to identify global fashion trends and interpret them for the style-conscious

consumer while retaining the distinctive GUESS? image. Through our award-winning advertising, under the creative leadership and vision of Paul Marciano, we have achieved worldwide recognition of the GUESS? brand name. By retaining control over advertising and marketing activities from our headquarters in Los Angeles, we maintain the integrity, consistency and direction of the GUESS? brand image worldwide, while realizing substantial cost savings when compared to the use of outside advertising agencies.

We have developed the "GUESS? signature image" and "GUESS? lifestyle concept," through the use of our strong and distinctive images, merchandising display themes, logos, and trademarks which are registered in over 171 countries.

ADVERTISING AND MARKETING. All worldwide advertising, marketing activities and promotional materials are controlled from our headquarters in Los Angeles. GUESS Jeans, GUESS U.S.A. and Guess?, Inc. images have been showcased in dozens of major publications, and outdoor and broadcast media throughout the United States and worldwide. Our advertising campaigns promote the GUESS? image with our award winning advertising and a consistent emphasis on innovative and distinctive designs.

We communicate this message through the use of our signature black and white print advertisements, as well as color print advertisements, designed by our in-house Advertising Department. Led by Paul Marciano, this team has won numerous awards and contributed to making the GUESS? brand one of the most recognizable fashion brands. We have maintained a high degree of consistency in our advertisements, by using similar themes and images. We require our licensees and distributors to invest a percentage of their net sales of licensed products and net purchases of GUESS? products, respectively, in Company-approved advertising, promotion and marketing.

RETAIL DISTRIBUTION. At December 31, 2000, we operated 108 full-price retail stores, 11 kids stores and 60 factory outlet stores in the United States and a retail store in Florence, Italy that is an integral part of our European design activities. At December 31, 2000, our 60% owned subsidiary, GUESS Canada, operated 26 full-price retail stores and seven factory outlet stores in Canada. Our retail network creates an upscale and inviting shopping environment and enhances our image. Distribution through our retail stores allows us to influence the merchandising and presentation of our products, build brand equity and test market new product design concepts. Our retail stores carry a full assortment of men's and women's merchandise, including most of the GUESS? licensed products. Our kids stores offer product for boys and girls and infants ages 3 months to 12 years. These stores are smaller than the adult stores and are child friendly including special visual presentation and fixtures. Our factory outlet stores are primarily located in outlet malls, generally operating outside the shopping radius of our wholesale customers and our own retail stores. They appeal to value-conscious customers with a product line that is approximately 70% unique to that venue.

LICENSEE STORES. Our licensees and distributors also operate 248 international GUESS? stores. These stores carry apparel and accessories that are similar to those sold in the United States, including some that are tailored for local fashion sensibilities. We work closely with international licensees and distributors to ensure that their store designs and merchandise programs protect the reputation of the GUESS? trademarks. Our international licenses and distribution agreements also allow for the sale of GUESS? brand products in better department stores and upscale specialty retail stores.

WHOLESALE DISTRIBUTION. We have both domestic and international wholesale distribution channels. Domestic wholesale customers consist primarily of better department stores and select specialty retailers and upscale boutiques, which have the image and merchandising expertise that we require for the effective presentation of our products. Leading domestic wholesale customers include Federated Department Stores, Inc., The May Department Stores Company,

Dillard's, Inc. and Dayton Hudson Corporation. During 2000, our products were sold directly to consumers from approximately 2,800 retail store locations in the United States. These locations include approximately 1,470 shop-in-shops, an exclusive selling area within a department store that offers a wide array of our products and incorporates GUESS? signage and fixture designs. These shop-in-shops allow us to reinforce our GUESS? brand image with our customers. Many department stores have more than one shop-in-shop, with each one featuring women's, men's, boys' or girls' apparel. Through our foreign subsidiaries and our network of international distributors, our products are also found in major cities throughout Asia, Europe, South America and the Middle East.

LICENSING OPERATIONS. The desirability of the GUESS? brand name among consumers has allowed us to selectively expand our product offerings and global markets through trademark licensing arrangements, with minimal capital investment or on-going operating expenses. We carefully select our trademark licensees and approve in advance all product design, advertising and packaging materials of all licensed products in order to maintain a consistent GUESS? image. We currently have 25 domestic and international licenses that include watches, eyewear, shoes, handbags, leather apparel, jewelry and related accessories. We have granted licenses for the manufacture and sale of GUESS? branded products in markets which include Europe, Asia, South America, Australia and Africa.

BUSINESS GROWTH STRATEGIES

We regularly evaluate and implement initiatives that we believe will build brand equity, grow our business and enhance profitability. Our key growth strategies are as follows:

LEVERAGING THE GUESS? BRAND. We believe the GUESS? brand is an integral part of our business, a significant strategic asset and a primary source of sustainable competitive advantage. It communicates a distinctive image that is fun, fashionable and sexy. Brand loyalty, name awareness, perceived quality, strong

brand images, public relations, publicity, promotional events and trademarks all contribute to brand integrity. Our design teams visit the world's premier fashion locations in order to identify important style trends and to discover new fabrics. We will continue this practice while promoting our innovative designs through stylish advertising campaigns that advance the GUESS? image. Our marketing programs are designed to convey a uniform style image for the brand and are aimed at increasing the desire of the target group to join our GUESS? customer group.

RETAIL STORE STRATEGY AND EXPANSION PLANS. Our retail growth strategy is to increase retail sales and profitability by expanding our network of retail stores and improving the performance of existing stores. During 2000, we opened 16 new full-price retail stores, 11 kids stores, nine factory outlet stores and closed 3 factory outlet under-performing stores in the United States. In 2000, our Canadian licensee, Guess Canada, opened 14 new full-price retail stores and 6 factory outlet stores in Canada. We currently own 60% of Guess? Canada and have an option to acquire the remaining 40% of our Canadian subsidiary commencing December 31, 2001.

Our retail locations build brand awareness and contribute to the growth of our wholesale operations. Accordingly, we have expanded our retail square footage in the United States and Canada. We increased square footage in 2000 by 29% in the United States and Canada, including Guess? Kids stores. For 2001, while we plan to increase our square footage, and remodel a few existing locations, the growth rate will be significantly lower than in 2000. We plan to be very selective with new store locations and expect to open up to 25 new stores, including stores in Canada and Guess? Kids stores.

In 2000, our retail stores open for at least one year realized

comparable sales gains averaging 5.8% over 1999 and includes our factory outlet stores which realized net gains averaging 4% over 1999. We believe this growth reflects the effect of several ongoing initiatives, including:

- leadership in new product development,
- a more fashion-focused product mix,
- improvements in merchandising and visual presentation,
- the remodeling of select stores to promote a consistent brand message, and
- the development of a motivated team of sales professionals to service our customers and provide a favorable shopping experience.

The look and feel of GUESS? retail and factory outlet stores play an important role in building our brand equity. To enhance the quality of our presentation, we remodeled 19 stores during 2000 and plan to remodel an additional six stores during 2001.

EXPAND SHOP-IN-SHOP PROGRAMS. We continue to selectively expand our use of "shop-in-shops," which are exclusive selling areas within wholesale customers' department stores that use GUESS? signage and fixture designs. The GUESS? "shop-in-shop" concept is designed to enhance the presence and brand awareness of GUESS? products in department stores. The strategic product presentation, theme-based fixtures, displays, strong and distinctive images and point-of-sale materials in these premium department store locations are designed to reinforce and capitalize on the "GUESS? lifestyle" concept. These shops also facilitate consumer shopping by featuring a comprehensive presentation of our merchandise. During the last three years, we focused on the department stores with the greatest sales potential and increased our shop-in-shop presence in those stores. In 2000 we increased the number of shop-in shops by 270, adding 122,000 square feet in department stores. At the end of 2000, we had approximately 1,470 GUESS? shop-in-shops in the United States.

REPOSITION LICENSEE PORTFOLIO. A primary objective of our company is to maintain the quality and reputation of the GUESS? brand. In order to accomplish this goal, we will continue to strategically reposition our licensing portfolio by constantly monitoring and evaluating the performance of our licensees worldwide and their strength and capabilities to represent our brand appropriately. As part of this process, we will consider bringing in-house apparel licenses, where appropriate. If we determine that licensees are performing inadequately, we sometimes discontinue the existing relationship and seek out a stronger replacement licensee. Over the past few years, we have converted our Women's Knits, Girls' and Boys' product lines from licensees to our own products.

Our girls' and boys' apparel lines are prominently featured in our new GUESS Kids stores and in girls' and boys' shop-in-shops. We have a new licensee producing the Baby GUESS line.

IMPROVED PRODUCT SOURCING. Over the past several years, we have refocused our product sourcing strategies to increase efficiencies, reduce costs and improve quality. We currently purchase approximately 79% of our finished products from international vendors. This is a significant change from years ago when we purchased the majority of our goods from domestic sources. We have increased our utilization of lower-cost, offshore "packaged purchases" in which we supply the product design and fabric selection, and the vendor manufactures and delivers the finished product. We have strategically aligned ourselves with sourcing vendors worldwide, who will take full responsibility for delivering quality, finished products in a timely manner. We have substantially reduced our average cost per unit and we

have lowered the price to the consumer of many of our items. By continuing to use packaged programs, we believe we can improve product gross margins, reduce carrying costs of raw materials and improve the timing of our deliveries and product quality. We also retain a close relationship with a number of domestic vendors located primarily in Los Angeles as it is important to react to last minute trends, as well as to respond to rush reorders.

RELOCATION OF THE DISTRIBUTION CENTER. We have opened a new, automated distribution center in Louisville, Kentucky, to replace our distribution center in Los Angeles. Our new, 500,000 square-foot facility is near United Parcel Service's national transit hub and has contributed to the reduction of our shipping time to our stores and wholesale accounts that are east of the Mississippi River. Operating expenses in the new distribution facility were higher than normal in 2000 due primarily to start-up costs. Depending on processing volumes and productivity improvements, we expect that the new facility will reduce operating cost per unit by reducing shipping costs and will provide better service to our customers by faster shipping and response times.

E-COMMERCE. We are pursuing both business-to-consumer and business-to-business initiatives. Our web site, www.guess.com, a virtual storefront that promotes the GUESS? brand, became fully operational in April 1999. Designed as a customer center, the site showcases GUESS? products in an easy-to-navigate format, allowing customers to see and purchase our collections of casual apparel and accessories. This virtual store has become a successful additional retail distribution channel, has improved customer service and is a fun and entertaining alternative-shopping environment. The site also provides fashion information, provides a mechanism for customer feedback, promotes customer loyalty and enhances our brand identity through interactive content. In 2000 the site generated net sales consistent with the top retail GUESS? stores in the chain. In addition, the Company added a Guess Kids and Baby Guess site in 2000 to create a complete product offering for our customers.

During 2000, we introduced a business-to-business concept that facilitates our interaction with wholesale customers, licensees and suppliers. The site, which utilizes Commerce One's MarketSite with PeopleSoft's eProcurement software, is designed to permit the purchase of both direct items such as trim, fabric, and finished goods and indirect items such as office and maintenance supplies. In addition, the site was created as a vehicle for our specialty customers to purchase Guess? and licensee products. Our site has the potential to become an electronic marketplace that facilitates various levels of interaction between buyers and sellers in the textile and apparel industries, and reduce our operating costs, increase our sourcing efficiencies and improve customer service.

GUESS? PRODUCTS

We derive net revenue from four primary sources:

- the sale of GUESS? men's, women's, girls' and boys' apparel,
- the sale of our licensees' products through our network of retail and factory outlet stores primarily in the United States,
- the sale of GUESS? men's, women's, girls' and boys' apparel worldwide to wholesale customers and distributors, and
- net royalties from worldwide licensing activities.

The following table sets forth our net revenue from our channels of distribution:

	Year Ended December 31,					
	2000		1999		1998	
	(dollars in thousands)					
Net Revenue:						
Retail operations	$392,539	50.4%	$299,384	50.0%	$222,624	47.2%
Wholesale operations	348,873	44.8	260,628	43.4	212,504	45.0
Net revenue from product sales	741,412	95.2	560,012	93.4	435,128	92.2
Net royalties	37,805	4.8	39,638	6.6	36,803	7.8
Total net revenue	$779,217	100.0%	$599,650	100.0%	$471,931	100.0%

PRODUCTS. Our product line is organized into four primary categories: men's, women's, girls' and boys' apparel. Since 1998, we reacquired our boys' and girls' apparel line from former licensees and now produce the line in-house. The product assortment was refocused with a more narrow and deep buying strategy using fewer stock keeping units ("SKUs") to be able to give our customers more depth of the styles they want. To take advantage of the contemporary trends, we complement our core basic styles with more fashion-oriented items. Within our basic denim assortment, we have added new denim fabrics and washes. In addition, we have also added "immediates" to our merchandise assortment; these are fashion forward styles that complement our current product line.

Our line of women's apparel also includes the GUESS Collection product line, a better collection of women's skirts, dresses, tops, jackets, blazers and blouses incorporating a sophisticated, high fashion combination of colors and styles. These products are currently sold exclusively through our retail stores and the Internet. This line is primarily designed to appeal to the contemporary segment of the apparel market.

LICENSED PRODUCTS. The high level of desirability of the GUESS? brand among consumers has allowed us to selectively expand our product offerings and distribution channels worldwide through trademark licensing arrangements. We currently have 25 trademark licenses. Worldwide sales of licensed products (as reported to us by our licensees) were approximately $550.0 million in 2000. Our net royalties from these sales, including fees from new licensees, were $37.8 million in 2000. Approximately 62.3% of our net royalties were derived from our top 7 licensed product lines in 2000.

DESIGN

Under the direction of Maurice Marciano, GUESS? apparel is designed by an in-house staff of five design teams (men's, women's, girls', boys' and GUESS Collection) located in Los Angeles, California. GUESS? design teams travel throughout the world in order to monitor fashion trends and discover new fabrics. Fabric shows in Europe, Asia and the United States provide additional opportunities to discover and sample new fabrics. These fabrics, together with the trends observed by our designers, serve as the primary source of inspiration for our lines and collections. We also maintain a fashion library consisting of antique and contemporary garments as another source of creative concepts. In addition, our design teams regularly meet with members of the sales, merchandising and retail operations to further refine our products to meet the particular needs of our markets.

DOMESTIC RETAIL OPERATIONS

At December 31, 2000, our domestic retail operations consisted of 108 full-price retail stores, 11 kids and 60 factory outlet stores in the United States that we owned and operated directly which sell GUESS?-label products. Since the beginning of 1998 through December 31, 2000, we have opened a total of 26 retail stores, 11 kids stores and 21 factory outlet stores and have closed or consolidated five retail stores and 10 factory outlet stores in the United States.

RETAIL STORES. Our 108 domestic retail stores occupy 597,000 square feet and range in size from approximately 3,000 to 12,500 square feet. Our retail stores carry a full assortment of men's and women's GUESS? merchandise, including most of our licensed products. During 2000, we opened 16 new full-price retail stores and remodeled 8 retail stores. During 2000 we also launched our Guess Kids' store strategy, and opened in the United States 11 kids stores, which sell our girls' and boys' lines, as well as infant's clothing, which is supplied by one of our licensees.

In 2000, our domestic full-price retail stores achieved a 6.7% comparable store increase in net revenue. Our domestic retail stores which were open at the beginning of 1999 increased sales per square foot from $431 in 1999 to $452 in 2000.

FACTORY OUTLET STORES. Our 60 domestic factory outlet stores occupy approximately 328,000 square feet and range in size from approximately 3,500 to 8,900 square feet. They are primarily located in outlet malls generally operating outside the shopping radius of our wholesale customers and our retail stores. These stores sell selected styles of GUESS? apparel and licensed products at a discount to value-conscious customers. We also use the factory outlet stores to assist us to distribute excess inventory effectively, thereby protecting the GUESS? image. Approximately 70% of the products sold in our factory outlet stores are unique to those stores. During 2000, we opened 9 new factory stores and closed 3 under-performing stores. In 2000, our domestic factory outlet stores achieved a 4.0% comparable store sales increase in net revenue over 1999. Our domestic factory outlet stores which were open at the beginning of 1999 increased sales per square foot from $352 in 1999 to $368 in 2000.

DOMESTIC WHOLESALE CUSTOMERS

Our domestic wholesale customers consist primarily of better department stores and select upscale specialty stores, which have the image and merchandising expertise that we require for the effective presentation of our products. Leading wholesale customers include Federated Department Stores, Inc., The May Department Stores Company and Dillard's, Inc., among others. During 2000, we sold our products directly to approximately 2,800 retail doors in the United States.

A key element of our merchandising strategy is the shop-in-shop merchandising format, an exclusive selling area within a department store that presents a full array of GUESS? products using GUESS? signage and fixture designs. At December 31, 2000, there were approximately 1,470 shop-in-shops (excluding shop-in-shops installed by licensees and distributors) that feature GUESS? products (other than the GUESS Collection). We added or remodeled approximately 270 shop-in-shops in 2000.

We have sales representatives in our showrooms in New York, Los Angeles, Dallas, Chicago and Atlanta. They coordinate with customers to determine the inventory level and product mix that should be carried in each store to maximize retail sell-throughs and enhance the customers' profit margins. The inventory level and product mix are then used as the basis for developing sales projections and product needs for each wholesale customer and for scheduling production. Additionally, we use merchandise coordinators, who work with the store to ensure that our products are appropriately displayed.

A few of our domestic wholesale customers, including some under common ownership, have accounted for significant portions of our net revenue. During 2000, Bloomingdale's, Macy's and other affiliated stores owned by Federated Department Stores, Inc. together accounted for approximately 11.8% of our net revenue.

INTERNATIONAL BUSINESS

We derive net revenue and earnings outside the United States from two principal sources:

- sales of GUESS? brand apparel directly to 6 foreign distributors who distribute it to better department stores, upscale specialty retail stores and GUESS?-licensed retail stores operated by our international distributors, and

- royalties from licensees who manufacture and distribute GUESS? brand products outside the United States. We sell products through distributors and licensees throughout Asia, South America, Europe, South Africa, Australia and the Middle East.

At December 31, 2000, 248 GUESS? retail and outlet stores were owned and operated internationally by licensees and distributors, including 26 retail and seven factory outlet stores located in Canada which are operated by our 60% owned subsidiary. We have an option to acquire the remaining 40% of our Canadian subsidiary commencing December 31, 2001. Our retail store license agreements generally provide detailed guidelines for store fixtures and merchandising programs. The appearance, merchandising and service standards of these stores are closely monitored to ensure that our image and brand integrity are maintained. We have been advised by our distributors and licensees that in 2001 they plan to open 17 new retail stores and to remodel 19 existing locations. We also own and operate a flagship GUESS retail store in Florence, Italy.

LICENSE AGREEMENTS AND TERMS

Our trademark license agreements customarily provide for a three- to five-year initial term with a possible option to renew prior to expiration for an additional multi-year period. In addition to licensing trademarks for products which complement our apparel products, we have granted trademark licenses for the manufacture and sale of GUESS? branded products similar to ours, including men's and women's denim and knitwear, in markets such as the Philippines, Canada, Mexico, Chile, South Africa, South Korea, Europe and Japan. Licenses granted to certain licensees that have produced high-quality products and have demonstrated solid operating performance, such as GUESS? Watches and GUESS? Eyewear, have been renewed and in some cases expanded to include new products or markets. In other cases, products that were formerly licensed, such as our women's knits, girls' and boys' lines, are now being produced in-house. The typical license agreement requires that the licensee pay us the greater of a royalty based on a percentage of the licensee's net sales of licensed products or a guaranteed annual minimum royalty that typically increases over the term of the license agreement. Generally, licensees are required to spend a percentage of the net sales of licensed products for advertising and promotion of the licensed products. In addition, certain licensees are required to contribute toward the protection of our trademarks within the territories granted to such licensees, thereby assisting us in our efforts to prevent counterfeiting and other trademark infringement in those territories.

To protect the GUESS? trademark and brand, our Licensing Department meets regularly with licensees to ensure consistency with our overall merchandising and design strategies and to ensure uniformity and quality control. The Licensing Department approves in advance all GUESS? licensed products, advertising, promotional and packaging materials.

ADVERTISING AND MARKETING

Our advertising, public relations and marketing strategy is designed to promote a consistent high impact image which endures regardless of changing consumer trends. Since our inception, Paul Marciano has had principal responsibility for the GUESS? brand image and creative vision. All worldwide advertising and promotional material is controlled through our Advertising

Department based in Los Angeles. GUESS Jeans, GUESS U.S.A. and Guess?, Inc. images have been showcased in dozens of major publications and outdoor and broadcast media throughout the United States and the world.

Our advertising strategy promotes the GUESS? image and products, with an emphasis on brand image. Our signature black and white print advertisements, as well as color print advertisements, have garnered prestigious awards, including Clio, Belding and Mobius awards for creativity and excellence. These awards, which we have received on numerous occasions, are generally given based on the judgment of prominent members of the advertising industry. We have maintained a high degree of consistency in our advertisements, using similar themes and images. We require our licensees and distributors to invest a percentage of their net sales of licensed products and net purchases of GUESS? products in approved advertising, promotion and marketing.

Our Advertising Department is responsible for media placement of all advertising worldwide, which includes approval of all advertising campaigns from our licensees and distributors. We use a variety of media which emphasizes print and outdoor advertising. We have focused advertisement placement in national and international contemporary fashion/beauty and lifestyle magazines including Vanity Fair, Harpers Bazaar, Elle, W and Details. By retaining control over our advertising programs, we are able to maintain the integrity of the GUESS? brand image while realizing substantial cost savings when compared to the use of outside agencies.

We further strengthen communications with customers through our Web site (www.guess.com). This global medium enables us to provide timely information in an entertaining fashion to consumers about our history, GUESS? products and store locations and allows us to receive and respond directly to customer feedback.

SOURCING AND PRODUCT DEVELOPMENT

We source products through numerous suppliers, many of whom have established long-term relationships with us. We seek to achieve the most efficient means for timely delivery of our high quality products. Our fabric specialists work with fabric mills in the United States, Mexico, Europe and Asia to develop woven and knitted fabrics that enhance the products' comfort, design and appearance. For a substantial portion of our apparel products, production planning takes place generally four to five months prior to the corresponding selling season. Delivery of certain basic products is accomplished through our Quick Response EDI (Electronic Data Interchange) replenishment system which ensures shipment of such products generally within 48 hours of receipt of customer orders.

We do not own any production equipment other than cutting machinery. To remain competitive, in recent years we have increasingly been sourcing our finished products globally. During 2000, we sourced approximately 79% of our finished products from third-party suppliers located outside the United States. Most of these finished products are acquired as package purchases where we supply the design and fabric selection and the vendor supplies the finished product. Although we have long-term relationships with many of our vendors, we do not have long-term written agreements with them. Our production and sourcing staff in Los Angeles oversees aspects of apparel manufacturing, quality control and production, and researches and develops new sources of supply.

SOURCES AND AVAILABILITY OF RAW MATERIALS

Our products use a variety of raw materials, principally consisting of woven denim, woven cotton and knitted fabrics and yarns. Historically, we have had to make commitments for a significant portion of our fabric well in advance of sales. During the last few years we have been able to reduce our raw materials inventory by increasing the use of packaged purchases.

QUALITY CONTROL

Our quality control program is designed to ensure that products meet our high quality standards. We monitor the quality of our fabrics prior to the production of garments and inspect prototypes of each product before production runs commence. We also perform random in-line quality control checks during and after production before the garments leave the contractor. Final random inspections occur when the garments are received in our distribution centers. We believe that our policy of inspecting our products at our distribution centers and at the vendors' facilities is important to maintain the quality, consistency and reputation of our products.

DISTRIBUTION CENTER

We utilize distribution centers at strategically located sites. Until 1999, distribution of our products in the United States was centralized in our facility in Los Angeles, California, which we operate and lease from a related party. In January 2000, we opened a new, automated distribution center in Louisville, Kentucky, to replace the distribution center in Los Angeles. This facility was fully operational in the second quarter of fiscal year 2000. We also own ten percent of a licensee which operates a distribution center in Florence, Italy and services Europe. Additionally, we utilize a contract warehouse in Hong Kong which services the Pacific Rim.

At our distribution center in Kentucky, we use fully integrated and automated distribution systems. The bar code scanning of merchandise, picking tickets and distribution cartons, together with radio frequency communications, provide timely, controlled, accurate and instantaneous updates to the distribution information systems. We continue to monitor our distribution center integration as our business grows and the center matures.

COMPETITION

The apparel industry is highly competitive and fragmented, and is subject to rapidly changing consumer demands and preferences. We believe that our success depends in large part upon our ability to anticipate, gauge and respond to changing consumer demands and fashion trends in a timely manner and upon the continued appeal to consumers of the GUESS? brand image. We compete with numerous apparel manufacturers and distributors and several well-known designers which have recently entered or re-entered the designer denim market. Our retail and factory outlet stores face competition from other retailers, including some of our major wholesale customers. Our licensed apparel and accessories also compete with a substantial number of designer and non-designer lines and various other well-known brands. Many of our competitors have greater financial resources than we do. Although the level and nature of competition differ among our product categories, we believe that we compete on the basis of our brand image, quality of design, workmanship and product assortment.

TRADEMARKS

We own numerous trademarks, including GUESS?, GUESS, GUESS? and Triangle Design, Question Mark and Triangle Design, Baby GUESS, GUESS Kids, GUESS U.S.A. and GUESS Collection. At December 31, 2000, we had more than 2,200 U.S. and international registered trademarks or trademark applications pending with the trademark offices of the United States and in over 171 countries around the world. From time to time, we adopt new trademarks in connection with the marketing of new product lines. We consider our trademarks to have significant value in the marketing of our products and act aggressively to register and protect our trademarks worldwide.

Like many well-known brands, our trademarks are subject to infringement. We have staff devoted to the monitoring and aggressive protection of our trademarks worldwide.

WHOLESALE BACKLOG

We maintain a model stock program in our basic denim products which allows us generally to replenish a customer's inventory within 48 hours. We typically receive orders for our fashion apparel 90 to 120 days prior to the time the products are delivered to stores. At February 28, 2001, we had unfilled wholesale orders, consisting primarily of orders for fashion apparel, of approximately $131.2 million, compared to $167.7 million for such orders at February 29, 2000. We expect to fill substantially all of these orders in 2001. 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.

EMPLOYEES

We strongly believe that our employees ("associates") are one of our most valuable resources. At December 31, 2000, there were approximately 4,100 associates, including corporate personnel. Associates include approximately 1,000 in our wholesale operations and 3,100 in our retail operations.

We are not a party to any labor agreements and none of our associates is represented by a labor union. We consider our relationship with our associates to be good. In addition, we were among the first in the apparel industry to implement a program to monitor the compliance of subcontractors with Federal minimum wage and overtime pay requirements.

ENVIRONMENTAL MATTERS

We are subject to federal, state and local laws, regulations and ordinances that govern activities or operations that may have adverse environmental effects (such as emissions to air, discharges to water, and the generation, handling, storage and disposal of solid and hazardous wastes). We are also subject to laws, regulations and ordinances that impose liability for the costs of clean up or other remediation of contaminated property, including damages from spills, disposals or other releases of hazardous substances or wastes, in certain circumstances without regard to fault. Certain of our operations routinely involve the handling of chemicals and wastes, some of which are or may become regulated as hazardous substances. We have not incurred, and do not expect to incur, any significant expenditures or liabilities for environmental matters. As a result, we believe that

our environmental obligations will not have a material adverse effect on our financial condition or results of operations.

FINANCIAL INFORMATION ABOUT GEOGRAPHIC AREAS

See Note 13 to the Notes to the Consolidated Financial Statements for a discussion regarding our domestic and foreign operations.

ITEM 2. PROPERTIES

Certain information concerning our principal facilities, all of which are leased at December 31, 2000, is set forth below:

LOCATION	USE	APPROXIMATE AREA IN SQUARE FEET
1444 South Alameda Street Los Angeles, California	Principal executive and administrative offices, design facilities, sales offices, distribution and warehouse facilities, production control, and sourcing	492,000

1610 Freeport Drive Louisville, Kentucky	Distribution and warehousing facility	500,000
1385 Broadway New York, New York	Administrative offices, public relations, and showrooms	36,000
Montreal, Canada	Administrative offices, and retail store	97,000
Kowloon, Hong Kong	Distribution and licensing coordination control	5,200
Florence, Italy	Administrative office and retail store	4,100

Our corporate, wholesale and retail headquarters and certain production and warehousing facilities are located in Los Angeles, California and consist of six adjacent buildings totaling approximately 492,000 square feet. All of these properties are leased by us, and certain of these facilities are leased from limited partnerships in which the sole partners are trusts controlled by and for the benefit of Maurice Marciano, Paul Marciano and Armand Marciano and their families (the "Principal Stockholders") pursuant to leases that expire in July 2008. The total lease payments to these limited partnerships are $237,000 per month with aggregate minimum lease commitments to these partnerships at December 31, 2000 totaling approximately $21.5 million. See "Item 13. Certain Relationships and Related Transactions."

During 1999, distribution of our products in the United States was centralized in our Los Angeles, California facility. In 2000, we leased a new, automated distribution center in Louisville, Kentucky, to replace the distribution center in Los Angeles. We also own ten-percent of a licensee, which leases and operates a distribution center in Florence, Italy and services Europe. Additionally, we lease a contract warehouse in Hong Kong, China which services the Pacific Rim.

We lease our showrooms, advertising, licensing, sales and merchandising offices, remote distribution and warehousing facility and retail and factory outlet store locations under non-cancelable operating lease agreements expiring on various dates through March 2016. These facilities are located principally in the United States, with aggregate minimum lease commitments, at December 31, 2000, totaling approximately $340.4 million.

The current terms of our store leases, excluding renewal options, expire as follows:

YEARS LEASE TERMS EXPIRE	NUMBER OF STORES
2001-2003	35
2004-2006	89
2007-2009	45
2010-2012	42
Thereafter	1

We believe our existing facilities are well maintained, in good operating condition and are adequate to support our present level of operations. See Notes 9 and 10 of the Notes to Consolidated Financial Statements for further information regarding current lease obligations.

ITEM 3. LEGAL PROCEEDINGS

On approximately January 15, 1999, UNITE filed an unfair labor practice charge against us, alleging that attorney Dennis Hershewe violated Section 8(a)(1) of the National Labor Relations Act ("the Act") by questioning our employee Maria Perez about her union activities at the deposition he conducted in her workers' compensation case. Mr. Hershewe represents Fireman's Fund Insurance Company, our

workers' compensation insurance carrier. GUESS? investigated the charge and responded to it on March 10, 1999. The NLRB issued a complaint on part of the charge on October 14, 1999, and we filed an answer on October 21, 1999. On July 6, 2000, the complaint was dismissed in its entirety. The NLRB appealed the decision and both sides submitted briefs in September of 2000. We are awaiting a decision on the appeal.

On May 21, 1999, we filed a demand for arbitration against Pour le Bebe, Inc. and Pour la Maison, Inc. (collectively, "PLB") seeking damages and injunctive relief in connection with four written license agreements between the parties. We alleged that PLB defaulted under the license agreements, that the license agreements properly were terminated and that PLB breached the license agreements. On July 19, 1999, PLB filed a counterdemand for arbitration against us. PLB sought damages and injunctive relief against us alleging breach of contract, violation of the California Franchise Relations Act, interference with prospective economic advantage, unlawful business practices, statutory unfair competition and fraud. The arbitration was conducted before the American Arbitration Association pursuant to arbitration clauses in the license agreements.

On June 9, 2000, the arbitrators issued a final award in our favor and rejected each of PLB's counterclaims. The amount of this award was $7,659,677. Thereafter, the Company filed a petition to confirm the arbitration award and PLB filed a petition to vacate the award. On September 29, 2000, the court confirmed the final award and denied PLB's petition to vacate. On October 23, 2000, the court entered judgment confirming the final arbitration award and the case has been resolved. Because of the uncertainty of the ultimate realization of the award, no recognition has been given to it in our consolidated financial statements.

On June 9, 1999, we commenced a lawsuit in the Los Angeles County Superior Court against Kyle Kirkland, Kirkland Messina LLC, and CKM Securities (collectively "Kirkland") for tortious interference, unfair competition, fraud and related claims. This action arises out of alleged misrepresentations and omissions of material fact made by Kirkland in connection with the operations and financial performance of PLB. On March 29, 2000, the California Court of Appeal determined that the action will proceed in court. Kirkland's petition for review to the California Supreme Court was denied on July 12, 2000. No trial date has been set.

On March 28, 2000 a complaint was filed against us in San Diego County Superior Court entitled Snodgrass v. Guess?, Inc. and GUESS? Retail, Inc. The complaint purports to be a class action filed on behalf of current and former store management employees in California. Plaintiffs seek overtime wages and a preliminary and permanent injunction. The parties have stipulated that a limited class composed only of visual co-managers and co-managers should be certified. The Court certified this limited class on March 16, 2001. The trial date has been set for November 9, 2001.

On May 4, 2000, a complaint was filed against the Company and Mr. Paul Marciano in the Los Angeles Superior Court - Michel Benasra v. Paul Marciano and Guess?, Inc. The complaint grows out of the arbitration between the Company and PLB, discussed above. The plaintiff, the President of PLB, alleges that defendants made defamatory statements about him during the arbitration. Plaintiff seeks general damages of $50,000,000 and

unspecified punitive damages. Defendants moved to compel arbitration of this matter, or alternatively, to strike the action under the state's anti-SLAPP (Strategic Litigation Against Public Participation) statute. The motion to compel arbitration was denied and the decision has been appealed. Pending resolution on appeal, this matter has been stayed. No trial date has been set.

On January 30, 2001, Guess?, Inc. Maurice Marciano, Armand Marciano, Paul Marciano, and Brian Fleming were named as defendants in a securities class

action entitled David Osher v. Guess?, Inc., et al., filed in the United States District Court for the Central District of California. Seven additional class actions have been filed in the Central District, naming the same defendants: Robert M. Nuckols v. Guess?, Inc. et al., Brett Dreyfuss v. Guess?, Inc. et al., both filed February 1, 2001; Jerry Sloan v. Guess?, Inc., et al., filed February 6, 2001; Jerry Byrd v. Guess?, Inc., et al; filed February 13, 2001; Patrick and Kristine Liska v. Guess?, Inc., et al, filed February 14, 2001; Darrin Wegman v. Guess?, Inc., et al., filed February 22, 2001; and Rosie Gindie v. Guess?, Inc., et al., filed February 22, 2001. All eight complaints purport to state claims under Section 10(b) and 20(a) and Rule 10b-5 of the Securities Exchange Act of 1934 and allege that defendants made materially false and misleading statements relating to the Company's inventory and financial condition during the class period. In Osher, Nuckols, Byrd, Wegman and Sloan, the class period is February 14, 2000 through January 26, 2001; in Dreyfuss, Liska and Gindie the class period is February 14, 2000 through November 9, 2000. We are awaiting Court approval of a stipulation to extend our time to respond until 45 days after a lead plaintiff has been appointed and has filed a consolidated amended complaint.

On March 15, 2001, a complaint was filed by Susan Goldman, derivatively on behalf of nominal defendant Guess?, Inc. against Bryan Isaacs, Alice Kane, Robert Davis, Armand Marciano, Paul Marciano, Maurice Marciano, Howard Socol and Guess?, Inc. in the Court of Chancery for the State of Delaware. The complaint alleges misappropriation of corporate information, insider trading and other purported breaches of fiduciary duty by the Company and its Board of Directors. Our response is due April 10, 2001.

We cannot predict the outcome of these matters. We believe the outcome of one or more of the above cases could have a material adverse effect on our results of operations or financial condition.

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 addition to those described above. In the opinion of our management, the resolution of any of these pending incidental matters is not expected to have a material adverse effect on our results of operations or financial condition.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote during the fourth quarter of fiscal year 2000.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Since August 8, 1996, the Company's Common Stock has been listed on the New York Stock Exchange under the symbol 'GES.' The following table sets forth, for the periods indicated, the high and low sales prices of the Company's Common Stock, as reported on the New York Stock Exchange Composite Tape:

	HIGH	LOW
YEAR ENDED DECEMBER 31, 2000		
First Quarter 2000	$33.00	$18.63
Second Quarter 2000	32.44	11.13
Third Quarter 2000	23.13	9.25
Fourth Quarter 2000	11.50	3.50
YEAR ENDED DECEMBER 31, 1999		
First Quarter 1999	9.50	4.88
Second Quarter 1999	14.25	6.13

Third Quarter 1999	16.63	10.38
Fourth Quarter 1999	22.94	11.13

On March 12, 2001, the closing sales price per share of the Company's common Stock, as reported on the New York Stock Exchange Composite Tape, was $6.16. On March 12, 2001, there were 194 holders of record of the Company's Common Stock.

DIVIDEND POLICY

We intend to use our cash flow from operations in 2001 principally to finance the expansion and remodel of our retail stores, shop-in-shop programs and operations. Any future determination as to the payment of dividends will be at the discretion of the Company's Board of Directors and will depend upon our results of operations, financial condition, contractual restrictions and other factors deemed relevant by the Board of Directors. The agreement governing our revolving credit facility and the indenture pursuant to which the Company's Senior Subordinated Notes, due 2003, were issued restrict the payment of dividends by the Company.

Since our IPO on August 8, 1996, we have not declared any dividends on our Common Stock.

ITEM 6. SELECTED FINANCIAL DATA

The selected financial data set forth below have been derived from the audited consolidated financial statements of the Company and the related notes thereto. The following selected financial data should be read in conjunction with the Company's Consolidated Financial Statements and the related Notes contained herein and with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Year Ended December 31,				
	2000	1999	1998	1997	1996
	(in thousands, except per share data)				
STATEMENT OF EARNINGS DATA:					
Net revenue	$779,217	$599,650	$471,931	$515,372	$551,162
Earnings from operations	43,349	93,776	57,046	70,646	98,095
Earnings before interest and income taxes	43,349	96,485	56,183	68,605	97,106
Net earnings	16,493	51,900	25,111	37,511	66,741
SUPPLEMENTAL STATEMENTS OF EARNINGS DATA: (1)					
Earnings before income taxes and change in accounting principle (2)	29,593	87,100	43,291	54,887	82,567
Income taxes	13,100	35,200	18,180	21,337	33,241
Net earnings	16,493	51,900	25,111	37,511	49,326
EARNINGS PER SHARE(3):					
Basic	0.38	1.21	0.59	0.87	1.18
Diluted	0.38	1.20	0.59	0.87	1.18
Weighted number of shares outstanding -- basic (3)	43,464	43,005	42,904	42,898	41,906
Weighted number of shares outstanding -- diluted (3)	43,819	43,366	42,919	42,902	41,908

	December 31,				
	2000	1999	1998	1997	1996
BALANCE SHEET DATA:					
Working capital	$ 96,289	$ 97,944	$101,310	$106,670	$ 76,821

Total assets	419,683	369,036	263,772	287,814	239,306
Notes payable and long-term debt	103,781	83,363	99,000	141,517	127,316
Net stockholders' equity	175,156	167,355	100,409	75,330	34,928

(1) Reflects pro forma adjustments for 1996 for Federal and state income taxes as if the Company had been taxed as a C corporation rather than an S corporation. Prior to the Company's IPO in August 1996, the Company had elected to be taxed as an S corporation for Federal income tax purposes. In certain states, the Company was taxed as an S corporation; in other states, the Company was taxed as a C corporation. Effective January 1, 1991, the Company elected to be treated as an S corporation for California tax purposes. As a result of the Company's IPO, all S corporation elections were terminated.

(2) Effective January 1, 1997, the Company changed its method of accounting for product display fixtures located in its wholesale customers' retail stores, whereby the costs for such fixtures are capitalized and amortized over five years using the straight-line method. In prior years, these costs had been expensed as incurred. The Company believes that this new method more closely matches the long-term benefit that the product display fixtures provide with the expected future revenue from such fixtures. The cumulative effect of the change in accounting principle, recorded in the first quarter of 1997, is calculated based upon the retroactive effect of applying the new accounting method to prior year fixture acquisitions. The cumulative effect of the change in accounting principle of $4.0 million ($0.09 per share) (after reduction for income tax expense of $2.7 million) is included in earnings for the year ended December 31, 1997. Excluding the cumulative effect of the change in accounting principle, the effect of the change during 1997 was to increase net earnings by approximately $6.2 million or $0.14 per share.

(3) The weighted number of shares outstanding at December 31, 1996 reflects (i) 32,681,819 shares of Common Stock outstanding prior to the IPO and the assumed issuance of 8,730,000 shares of Common Stock at the IPO price ($18.00 per share) to generate sufficient cash to pay a distribution of retained earnings to its then existing stockholders as part of the termination of its S corporation status in an amount equal to retained earnings as of the IPO date and (ii) an average of 42,682,000 shares outstanding subsequent to the IPO, representing the actual shares outstanding.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

GENERAL

We derive our net revenue from the sale of GUESS men's, women's, boys' and girls' apparel and our licensees' products through our network of retail and factory outlet stores primarily in the United States, from the sale of GUESS men's, women's, boys' and girls' apparel worldwide to wholesale customers and distributors, from net royalties from worldwide licensing activities, from the sale of GUESS apparel through the retail and wholesale channels of our 60% owned Canadian subsidiary, GUESS? Canada Corporation ("Guess Canada"), and from the sale of GUESS men's, women's, boys' and girls' apparel and our licensee products through our on-line store at www.guess.com.

The business segments of the Company are wholesale, retail and licensing operations. Management evaluates segment performance based primarily on revenue and earnings from operations.

RESULTS OF OPERATIONS

The following table sets forth actual operating results for the 2000, 1999 and 1998 fiscal years as a percentage of net revenue:

	Year Ended December 31,		
	2000	1999	1998
Product sales	95.2%	93.4%	92.2%
Net royalties	4.8	6.6	7.8
Total net revenue	100.0	100.0	100.0
Cost of sales	63.6	55.3	57.7
Gross profit	36.4	44.7	42.3
Selling, general and administrative expenses	29.9	28.5	30.2
Severance (recovery) related to distribution facility relocation	(0.2)	0.5	--
Restructuring and impairment charges	1.1	--	--
Earnings from operations	5.6	15.7	12.1
Gain on disposition of property and equipment	--	0.6	--
Interest, net	1.8	1.6	2.7
Other net	--	0.2	0.2
Earnings before income taxes	3.8	14.5	9.2
Income taxes	1.7	5.9	3.9
Net earnings	2.1%	8.6%	5.3%

YEAR ENDED DECEMBER 31, 2000 COMPARED TO YEAR ENDED DECEMBER 31, 1999.

NET REVENUE. Net revenue increased $179.5 million or 29.9% to $779.2 million for the year ended December 31, 2000 from $599.7 million for the year ended December 31, 1999.

Net revenue from retail operations increased $93.1 million or 31.1% to $392.5 million for the year ended December 31, 2000 from $299.4 million for the year ended December 31, 1999. The increase in net revenues was attributable to the volume generated by 56 new stores coupled with a 5.8% increase in comparable store sales. While comparable store sales were strong during the first six months of 2000, increasing 14.2%, our sales trends decelerated in the third quarter, and comparable store sales declined 3.7% in the fourth quarter of 2000, partly due to a challenging retail environment. These lower than expected sales trends also impacted our new stores, including the new stores in Canada and the Guess? Kids' stores.

Net revenue from wholesale operations increased $88.3 million or 33.9% to $348.9 million for the year ended December 31, 2000, from $260.6 million for the year ended December 31, 1999. Domestic and international wholesale operations net revenue increased, for the year ended December 31, 2000, by $61.0 million to $289.9 million and by $27.3 million to $59.0 million, respectively. Our domestic wholesale net revenue increased primarily as a result of the increased demand for fashion products in both our women's and men's lines. International wholesale operations net revenue increased primarily as a result of higher sales in Asia and the full-year inclusion of Guess Canada's operations which contributed $20.4 million in international wholesale net revenue for the 2000 year.

Net royalties decreased by $1.8 million or 4.6% to $37.8 million for the year ended December 31, 2000 from $39.6 million for the year ended December 31, 1999. The decrease in net royalties was related to the discontinuation of certain licenses and the impact of currency devaluation in European and Asian markets. Net revenue from international operations comprised 1.7% and 6.7% of net product royalties during 2000 and 1999, respectively.

GROSS PROFIT. Gross profit increased 5.8% to $283.6 million for the year ended December 31, 2000 from $268.0 million for the year ended December 31, 1999. The increase in gross profit resulted from higher net revenue from product sales. Gross profit from product sales increased 7.6% to $245.8 million for the 2000 fiscal year from $228.4 million for the 1999 fiscal year.

Gross margin (gross profit as a percentage of total net revenue) decreased to 36.4% for the year ended December 31, 2000 from 44.7% for the year ended December 31, 1999. Gross margin from product sales decreased to 33.2% for the year ended December 31, 2000 from 40.8% for the year ended December 31, 1999.

The decrease in gross margin from product sales was experienced in both our retail and wholesale operations. Gross margin in our retail operation in fiscal year 2000 was negatively impacted by increased promotional markdowns to reduce excess inventory, inventory write-downs, higher shrinkage results and higher occupancy costs due to the lower sales productivity of new stores and rent expenses for stores not opened. Royalty revenues as a percentage of total net revenue decreased from 6.6% in 1999 to 4.8% in 2000. This reduced overall gross margins as royalty revenue has no associated cost of sales.

Gross margin in our wholesale domestic and international operations in fiscal year 2000 was negatively impacted by higher markdown and return allowances to department and specialty stores and sales to the off-price channels at prices below cost, or reduced margin in an effort to reduce excess inventory. In addition, the Company recorded special charges of approximately $10.3 million to reduce inventories to the lower of cost or market.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative ("SG&A") expenses increased to $233.2 million, or 29.9% of net revenues for the year ended December 31, 2000, from $171.0 million, or 28.5% of net revenues for the year ended December 31, 1999.

SG&A expenses increased 36.4% in 2000 compared to 1999 as a result of expenses necessary to operate new stores, higher costs at the new distribution facility, including start-up expenses and higher payroll due to lower productivity and higher unit volume, increased expenses incurred by Guess Canada, higher advertising expenses and consulting fees. During the first six months of 2000, we incurred start-up and other non-recurring pre-tax costs of $5.3 million relating to the relocation of our distribution operation to Kentucky. Additionally, at the beginning of the first quarter 2000, we revised our vacation pay policies to enhance employee benefits, which resulted in a one-time pre-tax charge of $1.3 million.

SEVERANCE RECOVERY RELATED TO DISTRIBUTION FACILITY RELOCATION. In accordance with the requirements of EITF 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)," the Company recorded a $3.2 million charge, in the second quarter ended June 26, 1999, for future severance costs of 460 employees related to the relocation of its distribution operations from Los Angeles to Louisville, Kentucky. As a result of employee transfers and attrition of 228 employees the severance costs actually incurred for Los Angeles-based employees was $1.7 million which has resulted in a recovery of $1.5 million of the severance charge in the second quarter of 2000. The Company successfully completed the transition of all product lines to the new distribution center during the second quarter of 2000. Because distribution operations were transferred to Kentucky, the Company does not expect to experience significant reduced employee expenses.

RESTRUCTURING AND IMPAIRMENT CHARGES. During the fourth quarter ended December 31, 2000, the Company recorded restructuring charges including store closure costs primarily related to rent paid and esimated rent to be paid on idle lease facilities, lease exit costs and construction costs of stores abandoned during construction in the amount of $4.5 million. This is inclusive of charges of $0.8 million of asset impairments for under-performing stores that the Company plans to close. Cash payments of approximately $1.7 million consisting primarily of estimated rent to be paid on idle lease facilities and lease exit costs are anticipated to be paid during 2001. Annual rental savings from these closures should approximate

$1.7 million per year. Annual depreciation expense savings from these closures is not expected to be significant.

The Company also recorded an additional $4.1 million of charges to write-down the value of certain impaired assets, including fixed assets related to unprofitable stores and an investment the Company has in an internet company. Related annual depreciation is expected to be reduced by approximatley $0.3 million.

EARNINGS FROM OPERATIONS. Earnings from operations were $43.3 million in 2000 as compared to $93.8 million in 1999, a decrease of $50.5 million or 53.8%. The decrease in earnings from operations for the retail operating segment to $3.4 million in 2000, from $37.1 million in 1999 resulted principally from store restructuring and impairment charges of $6.2 million as discussed above, higher occupancy costs and higher new store expenses. The decrease in earnings from operations for the wholesale operating segment to $9.2 million in 2000 from $25.1 million in 1999 resulted principally from increased markdown and return allowances, start-up and other non-recurring costs related to the relocation of our distribution operation and increased SG&A expenses. Earnings from operations for the licensing operating segment decreased to $30.8 million in 2000, from $31.6 million in 1999 principally due to fewer licenses in 2000.

INTEREST EXPENSE, NET. Interest expense, net, increased to $13.8 million for the year ended December 31, 2000 from $9.4 million for the year ended December 31, 1999. This increase resulted from higher outstanding average debt, due to higher inventory levels throughout the year and significant capital expenditures during 2000. For the year ended December 31, 2000, the average debt balance was $131.6 million, with an average effective interest rate of 9.0%. For the year ended December 31, 1999, the average debt balance was $93.1 million, with an average effective interest rate of 9.5%.

INCOME TAXES. The income tax provision for the year ended December 31, 2000 was $13.1 million, or a 44.3% effective tax rate. The income tax provision for the year ended December 31, 1999 was $35.2 million, or a

40.4% effective tax rate. The effective tax rate for 2000 was negatively impacted by a foreign subsidiary loss and potential income tax liabilities as a result of federal and certain state income tax audits.

NET EARNINGS. Net earnings decreased to $16.5 million for the year ended December 31, 2000 from $51.9 million for the year ended December 31, 1999.

YEAR ENDED DECEMBER 31, 1999 COMPARED TO YEAR ENDED DECEMBER 31, 1998.

NET REVENUE. Net revenue increased $127.7 million or 27.1% to $599.7 million for the year ended December 31, 1999 from $471.9 million for the year ended December 31, 1998. Net revenue from retail operations increased $76.7 million or 34.5% to $299.4 million for the year ended December 31, 1999 from $222.6 million for the year ended December 31, 1998, from a 26.8% increase in comparable store net revenue and from the volume generated by our new store openings. The strong increase in comparable store net revenue was primarily attributable to our improved merchandising and our fashioned-focused product mix. The retail segment is benefiting from our improved customer service levels resulting from our enhanced personnel training and incentive programs that have been offered to our associates.

Net revenue from wholesale operations increased $48.1 million or 22.6% to $260.6 million for the year ended December 31, 1999 from $212.5 million for the year ended December 31, 1998. Domestic and international wholesale operations net revenue increased, for the year ended December 31, 1999, by $40.6 million to $228.7 million and by $7.4 million to $31.9 million, respectively. Our domestic wholesale net revenue increased primarily as a result of the increased demand for fashion products in both of our women's and men's lines. International

wholesale operations net revenue increased due primarily to increased sales from the European market, partially offset by soft performance in the Asian and South American markets. GUESS Canada contributed $12.1 million in international net revenues during the second half for the year ended December 31, 1999. Net royalties increased $2.8 million or 7.7%, to $39.6 million for the year ended December 31, 1999 from $36.8 million for the year ended December 31, 1998. The increase in net royalties was primarily due to settlements and adjustments related to us terminating licensees, partially offset by us discontinuing certain licenses that were brought back in-house and the continuing economic turmoil and currency devaluation in Asian markets. Net revenue from international operations comprised 6.7% and 5.6% of net product revenue during 1999 and 1998, respectively.

GROSS PROFIT. Gross profit increased 34.1% to $268.0 million for the year ended December 31, 1999 from $199.9 million for the year ended December 31, 1998. The increase in gross profit resulted from higher net revenue from product sales. Gross profit from product sales increased 40.1% to $228.4 million for the year ended December 31, 1999 from $163.0 million for the year ended December 31, 1998. Gross margin (gross profit as a percentage of total net revenue) increased to 44.7% for the year ended December 31, 1999 as compared to 42.3% for the year ended December 31, 1998. Gross margin from product sales increased to 40.8% for the year ended December 31, 1999 compared to 37.5% for the year ended December 31, 1998.

The increase in our gross margin from product sales was primarily the result of fixed store occupancy costs being spread over a larger comparable store revenue base, a favorable mix in retail net revenue, which generally carries a higher gross margin rate, lower off-price sales and a decrease in wholesale markdowns and allowances as a percentage of wholesale net revenues.

Furthermore, during the fourth quarter of 1999, we enhanced our ability to estimate reserves through improved processes and more current and accurate data. As a result, we revised our estimate of certain reserves. This resulted in a reduction of cost of sales of $2.3 million and an increase in gross margin of $2.3 million or 2.4%.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative ("SG&A") expenses of $171.0 million for the year ended December 31, 1999 decreased to 28.5% of net revenue, from 30.3% of net revenue or $142.8 million, in the year ended December 31, 1998. The decrease in SG&A expenses as a percentage of net revenue was due to our ability to leverage certain expenses against a higher revenue base, as well as the success of our ongoing cost containment programs.

GAIN ON DISPOSITION OF PROPERTY AND EQUIPMENT. We realized a non-recurring pre-tax gain of $3.8 million on the disposition of property and equipment.

SEVERANCE (RECOVERY) RELATED TO DISTRIBUTION FACILITY RELOCATION. In accordance with the requirements of EITF 94-3, "Liability for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)," we recorded a $3.2 million charge for future severance costs related to the relocation of our distribution operations from Los Angeles, California to Louisville, Kentucky.

EARNINGS FROM OPERATIONS . Earnings from operations increased 64.4% to $93.8 million, or 15.6% of net revenue, for the year ended December 31, 1999 from $57.0 million, or 12.1% of net revenue, for the year ended December 31, 1998. The increase was primarily due to higher revenue.

INTEREST EXPENSE, NET. Net interest expense decreased 27.1% to $9.4 million for the year ended December 31, 1999 from $12.9 million for the year ended December 31, 1998. This decrease resulted primarily from a lower outstanding average debt. For the year ended December 31, 1999, the average debt

balance was $93.1 million, with an average effective interest rate of 9.5%. For the year ended December 31, 1998, the average debt balance was $135.5 million, with an average effective interest rate of 9.0%.

INCOME TAXES. The income tax provision for the year ended December 31, 1999 was $35.2 million, or a 40.4% effective tax rate. The income tax provision for the year ended December 31, 1998 was $18.2 million, or a 42.0% effective tax rate. The effective tax for 1998 was adversely impacted by Federal and state income taxes related to a dividend declared to us by one of our foreign subsidiaries.

NET EARNINGS. Net earnings increased to $51.9 million for the year ended December 31, 1999, from $25.1 million for the year ended December 31, 1998.

LIQUIDITY AND CAPITAL RESOURCES

During our fiscal year 2000, we relied primarily on borrowings under our $125.0 million Credit Agreement ("Credit Facility"), trade credit and internally generated funds to finance our operations and expansion. Net cash provided by operating activities decreased $57.1 million to $30.2 million for the year ended December 31, 2000, from $87.3 million for the year ended December 31, 1999. The decrease in the current year was primarily due to lower earnings. At December 31, 2000, we had working capital of $96.3 million compared to $97.9 million at December 31, 1999. The net decrease in working capital was primarily attributable to decreases in short-term investments and receivables, increases in inventories and other current assets, partially offset by increases in accounts payable and an increase in current installments of notes payable and long-term debt. The most significant changes were represented by short-term investments, which decreased by $26.2 million due to the sale of investments to fund the business expansion, inventories, which increased $37.6 million due to new stores and growth in the wholesale business and accounts payable, which increased $22.3 million as a result of increased inventories.

On December 3, 1999, we entered into a Credit Facility with Chase Manhattan Bank that replaced our $100.0 million revolving credit facility entered into in March 1997. The Credit Facility provides us with a $125.0 million revolving credit facility subject to a borrowing base calculation and is secured by inventory and accounts receivable including a $50.0 million sub-limit for letters of credit. The Credit Facility bears interest at the London Interbank Offered Rate ("LIBOR") plus a range as defined or the greater of the Prime rate, the base CD rate plus 100 basis points or the Federal Funds Effective Rate (collectively "ABR") plus a range as defined depending on the duration and type of loan facility. The Credit Facility expires on October 31, 2002. Borrowing under the Credit Facility primarily funded capital projects and growth in inventories. At December 31, 2000, we had $22.4 million outstanding borrowings under the Credit Facility, $17.6 million in outstanding documentary letters of credit and $4.0 million in standby letters of credit. At December 31, 2000, we had $81.0 million available for future borrowings under the Credit Facility. The Credit Facility contains restrictive covenants requiring, among other things, the maintenance of certain financial ratios. As a result of lower than expected financial results in the fourth quarter and fiscal year 2000, the Company was in non-compliance with the terms of the Credit Facility regarding the fixed charge coverage ratio required for the twelve-month period ended December 31, 2000. On March 27, 2001 the Company's bank lenders agreed to amend the Credit Facility Agreement to cure all past non-compliance and revise certain terms, including modifications to the financial covenants, the addition of a liquidity ratio and an amendment to the range of interest rates based on the leverage ratio as follows: LIBOR plus 100 basis points to LIBOR plus 225 basis points, ABR to ABR plus 125 basis points and commitment fees of 25 basis points to 62.5 basis points. Accordingly, the Company is presently in full compliance with all the terms of the Credit Facility, as amended.

The Company has also agreed to provide long-term financing of up to $13.4 million to Guess Canada to expand its retail operations, of which $12.3 million was outstanding as of December 31, 2000. The remaining funding is being provided on an as-needed basis.

Capital expenditures, net of lease incentives granted, totaled $79.1 million for 2000 and $62.0 million for 1999. The increase in capital expenditures was due primarily to our increase in store openings and remodels, the retail expansion of Guess Canada, our expansion of shop-in shops in department stores and investments in our systems infrastructure. Capital expenditures by our retail operating segment increased to $57.3 million in 2000 from $26.5 million in 1999 primarily due to retail store expansion and store remodels. Capital expenditures by our wholesale operating segment decreased to $21.8 million in 2000 from $35.5 million in 1999 as the distribution facility construction costs were primarily incurred in 1999. Our capital expenditures planned for 2001 are approximately $40.0 million, primarily for retail store expansion, including our expansion in Canada, store remodelings, investments in systems and shop-in-shop expansion and enhancements.

We anticipate we will be able to satisfy our ongoing cash requirements through 2001, including retail expansion plans and interest payments on our senior subordinated notes due 2003 (such interest payments paid by us during 2000 amounted to $7.6 million), primarily with cash flow from operations, supplemented by borrowings under our Credit Facility.

IMPORTANT FACTORS REGARDING FORWARD-LOOKING STATEMENTS

Various forward-looking statements have been made in this Form 10-K. Forward-looking statements may also be in our other reports filed under the Securities Exchange Act of 1934, in our press releases and in other documents. In addition, from time to time, we, through our management, may make oral 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. Certain statements in this Form 10-K, including those relating to our expected results, the accuracy of data relating to, and anticipated levels of, our future inventory and gross margins, our anticipated cash requirements and sources, our cost containment efforts, our plans regarding store openings and closings and our business seasonality, are forward-looking statements. Such statements involve risks and uncertainties, which may cause actual results to differ materially from those set forth in these statements. In addition to the factors discussed below, the economic and other factors identified elsewhere in this Form 10-K, as well as the risk factors discussed in our previously filed public documents, could affect the forward-looking statements contained herein and therein.

Forward-looking statements generally refer to future plans and performance, and are identified by the words "believe," "expect," "anticipate," "optimistic," "intend," "aim," "will" or the negative thereof and similar expressions. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of which they are made. We undertake no obligation to update publicly or revise any forward-looking statements.

Important factors which could have a material adverse effect on our financial condition and results of operations and could cause actual results in future periods to differ materially from our forward-looking statements, as well as affect our ability to achieve our financial and other goals, include, but are not limited to, the following:

- The lack of continued availability of sufficient working capital.

- Our inability to integrate new stores into existing operations.

- The decline in continued desirability and customer acceptance of our existing and future products.

- Possible cancellation of wholesale orders.

- The success of our competitive products.

- Our inability to strengthen our inventory cost accounting controls and procedures.

- Our inability to identify and respond appropriately to changing consumer demands and fashion trends.

- A decision by the controlling owner of a group of department stores or any other significant customer to decrease the amount purchased from us or to cease carrying GUESS products.

- Our inability to control the quality, focus, image, financial stability or distribution of our licensed products, which could impact consumer receptivity to our products.

- Our failure to continue to enhance operating control systems.

- The outcomes of pending and future litigation.

- Factors beyond our control, such as which could have a material adverse effect on our ability to expand our network of retail stores. Our general failure to maintain and control our existing distribution and licensing arrangements or to procure additional distribution and licensing relationships.

- Changes in the economy.

- The extended loss of the services of one or more of our principal executive officers.

- Political instability resulting in the disruption of trade with the countries in which our contractors, suppliers or customers are located, the imposition of additional regulations relating to imports, the imposition of additional duties, taxes and other charges on imports, significant fluctuations in the value of the dollar against foreign currencies or restrictions on the transfer of funds. Also, a substantial increase in customs duties, which could have an adverse effect on our financial condition or results of operations. These factors may be exacerbated by our increasing use of packaged purchase sourcing from non-United States vendors.

- The inability of a manufacturer to ship our products in a timely manner or to meet our quality standards.

- No assurance can be given that others will not assert rights in, or ownership of, trademarks and other proprietary rights of GUESS?. In addition, the laws of certain foreign countries do not protect proprietary rights to the same extent as do the laws of the United States.

SEASONALITY

Our business is impacted by general seasonal trends characteristic of the apparel and retail industries. Our retail operations are generally stronger

in the third and fourth quarters, while our wholesale operations generally experience stronger performance in the first and third quarters. As the timing of the shipment of products may vary from year to year, the result for any particular quarter may not be indicative of results for the full year. We have not had significant overhead and other costs generally associated with large seasonal variations.

INFLATION

We do not believe the relatively moderate rates of inflation experienced in the United States over the last three years have had a significant effect on our net revenue or profitability. Although higher rates of inflation have been experienced in a number of foreign countries in which our products are manufactured, we do not believe they have had a material adverse effect on our net revenue or profitability.

IMPACT OF RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133") was issued and subsequently amended by SFAS 137. SFAS 133 establishes accounting and reporting standards for derivative instruments and for hedging activities. It is effective for fiscal years beginning after June 15, 2000. We believe the adoption of SFAS 133 will not have a material impact on our financial reporting.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We receive United States dollars for substantially all of our product sales and our licensing revenues. Inventory purchases from offshore contract manufacturers are primarily denominated in United States dollars; however, purchase prices for our products may be impacted by fluctuations in the exchange rate between the United States dollar and the local currencies of the contract manufacturers, which may have the effect of increasing our cost of goods in the future. In addition, royalties received from our 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 us in United States dollars. During the last three fiscal years, exchange rate fluctuations have not had a material impact on our inventory costs.

We may enter into derivative financial instruments, including forward exchange contracts, to manage foreign exchange risk on foreign currency transactions. These financial instruments can be used to protect us from the risk that the eventual net cash inflows from the foreign currency transactions will be adversely affected by changes in exchange rates. Unrealized gains and losses on outstanding foreign currency exchange contracts, used to hedge future revenues and purchases, are not recorded in the financial statements but are included in the measurement of the related hedged transaction when realized. The Company will adopt SFAS 133 effective January 1, 2001. This could impact the Company's accounting of derivatives.

FORWARD EXCHANGE CONTRACTS	U.S. DOLLAR EQUIVALENT	MATURITY DATE	FAIR VALUE IN U.S. $ AT DECEMBER 31, 2000
Canadian dollars	$ 750,000	December 15, 2000 to January 16, 2001	$ 764,161
Canadian dollars	1,000,000	January 3, 2001 to January 31, 2001	1,017,948
Canadian dollars	1,000,000	January 16, 2001 to February 16, 2001	1,016,547
Canadian dollars	750,000	February 1, 2001 to February 28,2001	763,911

Based upon the rates at December 31, 2000, the cost to buy the equivalent U.S. dollars discussed above was approximately $5.3 million Canadian currency.

At December 31, 2000, 76% of the Company's indebtedness contained a fixed interest rate of 9.5%. Substantially all of the Company's remaining indebtedness, including borrowings under its $125 million credit facility is at

variable rates of interest. Accordingly, changes in interest rates would impact the Company's results of operations in future periods. A 10% change in interest rate is not expected to significantly impact the Company's operating results.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item is incorporated herein by reference to the Consolidated Financial Statements and Supplementary Data listed in Item 14 of Part IV of this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS

The information required by this item can be found under the caption "Directors and Executive Officers" of the Company's Proxy Statement (the "Proxy Statement") to be distributed April 9, 2001, for the 2001 Annual Meeting of Stockholders to be held on May 14, 2001. Such information is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION AND OTHER INFORMATION

The information in the Proxy Statement set forth under the caption "Executive Compensation" is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information set forth under the caption "Security Ownership and Certain Beneficial Owners and Management" in the Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information set forth under the caption "Certain Relationships and Related Transactions" in the Proxy Statement is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, CONSOLIDATED FINANCIAL STATEMENT SCHEDULE, AND REPORTS ON FORM 8-K

(a) Documents Filed with Report

(1) Consolidated Financial Statements

The financial statements listed on the accompanying Index to Consolidated Financial Statements and Financial Statement Schedule is filed as part of this report.

(2) Consolidated Financial Statement Schedule

The financial statement schedule listed on the accompanying Index to Consolidated Financial Statements and Financial Statement Schedule are filed as part of this report.

(3) Exhibits

The exhibits listed on the accompanying Index to Exhibits is filed as part of this report.

(b) Reports on Form 8-K

Our current report on Form 8-K dated May 8, 2000.

GUESS?, INC.

FORM 10-K

ITEMS 8, AND 14(a) AND 14(d)

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

1	Independent Auditors' Report	F-2
2	Audited Consolidated Financial Statements	
	Consolidated Balance Sheets at December 31, 2000 and 1999	F-3
	Consolidated Statements of Earnings for the Years Ended December 31, 2000, 1999 and 1998	F-4
	Consolidated Statements of Stockholders' Equity and Comprehensive Income for the Years Ended December 31, 2000, 1999 and 1998	F-5
	Consolidated Statements of Cash Flows for the Years Ended December 31, 2000, 1999 and 1998	F-6
	Notes to Consolidated Financial Statements	F-7
3	Consolidated Financial Statement Schedule Valuation and Qualifying Accounts	F-23

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Guess?, Inc.:

We have audited the accompanying consolidated financial statements of Guess?, Inc. and Subsidiaries as of December 31, 2000 and 1999 as listed in the accompanying index. In connection with our audits of the consolidated financial statements, we also have audited the consolidated financial statement schedule, as listed in the accompanying index. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Guess?, Inc. and Subsidiaries as of December 31, 2000 and 1999 and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related consolidated financial statement schedule, when considered in

relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

KPMG LLP

Los Angeles, California
March 7, 2001, except for the penultimate paragraph of Note 10 and the second paragraph of Note 7, which are as of March 15, 2001 and March 27, 2001,respectively

GUESS?, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2000 AND 1999
(IN THOUSANDS, EXCEPT SHARE DATA)

ASSETS

	2000	1999
Current assets:		
Cash	$ 13,332	$ 6,139
Investments	898	27,059
Receivables, net of reserves	34,383	39,673
Inventories, net	144,220	106,624
Prepaid expenses and other current assets	9,671	8,861
Prepaid income taxes	9,118	3,004
Deferred tax assets	14,470	9,619
Total current assets	226,092	200,979
Property and equipment, at cost, net of accumulated depreciation and amortization	168,299	125,688
Other assets, at cost, net of accumulated amortization	25,292	42,369
	$ 419,683	$ 369,036
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current installments of notes payable and long-term debt	$ 13,801	$ 7,475
Accounts payable	84,043	61,736
Accrued expenses	31,959	33,824
Total current liabilities	129,803	103,035
Notes payable and long-term debt, excluding current installments	103,781	83,363
Other liabilities	10,943	14,236
	244,527	200,634
Minority interest	--	1,047
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.01 par value. Authorized 10,000,000 shares; no shares issued and outstanding	--	--
Common stock, $0.01 par value. Authorized 150,000,000 shares; issued 63,594,219 and 63,335,743 shares at 2000 and 1999, outstanding 43,563,427 and 43,304,951 shares at 2000 and 1999, respectively	146	141
Paid-in capital	167,833	163,300
Deferred compensation	(950)	--
Retained earnings	160,936	144,443
Accumulated other comprehensive income (loss)	(2,033)	10,247
Treasury stock, 20,030,792 shares repurchased	(150,776)	(150,776)
Net stockholders' equity	175,156	167,355
	$ 419,683	$ 369,036

See accompanying notes to consolidated financial statements

GUESS?, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	2000	1999	1998
Net revenue			
Product sales	$ 741,412	$ 560,012	$ 435,128
Net royalties	37,805	39,638	36,803
	779,217	599,650	471,931
Cost of sales	495,604	331,660	272,079
Gross profit	283,613	267,990	199,852
Selling, general and administrative expenses	233,186	171,014	142,806
Severance (recovery) related to distribution facility relocation	(1,545)	3,200	--
Restructuring and impairment charges	8,623	--	--
Earnings from operations	43,349	93,776	57,046
Other (income) expense:			
Gain on disposition of property and equipment	--	(3,849)	--
Interest, net	13,756	9,385	12,892
Other, net	--	1,140	863
	13,756	6,676	13,755
Earnings before income taxes	29,593	87,100	43,291
Income taxes	13,100	35,200	18,180
Net earnings	$ 16,493	$ 51,900	$ 25,111
EARNINGS PER SHARE:			
Basic	$ 0.38	$ 1.21	$ 0.59
Diluted	$ 0.38	$ 1.20	$ 0.59
WEIGHTED NUMBER OF SHARES OUTSTANDING			
Basic	43,464	43,005	42,904
Diluted	43,819	43,366	42,919

See accompanying notes to consolidated financial statements

GUESS?, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
AND COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998
(IN THOUSANDS)

	Compre-hensive Income	Common Stock	Paid-in Capital	Deferred Compensation	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance at December 31, 1997		$ 137	$ 158,589	--	$ 67,432	$ (52)	$(150,776)	$ 75,330
Comprehensive income:								
Net earnings	$ 25,111	--	--	--	25,111	--	--	25,111
Foreign currency translation adjustment	(32)	--	--	--	--	(32)	--	(32)
Total comprehensive income	$ 25,079			--				
Balance at December 31, 1998		137	158,589	--	92,543	(84)	(150,776)	100,409
Comprehensive income:								
Net earnings	$ 51,900	--	--	--	51,900	--	--	51,900
Foreign currency translation adjustment	(114)	--	--	--	--	(114)	--	(114)
Unrealized gain on investments, net of tax effect	10,445	--	--	--	--	10,445	--	10,445
Total comprehensive income	$ 62,231							
Issuance of common stock under stock option plan, net of tax effect		4	4,711	--	--	--	--	4,715

Balance at December 31, 1999		141	163,300	--	144,443	10,247	(150,776)	167,355
Comprehensive income:								
Net earnings	$ 16,493	--	--	--	16,493	--	--	16,493
Foreign currency translation adjustment	38	--	--	--	--	38	--	38
Unrealized loss on investments, net of tax effect	(12,318)	--	--	--	--	(12,318)	--	(12,318)
Total comprehensive income	$ 4,213							
Issuance of common stock under stock option plan, net of tax effect		3	3,585		--	--	--	3,588
Deferred compensation		2	948	(950)	--	--	--	--
Balance at December 31, 2000		$ 146	$ 167,833	$ (950)	$ 160,936	$ (2,033)	$(150,776)	$175,156

See accompanying notes to consolidated financial statements

GUESS?, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998
(IN THOUSANDS)

	2000	1999	1998
Cash flows from operating activities:			
Net earnings	$ 16,493	$ 51,900	$ 25,111
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization of property and equipment	33,311	25,589	22,571
Amortization of other assets	881	1,296	931
Deferred income taxes	(6,729)	(2,150)	(834)
Loss (gain) on disposition of property and equipment	3,340	(5,037)	1,483
Other items, net	1,039	869	(2)
Changes in operating assets and liabilities:			
Accounts receivable	5,290	558	3,637
Inventories	(37,596)	(9,155)	2,582
Prepaid expenses and other assets	(4,307)	(6,369)	15,370
Accounts payable	22,308	19,393	(5,520)
Accrued expenses and other liabilities	(3,858)	10,410	(129)
Net cash provided by operating activities	30,172	87,304	65,200
Cash flows from investing activities:			
Purchases of property and equipment, net of lease incentives	(79,134)	(61,957)	(13,306)
Proceeds from the disposition of property and equipment	3,133	7,106	14
Net proceeds (purchases) from the sale of short-term investments	22,850	(14,711)	(11,900)
Acquisition of interest in Guess? Canada	--	(2,027)	--
Increase in long-term investments	--	(2,357)	842
Acquisition of license	(82)	(1,443)	(741)
Net cash used by investing activities	(53,233)	(75,389)	(25,091)
Cash flows from financing activities:			
Proceeds from notes payable and long-term debt	204,661	5,529	102,300
Repayment of notes payable and long-term debt	(177,916)	(20,658)	(144,817)
Issuance of common stock	3,588	3,534	--
Net cash provided by (used in) financing activities	30,333	(11,595)	(42,517)
Effect of exchange rates on cash	(79)	(34)	57
Net increase (decrease) in cash	7,193	286	(2,351)
Cash at beginning of year	6,139	5,853	8,204
Cash at end of year	$ 13,332	$ 6,139	$ 5,853
Supplemental disclosures			
Cash paid during the year for:			
Interest	$ 11,951	$ 10,358	$ 15,095
Income taxes	$ 24,604	$ 37,236	$ 3,704

See accompanying notes to consolidated financial statements

GUESS?, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

Guess?, Inc. (the "Company" or "Guess") designs, markets, distributes and licenses leading lifestyle collections of casual apparel and accessories for men, women and children that reflect the American lifestyle and European fashions sensibilities. The Company designs are sold in Guess' owned stores, to a network of wholesale accounts that includes primarily better department stores, selected specialty retailers and upscale boutiques and through the Internet. Guess branded products, some of which are produced under license, are also sold internationally through a series of licensees and distributors.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Guess?, Inc. and its wholly-owned foreign subsidiary, Guess Europe, B.V., a Netherlands corporation ("GEBV"), and its majority-owned subsidiary GUESS? Canada Corporation ("Guess Canada," formerly named Strandel Inc.), a Canadian corporation. GEBV holds three wholly-owned subsidiaries: Ranche, Limited, a Hong Kong corporation ("Ranche"), Guess Asia, a Hong Kong corporation, and Guess Italia, S.r.l., an Italian corporation ("Guess Italia"). Guess holds a 60% interest in Guess Canada. Accordingly, all references herein to "Guess?, Inc." include the consolidated results of the Company and its subsidiaries. All intercompany accounts and transactions are eliminated during the consolidation process.

USE OF ESTIMATES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

INVESTMENT SECURITIES

The Company accounts for its investment securities in accordance with Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS 115"). SFAS 115 requires investments to be classified into one of three categories based on management's intent: held-to-maturity securities, available-for-sale securities and trading securities. Held-to-maturity securities are recorded at amortized cost. Available-for-sale securities are recorded at fair value with unrealized gains and losses reported as a separate component of stockholders' equity. Trading securities are recorded at market value with unrealized gains and losses reported in operations. The Company accounts for its short-term investment securities as available-for-sale.

EARNINGS PER SHARE

Basic earnings per share represents net earnings divided by the weighted-average number of shares of common stock, par value $0.01 per share (the "Common Stock"), outstanding for the period. Diluted earnings per share represents net earnings divided by the weighted-average number of shares outstanding, inclusive of the dilutive impact of Common Stock equivalents.

The reconciliation of basic to diluted weighted average shares is as follows (in thousands):

	2000	1999	1998

Weighted average shares used in basic computations	43,464	43,005	42,904
Dilutive stock options	355	361	15
Weighted average shares used in diluted computation	43,819	43,366	42,919

Options to purchase 550,000, 467,000 and 1,036,000 shares of Common Stock at prices ranges from $17.64 to $27.31, $10.88 to $16.38 and $5.50 to $11.00 were outstanding during 2000, 1999 and 1998, respectively, but were not included in the computation of diluted earnings per share because the options exercise prices were greater than the average market price of the shares of Common Stock.

CONCENTRATION OF CREDIT RISK

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of accounts receivable. The Company maintains cash with various major financial institutions and performs evaluations of the relative credit standing of these financial institutions in order to limit the amount of credit exposure with any institution. The Company extends credit to corporate customers based upon an evaluation of the customer's financial condition and credit history and generally requires no collateral. The Company's customers are principally located throughout North America, and their ability to pay amounts due to the Company may be dependent on the prevailing economic conditions of their geographic region. However, such credit risk is considered limited due to the Company's large customer base. Management performs regular evaluations concerning the ability of its customers to satisfy their obligations and records a provision for doubtful accounts based on these evaluations. The Company's credit losses for the periods presented are insignificant and have not significantly exceeded management's estimates. A few of the Company's domestic wholesale customers, including some under common ownership, have accounted for significant portions of its net revenue. Bloomingdale's, Macy's and other affiliated stores owned by Federated Department Stores, Inc. together accounted for approximately 11.8% and 12.4% of the Company's net revenue in 2000 and 1999, respectively.

INVENTORIES

Inventories are stated at the lower of cost (first-in, first-out and weighted average) or market.

REVENUE RECOGNITION

The Company recognizes retail operations revenue at the point of sale, and wholesale operations revenue from the sale of merchandise upon shipment. Royalty income is based upon a percentage, as defined in the underlying agreement, of the licensees' net revenue. The Company accrues for estimated sales returns and allowances in the period in which the related revenue is recognized.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization of property and equipment are provided using the straight-line and declining balance methods over the following useful lives:

Building and building improvements	10 to 31 years
Land improvements	5 years
Machinery and equipment	3 to 5 years
Corporate aircraft	10 years
Corporate vehicles	3 years
Shop fixtures	5 years

Leasehold improvements are amortized over the lesser of the estimated useful life of the asset or the term of the lease. Construction in progress is not depreciated until the related asset is completed.

Goodwill, which represents the excess of purchase price over fair value of net assets acquired, is amortized on a straight-line basis over the expected periods to be benefited, generally 10 to 15 years. Accumulated amortization totaled $4,470,000 and $3,589,000 at December 31, 2000 and 1999, respectively.

FOREIGN CURRENCY TRANSLATION

In accordance with SFAS No. 52, "Foreign Currency Translation," assets and liabilities of the Company's foreign operations are translated from foreign currencies into U.S. dollars at year-end rates, while income and expenses are translated at the weighted-average exchange rates for the year. The related translation adjustments are reflected as a foreign currency translation adjustment in other comprehensive income as a separate component of stockholders' equity.

HEDGING ACTIVITIES

At December 31, 2000, the Company had forward exchange contracts to purchase $3.5 million U.S. currency for approximately $5.3 million Canadian currency.

Unrealized gains and losses on outstanding foreign currency exchange contracts, used to hedge future revenues and purchases, are not recorded in the financial statements but are included in the measurement of the related hedged transaction when realized.

INCOME TAXES

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred income taxes are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

COMPREHENSIVE INCOME

Comprehensive income consists of net earnings, unrealized gains or losses on investments and foreign currency translation adjustments and is presented in the consolidated statements of stockholders' equity and comprehensive income.

BUSINESS SEGMENT REPORTING

The Company reports information about business segments and related disclosures about products and services, geographic areas and major customers. The business segments of the Company are wholesale, retail and licensing operations. Information regarding these segments is summarized in Note 13.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of the Company's financial instruments, which principally include cash, short-term investments, trade receivables, accounts payable and accrued expenses, approximates fair value due to the relatively short maturity of such instruments. Long-term investments are recorded at fair value.

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 December 31, 2000 and 1999, the carrying value of all financial instruments was not materially different from fair value, as the fixed rate debt approximates rates currently available to the Company.

LONG-LIVED ASSETS

The Company reports long-lived assets, including intangibles, at amortized cost. Long-lived assets and intangibles, including goodwill, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If this assessment indicates that the assets will not be recoverable, as determined by the non-discounted cash flow generated by the asset, the carrying value of the Company's long-lived assets would be reduced to its estimated fair market value based on the discounted cash flows.

ADVERTISING COSTS

The Company expenses the cost of advertising as incurred. Advertising expenses charged to operations for the years ended December 31, 2000, 1999 and 1998 were $29.7 million, $24.5 million, and $18.0 million, respectively.

RECLASSIFICATIONS

Certain reclassifications have been made to the 1999 and 1998 consolidated financial statements to conform with the 2000 presentation.

(2) INVESTMENTS

At December 31, 2000, short-term investments consist $0.9 million of marketable securities available for sale. At December 31, 1999, short-term investments of $27.1 million consist mostly of overnight interest-bearing deposit accounts.

Long-term investments consist of certain marketable equity securities aggregating $447,000 and $21.8 million at December 31, 2000 and 1999, respectively and are included in other assets in the accompanying consolidated balance sheets. Unrealized gains (losses) related to marketable equity securities at December 31, 2000 and 1999 amounted to ($1.9) million and $11.2 million, respectively, net of deferred tax assets (liabilities) of $1.3 million and ($7.6) million, respectively, and are included as a component of stockholders' equity. During 2000, the Company recorded an impairment charge related to a certain long-term marketable equity security. See Note 16.

(3) ACCOUNTS RECEIVABLE

Accounts receivable consists of trade receivables, less reserves aggregating $15,811,000 and $8,863,000, and royalty receivables, less allowance for doubtful accounts of $841,000 and $1,258,000 at December 31, 2000 and 1999, respectively.

(4) INVENTORIES

Inventories are summarized as follows (in thousands):

	2000	1999
Raw materials	$ 9,986	$ 8,514
Work in process	6,727	6,740
Finished goods - retail	57,702	45,750

Finished goods - wholesale	69,805	45,620
	$144,220	$106,624

As of December 31, 2000, 1999 and 1998 the Company reduced inventories for lower of cost or market by $12.9 million, $2.9 million and $3.9 million, respectively, by charging cost of sales in each respective year.

(5) PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows (in thousands):

	2000	1999
Land and land improvements	$ 4,586	$ 5,734
Building and building improvements	7,306	8,462
Leasehold improvements	95,491	67,821
Machinery and equipment	131,024	86,790
Corporate aircraft	6,601	6,601
Shop fixtures	38,929	31,347
Construction in progress	10,573	23,842
	294,510	230,597
Less accumulated depreciation and amortization	126,211	104,909
	$168,299	$125,688

Construction in progress at December 31, 2000 and 1999 represents the costs associated with the construction of buildings and improvements used in the Company's operations and other capitalizable expenses in progress. During the years ended December 31, 2000, and 1999, $0.4 million of interest costs were capitalized in construction in progress. No interest costs were capitalized for the year ended December 31, 1998.

(6) OTHER ASSETS

Other assets is summarized as follows (in thousands):

	2000	1999
Goodwill, net of accumulated amortization	$11,279	$12,352
Deferred tax assets	6,132	--
Long-term investments	447	21,771
Artwork	3,712	3,712
Other	3,722	4,534
	$25,292	$42,369

(7) NOTES PAYABLE AND LONG-TERM DEBT

Notes payable and long-term debt are summarized as follows (in thousands):

	2000	1999
9 1/2% Senior Subordinated Notes due 2003	$ 79,562	$ 79,562
$125 million revolving credit line	22,400	--
Revolving bank loan bearing interest at 1.75% above the Canadian prime rate plus an amount equal to 0.5% per month of the average outstanding balance, payable on demand, but commencing January 1, 2001 by way of 24 equal consecutive minimum payments	3,322	2,770
Advances under a demand line of credit of $17,347 with advances thereon bearing interest at the Canadian prime rate plus 1%	11,786	6,818
Other obligations, maturing in varying amounts through 2004	512	1,688
	117,582	90,838
Less current installments	13,801	7,475
Long-term debt, excluding current installments	$103,781	$ 83,363

In December 1999, the Company entered into a $125 million Credit Agreement ("Credit Facility"), subject to a borrowing base calculation. The Credit Facility provides the Company with a revolving credit line, which includes a $50 million sub-limit for letters of credit. Outstanding borrowings are secured by inventory and accounts receivable. The Credit Facility bears interest at the London Interbank Offered Rate ("LIBOR") plus a range as defined or the greater of the Prime rate, the base CD rate plus 100 basis points or the Federal Funds rate (collectively "ABR") plus a range as defined depending on the duration and type of loan facility. The credit facility expires on October 31, 2002. At December 31, 2000, the Company had $22.4 million of outstanding borrowings under the Credit Facility, $4.0 million in outstanding standby letters of credit and $17.6 million in outstanding documentary letters of credit. At December 31, 2000, the Company had $81.0 million available for future borrowings under such facility. At December 31, 2000, the weighted average interest rate on the outstanding borrowings was 9.4%. The Credit Facility contains various restrictive covenants requiring, among other things, the maintenance of certain financial fixed charge ratios. At December 31, 2000, the Company was in technical non-compliance with the fixed charge ratio covenant. On March 27, 2001, the Company's bank lenders agreed to amend the Credit Facility Agreement to cure non-compliance and revise certain terms, including modifications to the financial covenants, the addition of a liquidity ratio and an amendment to the range of interest rates based on the leverage ratio as follows: LIBOR plus 100 basis points to LIBOR plus 225 basis points, ABR to ABR plus 125 basis points and commitment fees of 25 basis points to 62.5 basis points. Accordingly, the Company is presently in compliance with all terms of the Credit Facility, as amended.

Maturities of long-term debt at December 31, 2000 are as follows:

2001	$ 13,801
2002	24,042
2003	79,581
2004	158
	$117,582

The Senior Subordinated Notes are redeemable at the option of the Company, in whole or in part, at any time at various redemption prices. During 1999, the Company repurchased $19.4 million of its Senior Subordinated Notes.

(8) INCOME TAXES

Income taxes are summarized as follows (in thousands):

	Year ended December 31,		
	2000	1999	1998
Federal:			
Current	$ 17,276	$ 32,508	$ 14,477
Deferred	(5,602)	(2,464)	793
State:			
Current	3,594	5,202	2,459
Deferred	(1,127)	314	41
Foreign:			
Current	(1,041)	(360)	410
	$ 13,100	$ 35,200	$ 18,180

Actual income taxes differ from expected income taxes obtained by applying the statutory Federal income tax rate to earnings before income taxes as follows (in thousands):

	Year ended December 31,		
	2000	1999	1998
Computed "expected" tax expense	$ 10,357	$ 30,485	$ 15,152
State taxes, net of Federal benefit	2,210	3,586	1,625
Foreign taxes (benefit)	239	(273)	(14)
U.S. tax and foreign withholding tax on Foreign distributions	--	--	739
Other	294	1,402	678
	$ 13,100	$ 35,200	$ 18,180

Total income taxes were allocated as follows (in thousands):

	Year ended December 31,		
	2000	1999	1998
Operations	$ 13,100	$ 35,200	$ 18,180
Stockholders' equity	(10,769)	6,451	--

Total income taxes	$ 2,331	$ 41,651	$ 18,180

The tax effects of temporary differences that give rise to significant portions of current and non-current deferred tax assets and deferred tax liabilities at December 31, 2000 and 1999 are presented below (in thousands):

	2000	1999
Deferred tax assets:		
Retail store closure reserves	$ 1,128	$ 269
Deferred lease incentives	1,991	1,718
Rent expense	2,114	2,161
Uniform capitalization adjustment	3,008	2,194
State income taxes	367	1,471
Bad debt and other reserves	4,810	2,904
Severance reserve	--	1,378
Unrealized loss on investments	2,269	--
Other	6,640	2,602
Total deferred assets	22,327	14,697
Deferred tax liabilities	1,725	9,640
Net deferred tax assets	$ 20,602	$ 5,057

Included above at December 31, 2000 and 1999 are $14.5 million and $9.6 million for current deferred tax assets, respectively, and $6.1 million non-current deferred tax assets, included in other assets, and $4.5 million non-current deferred tax liabilities at December 31, 2000 and 1999, respectively.

Prepaid income taxes of $9.1 million and $3.0 million at December 31, 2000 and 1999, respectively, arise from the overpayment of estimated income taxes. The Company filed a federal quick tax refund and received an $8.0 million refund in February 2001.

Based on the historical earnings of the Company, management believes it is more likely than not that the results of operations will generate sufficient taxable earnings to realize net deferred tax assets.

(9) RELATED PARTY TRANSACTIONS

The Company is engaged in various transactions with entities affiliated with trusts for the respective benefit of Maurice, Paul and Armand Marciano (the "Marciano Trusts").

LICENSE AGREEMENTS AND LICENSEE TRANSACTIONS

On September 28, 1990, the Company entered into a license agreement with Charles David of California ("Charles David"). Charles David is controlled by the father-in-law of Maurice Marciano. The Marciano Trusts and Nathalie Marciano (the spouse of Maurice Marciano) together own 50% of Charles David, and the remaining 50% is owned by the father-in-law of Maurice Marciano. The license agreement grants Charles David the rights to manufacture worldwide and distribute worldwide (except Japan and certain European countries) for men, women and some children, leather and rubber footwear which bear the Guess trademark. The license also includes related shoe care products and accessories.

Gross royalties earned by the Company under such license agreement for the fiscal years ended December 31, 2000, 1999 and 1998 were $2.1 million, $1.9 million and $1.4 million, respectively. Additionally, the Company purchased $8.7 million, $8.4 million and $6.1 million of products from Charles David for resale in the Company's retail stores during the same periods.

In May 1997, the Company sold substantially all of the assets and liabilities of Guess? Italia to Maco Apparel, S.p.a. ("Maco"). The effect of the net asset disposal was immaterial to the Company's results of operations. In connection with this sale, the Company also purchased a 10% ownership interest in Maco and entered into an approximate 10-year license agreement with Maco granting it the right to manufacture and distribute certain men's and women's jeanswear apparel, which bear the Guess trademark, in certain parts of Europe. In addition to royalty fees, the Company will also receive $14.1 million over a four-year period in consideration of the grant of the license rights for men's and women's jeanswear apparel. During 2000, 1999 and 1998 the Company recorded $2.8 million in revenue in connection with the grant of such license rights. Additionally, the Company also recorded $3.0 million, $3.2 million and $2.3 million in royalty fees related to product sales in 2000, 1999 and 1998, respectively. Effective March 1, 1998, the Company also entered into an approximate nine-year license agreement with Maco granting it the right to manufacture and distribute kid's jeanswear, which bear the Guess trademark, in certain parts of Europe. No significant revenue was recorded related to the grant of this license agreement.

On August 4, 1999, the Company completed its purchase of an additional 40% of Guess? Canada whereby the Company's ownership has been increased to 60%. As part of the transaction, the Company paid $2.0 million and will provide long-term debt financing of up to $13.4 million to Guess Canada to expand its Canadian retail operations of which $12.3 million was outstanding as of December 31, 2000. The remaining funding is being provided on an as-needed basis. The Company has an option to acquire the remaining 40% of Guess Canada that becomes exercisable commencing December 31, 2001. The acquisition was accounted for as a purchase and the results of Guess Canada are included in the Company's consolidated financial statements from the date of acquisition. The excess of the purchase price over the fair value of net assets acquired amounting to $1.1 million is allocated to goodwill and is being amortized over 15 years. The operating results of Guess? Canada are immaterial to the Company's consolidated financial statements.

LEASES

The Company leases manufacturing, warehouse and administrative facilities from partnerships affiliated with the Marciano Trusts and certain of its affiliates. There are two leases in effect at December 31, 2000, both of which expire in July 2008. The total lease payments to these limited partnerships are currently $237,000 per month. Additionally, the Company is also on a month to month lease for another storage facility. Aggregate lease payments under leases in effect for the fiscal years ended December 31, 2000, 1999 and 1998 were $2.8 million, $2.7 million, and $2.7 million, respectively.

(10) COMMITMENTS AND CONTINGENCIES

LEASES

The Company leases its showrooms and retail store locations under operating lease agreements expiring on various dates through 2016. Some of these leases require the Company to make periodic payments for property taxes and common area operating expenses. Certain leases include rent abatements and scheduled rent escalations, for which the effects are being amortized and recorded over the lease term. The Company also leases some of its equipment under operating lease

agreements expiring at various dates through 2003.

Future minimum rental payments under non-cancelable operating leases at December 31, 2000 are as follows:

Year ending December 31, (in thousands):

	Non Related Parties	Related Parties	Total
2001	$ 45,088	$ 2,839	$ 47,927
2002	46,004	2,839	48,843
2003	44,991	2,839	47,830
2004	42,058	2,839	44,897
2005	37,542	2,839	40,381
Thereafter	124,729	7,331	132,060
	$340,412	$ 21,526	$361,938

Rental expense for all operating leases during the years ended December 31, 2000, 1999, and 1998 aggregated $36.1 million, $34.9 million, and $27.1 million, respectively.

INCENTIVE BONUSES

Certain officers and key employees of the Company are entitled to incentive bonuses, primarily based on the Company's profits.

LITIGATION

On approximately January 15, 1999, UNITE filed an unfair labor practice charge against us, alleging that attorney Dennis Hershewe violated Section 8(a)(1) of the National Labor Relations Act ("the Act") by questioning our employee Maria Perez about her union activities at the deposition he conducted in her workers' compensation case. Mr. Hershewe represents Fireman's Fund Insurance Company, our workers' compensation insurance carrier. GUESS? investigated the charge and responded to it on March 10, 1999. The NLRB issued a complaint on part of the charge on October 14, 1999, and we filed an answer on October 21, 1999. On July 6, 2000, the complaint was dismissed in its entirety. The NLRB appealed the decision and both sides submitted briefs in September of 2000. We are awaiting a decision on the appeal.

On May 21, 1999, we filed a demand for arbitration against Pour le Bebe, Inc. and Pour la Maison, Inc. (collectively, "PLB") seeking damages and injunctive relief in connection with four written license agreements between the parties. We alleged that PLB defaulted under the license agreements, that the license agreements properly were terminated and that PLB breached the license agreements. On July 19, 1999, PLB filed a counterdemand for arbitration against us. PLB sought damages and injunctive relief against us alleging breach of contract, violation of the California Franchise Relations Act, interference with prospective economic advantage, unlawful business practices, statutory unfair competition and fraud. The arbitration was conducted before the American Arbitration Association pursuant to arbitration clauses in the license agreements.

On June 9, 2000, the arbitrators issued a final award in our favor and rejected each of PLB's counterclaims. The amount of this award was

$7,659,677. Thereafter, the Company filed a petition to confirm the arbitration award and PLB filed a petition to vacate the award. On September 29, 2000, the court confirmed the final award and denied PLB's petition to vacate. On October 23, 2000, the court entered judgment confirming the final arbitration award and the case has been resolved. Because of the uncertainty of the ultimate realization of the award, no recognition has been given to it in our consolidated financial statements.

On June 9, 1999, we commenced a lawsuit in the Los Angeles County Superior Court against Kyle Kirkland, Kirkland Messina LLC, and CKM Securities (collectively "Kirkland") for tortious interference, unfair competition, fraud and related claims. This action arises out of alleged misrepresentations and omissions of material fact made by Kirkland in connection with the operations and financial performance of PLB. On March 29, 2000, the California Court of Appeal determined that the action will proceed in court. Kirkland's petition for review to the California Supreme Court was denied on July 12, 2000. No trial date has been set.

On March 28, 2000 a complaint was filed against us in San Diego County Superior Court entitled Snodgrass v. Guess?, Inc. and GUESS? Retail, Inc. The complaint purports to be a class action filed on behalf of current and former store management employees in California. Plaintiffs seek overtime wages and a preliminary and permanent injunction. The parties have stipulated that a limited class composed only of visual co-managers and co-managers should be certified. The Court certified this limited class on March 16, 2001. The trial date has been set for November 9, 2001.

On May 4, 2000, a complaint was filed against the Company and Mr. Paul Marciano in the Los Angeles Superior Court - Michel Benasra v. Paul Marciano and Guess?, Inc. The complaint grows out of the arbitration between the Company and PLB, discussed above. The plaintiff, the President of PLB, alleges that defendants made defamatory statements about him during the arbitration. Plaintiff seeks general damages of $50,000,000 and unspecified punitive damages. Defendants moved to compel arbitration of this matter, or alternatively, to strike the action under the state's anti-SLAPP (Strategic Litigation Against Public Participation) statute. The motion to compel arbitration was denied and the decision has been appealed. Pending resolution on appeal, this matter has been stayed. No trial date has been set.

On January 30, 2001, Guess?, Inc. Maurice Marciano, Armand Marciano, Paul Marciano, and Brian Fleming were named as defendants in a securities class action entitled David Osher v. Guess?, Inc., et al., filed in the United States District Court for the Central District of California. Seven additional class actions have been filed in the Central District, naming the same defendants: Robert M. Nuckols v. Guess?, Inc. et al., Brett Dreyfuss v. Guess?, Inc. et al., both filed February 1, 2001; Jerry Sloan v. Guess?, Inc., et al., filed February 6, 2001; Jerry Byrd v. Guess?, Inc., et al; filed February 13, 2001; Patrick and Kristine Liska v. Guess?, Inc., et al, filed February 14, 2001; Darrin Wegman v. Guess?, Inc., et al., filed February 22, 2001; and Rosie Gindie v. Guess?, Inc., et al., filed February 22, 2001. All eight complaints purport to state claims under Section 10(b) and 20(a) and Rule 10b-5 of the Securities Exchange Act of 1934 and allege that defendants made materially false and misleading statements relating to the Company's inventory and financial condition during the class period. In Osher, Nuckols, Byrd, Wegman and Sloan, the class period is February 14, 2000 through January 26, 2001; in Dreyfuss, Liska and Gindie the class period is February 14, 2000 through November 9, 2000. We are awaiting Court approval of a stipulation to extend our time to respond until 45 days after a lead plaintiff has been appointed and has filed a consolidated amended complaint.

On March 15, 2001, a complaint was filed by Susan Goldman, derivatively on behalf of nominal defendant Guess?, Inc. against Bryan Isaacs, Alice Kane, Robert Davis, Armand Marciano, Paul Marciano, Maurice Marciano, Howard Socol and Guess?, Inc. in the Court of Chancery for the State of Delaware. The complaint alleges misappropriation of corporate information, insider trading and other purported breaches of fiduciary duty by the Company and its Board of Directors. Our response is due April 10, 2001.

We cannot predict the outcome of these matters. We believe the outcome of one or more of the above cases could have a material adverse effect on our results of operations or financial condition. 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 addition to those described above. In the opinion of our management, the resolution of any of these pending incidental matters is not expected to have a material adverse effect on our results of operations or financial condition.

(11) SAVINGS PLAN

The Company established the Guess?, Inc. Savings Plan (the "Savings Plan") under Section 401(k) of the Internal Revenue Code. Under the Savings Plan, employees ("associates") may contribute up to 15% of their compensation per year subject to the elective limits as defined by IRS guidelines and the Company may make matching contributions in amounts not to exceed 1.5% of the associates' annual compensation. The Company's contributions to the Savings Plan for the year ended December 31, 2000, amounted to $0.4 million, and was $0.3 million for each of the years ended December 31, 1999 and 1998.

(12) QUARTERLY INFORMATION (UNAUDITED)

The following is a summary of the unaudited quarterly financial information for the years ended December 31, 2000 and 1999 (in thousands, except per share data):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Year ended December 31, 2000				
Net revenue	$ 188,844	$ 177,681	$ 216,363	$ 196,329
Gross profit	79,146	69,379	77,157	57,931
Net earnings (loss)	14,408	6,811	8,363	(13,089)
Earnings (loss) per share:				
Basic	$ 0.33	$ 0.16	$ 0.19	$ (0.30)
Diluted	$ 0.33	$ 0.16	$ 0.19	$ (0.30)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Year ended December 31, 1999				
Net revenue	$ 129,052	$ 119,557	$ 155,547	$ 195,494
Gross profit	54,028	55,035	65,261	93,666
Net earnings	11,486	7,017	14,235	19,162
Earnings per share:				
Basic	$ 0.27	$ 0.16	$ 0.33	$ 0.45
Diluted	$ 0.27	$ 0.16	$ 0.33	$ 0.44

The quarterly information presented herein for the quarters ended April 1, July 1, and September 30, 2000, presents information as amended in the Forms

10-Q/A to be filed on April 2, 2001.

During the fourth quarter of 2000, the Company recorded special charges of $15.6 million principally related to $5.7 million of inventory write-downs to value its inventory at the lower of cost or market; $4.5 million of restructuring charges related to underperforming stores that the Company plans to close and for new stores that the Company has decided not to open; $4.1 million to write-down permanently impaired assets, including fixed assets related to unprofitable stores and an investment in an internet company; and $1.3 million of other charges. The inventory provisions have been included in cost of sales.

During the fourth quarter of 1999, the Company enhanced its ability to estimate reserves through improved processes and more current and accurate data. As a result, the Company revised its estimate of certain reserves. This resulted in a reduction of cost of sales of $2.3 million. During the second quarter of 1999, in accordance with the requirements of EITF 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring"), the Company recorded a $3.2 million charge for future severance costs related to the relocation of distribution operations to Louisville. In the third quarter of 1999, the Company realized a non-recurring pretax gain of $3.8 million on the disposition of property and equipment.

(13) SEGMENT INFORMATION

In accordance with the requirements of SFAS 131, "Disclosures about Segments of and Enterprise and Related Information," the Company's reportable business segments and respective accounting policies of the segments are the same as those described in Note 1. Management evaluates segment performance based primarily on revenue and earnings from operations. Interest income and expense is evaluated on a consolidated basis and not allocated to the Company's business segments.

Segment information is summarized as follows for the years ended December 31, 2000, 1999 and 1998 (in thousands):

	Year ended December 31,		
	2000	1999	1998
Net revenue:			
Retail operations	$392,539	$299,384	$222,624
Wholesale operations	348,873	260,628	212,504
Licensing operations	37,805	39,638	36,803
	$779,217	$599,650	$471,931
Earnings from operations:			
Retail operations	$ 3,372	$ 37,072	$ 19,943
Wholesale operations	9,170	25,101	7,971
Licensing operations	30,807	31,603	29,132
	$ 43,349	$ 93,776	$ 57,046
Capital expenditures:			
Retail operations	$ 57,336	$ 26,486	$ 5,170
Wholesale operations	21,798	35,471	8,136

Licensing operations	--	--	--
	$ 79,134	$ 61,957	$ 13,306
Total assets			
Retail operations	$183,255	$114,152	$ 93,140
Wholesale operations	229,446	245,162	159,069
Licensing operations	6,982	9,722	11,563
	$419,683	$369,036	$263,772

The table below presents information related to geographic areas in which the Company operated during 2000, 1999 and 1998 (in thousands):

	Year ended December 31,		
	2000	1999	1998
Net revenue:			
United States	$680,341	$548,179	$434,207
Asia	23,303	13,279	13,859
Europe	18,764	13,464	10,600
Canada	47,339	12,073	1,644
South America	6,403	3,973	5,066
Mexico	1,895	3,337	2,406
Other	1,172	5,345	4,149
	$779,217	$599,650	$471,931

(14) STOCK OPTION PLAN AND NON-VESTED STOCK

On July 30, 1996, the Board of Directors adopted the Guess?, Inc. 1996 Non-Employee Directors' Stock Option Plan pursuant to which the Board of Directors may grant stock options to non-employee directors. This plan authorizes grants of options to purchase up to 500,000 authorized but unissued shares of Common Stock. At December 31, 2000, 1999 and 1998, there were 147,611, 109,082 and 70,451 options issued under this plan, respectively. Stock options are granted with an exercise price equal to the stock's fair market value at the date of grant. Stock options have ten-year terms and vest and become fully exercisable in increments of one-fourth of the shares granted on each anniversary from the date of grant.

On July 30, 1996, the Board of Directors adopted the Guess?, Inc. 1996 Equity Incentive Plan (the "Plan") pursuant to which the Board of Directors may grant stock options to officers, key employees and consultants. The Plan authorizes grants of options to purchase up to 4,500,000 authorized but unissued shares of Common Stock. Stock options are granted with an exercise price equal to the stock's fair market value at the date of grant. Stock options have ten-year terms (five years in the case of an incentive stock option granted to a ten-percent stockholder) and vest and become fully exercisable after varying time periods from the date of grant based on length of service or specified performance goals.

At December 31, 2000, 1999 and 1998, there were 1,883,056, 2,763,397 and 2,841,825 additional shares available for grant under the plan, respectively.

Using the Black Scholes option pricing model, the weighted-average per share fair value of stock options granted during 2000, 1999 and 1998 was $10.09, $12.46 and $4.24, respectively. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 2000, 1999 and 1998, respectively: risk-free interest rates of 5.35%, 6.51% and 4.87%; volatility factors of the expected market price of the Company's common stock of 80%, 65% and 63%; no expected dividend yield; and a weighted-average expected life of the option of four years.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because options under the Company's stock option plan have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of the options under the Company's stock option plan.

The Company applies APB Opinion No. 25 in accounting for its Plan and, accordingly, no compensation cost has been recognized for its stock options in the accompanying consolidated financial statements. Had the Company determined compensation based on the fair value at the grant date for its stock options under SFAS No. 123 ("SFAS 123"), the Company's pro forma net earnings and net earnings per share for the years ended December 31, 2000, 1999 and 1998 would have been the pro forma amounts indicated below (in thousands, except per share data):

	2000	1999	1998
Pro forma net earnings	$ 14,279	$ 51,300	$ 24,574
Pro forma earnings per share - basic	$ 0.33	$ 1.19	$ 0.57
Pro forma earnings per share - diluted	$ 0.33	$ 1.18	$ 0.57

In December 2000, the Company granted 205,680 shares of non-vested Common Stock to a key employee which vest through January 2004. Upon granting of the stock, unearned compensation equivalent to the market value of the stock at the date of issuance ($4.63 per share) was charged to stockholders' equity and will be amortized to operations over four years.

Stock option activity during the period indicated is as follows:

	Number of Share	Weighted-Average Exercise Price
Balance at December 31, 1997	1,291,355	$ 11.05
Granted	1,035,600	4.24
Forfeited	(668,780)	(10.92)
Balance at December 31, 1998	1,658,175	$ 6.86
Granted	343,650	12.46
Exercised	(373,090)	(8.56)
Forfeited	(265,222)	(7.68)

Balance at December 31, 1999	1,363,513	$ 7.64
Granted	1,400,130	13.77
Exercised	(250,976)	(6.69)
Forfeited	(519,789)	(12.96)
Balance of December 31, 2000	1,992,878	$ 10.68

At December 31, 2000, 1999 and 1998, the weighted-average exercise price was $10.68, $7.64 and $6.86, respectively, and the weighted-average remaining contractual lives of outstanding options were 8.74, 8.53 and 9.0 years, respectively.

The following table summarizes information about stock options outstanding and exercisable at December 31, 2000.

	Options Outstanding			Options Exercisable	
Range of Exercise Price	Number Outstanding December 31, 2000	Weighted Average Remaining Contractual life	Weighted Average Exercise Price	Number Exercisable at December 31, 2000	Weighted Average Exercise Price
$ 0.01 to $5.50	1,051,536	8.51 years	$3.56	137,626	$ 4.20
$ 7.06 to $19.38	71,325	7.66 years	8.38	46,450	8.77
$10.50 to $12.50	265,642	7.22 years	11.08	202,442	10.90
$16.38 to $18.31	250,000	9.28 year	17.74	20,378	16.83
$21.06 to $27.31	354,375	9.04 year	26.99	77,800	26.93
	1,992,878	8.74 years	$10.68	484,696	$11.62

At December 31, 2000 and 1999, the number of options exercisable for each year was 484,696 and 338,284, respectively. The weighted-average exercise price of those options was $11.62 and $8.14, respectively.

(15) SEVERANCE (RECOVERY) RELATED TO DISTRIBUTION FACILITY RELOCATION

In accordance with the requirements of EITF 94-3, "Liability for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)," during 1999, the Company recorded a $3.2 million charge for future severance costs related to the relocation of its distribution operations from Los Angeles, California to Louisville, Kentucky. The Company originally expected to terminate 460 employees. As a result of attrition, relocating and redeploying 228 employees, the Company recorded a $1.5 million recovery during 2000.

(16) RESTRUCTURING AND IMPAIRMENT CHARGES

In the fourth quarter of 2000, the Company recorded restructuring and impairment charges of $8.6 million. Of these charges $2.4 million (impairment) and $6.2 million (restructuring and impairment) were recorded to the wholesale and retail segments, respectively. These charges consisted of the following:

In connection with its ongoing review of its portfolio of marketable equity securities, the Company recorded a non-cash impairment charge against earnings from operations of $2.4 million to write down the cost basis of a certain marketable equity security investment in an internet company as the decline was determined to be other than temporary.

Additionally, in accordance with SFAS N0. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" an

impairment charge of $1.7 million was recorded in the fourth quarter of 2000 to write down the net book value of property and equipment related to certain stores. These assets became impaired as the Company's new kid's line had some unprofitable stores that performed below expectation. Estimated future cash flows related to these stores indicated that an impairment of the full value had occurred.

In December 2000, Company management approved a plan to close certain under-performing stores in 2001 and cease construction on certain stores that the Company has decided not to open. Included in the Company's operating results for the year ended December 31, 2000, are restructuring charges of $4.5 million consisting of lease exit costs, rent paid and to be paid on idle locations and construction costs of stores abandoned during construction. This is inclusive of $0.8 million of asset impairments for under-performing stores that the Company plans to close in 2001. Estimated future cash flows related to these stores indicated that an impairment of the full value had occured. As of December 31, 2000, a liability recorded in accordance with the requirements of EITF 94-3, "Liability for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)" of $1.7 million remains, consisting primarily of estimated rent to be paid on idle leased facilities and lease exit costs. The Company anticipates paying the $1.7 million and the completion of these activities during 2001.

SCHEDULE II
GUESS?, INC. & SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS
YEARS ENDED DECEMBER 31, 2000, 1999, AND 1998
(IN THOUSANDS)

Description	Balance at beginning of period	Charged to costs and expenses	Deductions and write-offs	Balance at end of period
As of December 31, 2000				
Accounts receivable	$ 8,863	$ 28,811	$ (21,863)	$15,811
Royalties	1,258	903	(1,320)	841
As of December 31, 1999				
Accounts receivable	$ 7,837	$ 1,398	$ (372)	$ 8,863
Royalties	3,667	1,657	(4,066)	1,258
As of December 31, 1998				
Accounts receivable	$11,196	$ 8,542	$(11,901)	$ 7,837
Royalties	--	3,667	--	3,667

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Los Angeles, State of California, on April 2, 2001.

GUESS?, INC.

By: /s/ Maurice Marciano
Maurice Marciano
CO-CHAIRMAN OF THE BOARD, CO-CHIEF
EXECUTIVE OFFICER AND DIRECTOR

Pursuant to the requirements of the Securities Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Maurice Marciano Maurice Marciano	Co-Chairman of the Board, Co-Chief Executive Officer and Director (Principal Executive Officer)	April 2, 2001
/s/ Paul Marciano Paul Marciano	Co-Chairman of the Board, Co-Chief Executive Officer and Director	April 2, 2001
/s/ Armand Marciano Armand Marciano	Senior Executive Vice President, Assistant Secretary and Director	April 2, 2001
/s/ Carlos Alberini Carlos Alberini	President, Chief Operating Officer and Director (Principal Financial Officer)	April 2, 2001
/s/ Robert Davis Robert Davis	Director	April 2, 2001
/s/ Alice Kane Alice Kane	Director	April 2, 2001
/s/ Howard Socol Howard Socol	Director	April 2, 2001
/s/ Bryan Isaacs Bryan Isaacs	Director	April 2, 2001

Exhibit Index

Exhibit Number	Description
3.1.	Restated Certificate of Incorporation of the Registrant. (1)
3.2.	Bylaws of the Registrant. (1)
4.3.	Specimen stock certificate. (1)
10.1.	Amended and Restated Stockholders' Agreement. (2)
10.20.	Amended and Restated Revolving Credit Agreement, dated as of March 28, 1997. (2)
10.22.	1996 Equity Incentive Plan. (1)
10.23.	1996 Non-Employee Directors' Stock Option Plan. (1)
10.24.	Annual Incentive Plan. (1)
10.25.	Employment Agreement between the Registrant and Maurice Marciano. (2)
10.26.	Employment Agreement between the Registrant and Paul Marciano. (2)
10.27.	Employment Agreement between the Registrant and Armand Marciano. (2)
10.28.	Registration Rights Agreement among the Registrant and certain stockholders of the Registrant. (2)
10.29.	Indemnification Agreement among the Registrant and certain stockholders of the Registrant. (2)
10.30.	Indemnification Agreements between the Registrant and certain executives and directors. (2)
10.31.	First Amendment to Amended and Restated Shareholders' Agreement.(3)
10.32.	First Amendment and Waiver to Amended and Restated Revolving Credit Agreement by and between the Registrant and BankBoston, NA, F/K/A The

First National Bank of Boston, Sanwa Bank California and the Financial Institutions Party hereto. (4)

10.33. Amended and Restated 1996 Non-Employee Directors' Stock Option Plan, as amended through March 3, 1997. (5)

18.0. Letter regarding change in accounting principles. (5)

10.34. Second Amendment and Consent to the Amended and Restated Revolving Credit Agreement by and between Guess?, Inc. And BankBoston, N.A.,F/K/A The First National Bank of Boston, Sanwa Bank California and the Financial Institutions Party Hereto. (6)

10.35. Third Amendment and Consent to the Amended and Restated Revolving Credit Agreement by and between Guess?, Inc. And BankBoston, N.A., F/K/A The First National Bank of Boston, Sanwa Bank California and the Financial Institutions Party Hereto. (6)

10.36 Amendment No. 1 to The Guess?, Inc. Amended and Restated 1996 Non-Employee Directors' Stock Option Plan (7)

10.37. Employment Agreement dated July 6, 1998 between Guess?, Inc. and Brian L. Fleming. (7)

10.38. Fourth Amendment and Consent to the Amended and Restated Revolving Credit Agreement by and between Guess?, Inc. And BankBoston, N.A., F/K/A The First National Bank of Boston, Sanwa Bank California and the Financial Institutions Party Hereto. (8)

10.39. Credit Agreement by and between Guess?, Inc., Sanwa Bank of California, and The Chase Manhattan Bank.

10.40. Lease Agreement between Guess?, Inc. and Robert Pattillo Properties, Inc.

10.41. Subscription Agreement between Freemark Entertainment Corporation and Guess?, Inc.

*10.42. Employment Agreement between the Registrant and Carlos Alberini

*10.43. First Amendment to Credit Agreement among the Registrant, the Lenders and the Chase Manhattan Bank.

*21.1. List of Subsidiaries.

*23.1 Independent Accountants' Consent

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* Filed herewith

(b) Financial Statement Schedule: Description Schedule II Valuation and Qualifying Accounts

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

(2) Incorporated by reference from the Company's Annual Report on Form 10-K for the year ended December 31, 1996.

(3) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended March 30, 1997.

(4) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended June 29, 1997.

(5) Incorporated by reference from the Company's Annual Report on Form 10-K for the year ended December 31, 1997.

(6) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended March 29, 1998.

(7) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended June 28, 1998.

(8) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended September 27, 1998.

EXHIBIT NO. 10.42.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("AGREEMENT") is entered into by and between Carlos Alberini (the "EXECUTIVE") and GUESS ?, Inc., a Delaware corporation (the "COMPANY") on November 8, 2000 and shall be effective on the date that is the first day of the Executive's employment with the Company (the "EFFECTIVE DATE").

WHEREAS, the Company desires to provide for the service and employment of the Executive with the Company and the Executive wishes to perform services for the Company, all in accordance with the terms and conditions provided herein.

NOW, THEREFORE, in consideration of the mutual agreements hereinafter set forth, the Executive and the Company hereby agree as follows:

Section 1. EMPLOYMENT. The Company does hereby employ the Executive and the Executive does hereby accept employment as President and Chief Operating Officer of the Company. In the Executive's capacity as President and Chief Operating Officer of the Company, the Executive shall be responsible for product sourcing, logistics, retail sales (including store operations and real estate), MIS, finance, human resources, legal (excluding litigation management) and wholesale sales for the Company and all employees performing these responsibilities will report to the Executive in a manner consistent with the Company's open door policy. The Executive shall render such services on the terms set forth herein and shall report to the Board of Directors of the Company (the "BOARD") and the chief executive officer(s) of the Company. In addition, the Executive shall have such other executive and managerial powers and duties with respect to the Company and its subsidiaries as may reasonably be assigned to him by the Board, to the extent consistent with his position and status as set forth above. The Executive agrees to devote all of his working time and efforts to the business and affairs of the Company and its subsidiaries and shall not engage in activities that interfere in any way with such performance; PROVIDED, HOWEVER, that this Agreement shall not be interpreted to prohibit the Executive, subject to the prior approval of the Board, from serving on the board of directors of any corporation other than the Company.

Section 2. TERM OF AGREEMENT. Subject to Section 6 hereof, the term (the "TERM") of this Agreement shall commence on the Effective Date and shall continue through December 31, 2003; PROVIDED that on December 31, 2003 and on each succeeding December 31, the Term shall automatically be extended by an additional year, unless the Executive or the Company shall give the other at least one hundred and eighty (180) days' prior written notice to the contrary ("NONRENEWAL NOTICE").

Section 3. BOARD MEMBERSHIP. During the Term, the Company shall cause the Executive to be nominated to the Board and, if elected by the stockholders of the Company, the Executive shall serve as a member of the Board for the term for which he is so elected.

Section 4. LOCATION. In connection with the Executive's employment by the Company, the Executive shall be based at the headquarters of the Company in Los Angeles, California, except for required travel for the Company's business.

Section 5. COMPENSATION.

(a) BASE SALARY. Effective as of the Effective Date, the Company shall pay the Executive a base salary ("BASE SALARY") at an initial rate of $650,000 per year, payable in accordance with the Company's policies relating to salaried employees. Commencing on January 1, 2002, the Executive's Base Salary may be increased by the Compensation Committee of the Board (the "COMPENSATION COMMITTEE") in its sole discretion.

(b) GUARANTEED BONUS. With respect to the twelve-month period commencing on the Effective Date, the Company shall pay to the Executive a guaranteed bonus in an amount equal to $260,000 (the "GUARANTEED BONUS"), payable in two prorated installments to be paid on December 31, 2000 and on the last day of such twelve-month period; PROVIDED in each case that the Executive has been continuously employed with the Company from the Effective Date through the applicable installment payment date.

(c) TARGET BONUS. Commencing with the first full fiscal year of the Company ("FISCAL YEAR") following the Effective Date, the Executive shall have the opportunity to earn a bonus ("TARGET BONUS") for each Fiscal Year as recommended by the Compensation Committee in accordance with the Company's Executive Incentive Program, as it may be amended or otherwise modified from time to time (the "EIP"); PROVIDED in each case that the Executive has been continuously employed with the Company from the Effective Date through the last day of such Fiscal Year. The amount of each Target Bonus shall be set by the Compensation Committee and shall be no less than seventy percent (70%) of Base Salary if the applicable "target" performance goals (as defined in the EIP for such period) are met and no more than one hundred and twenty percent (120%) of Base Salary if the applicable "stretch" performance goals (as defined in the EIP for such period) are met. The criteria for determining the amount of any Target Bonus and the bases upon which such Target Bonus shall be payable shall be no less favorable to the Executive than those used for other senior executive officers of the Company, such criteria and bases to be determined in the sole discretion of the Compensation Committee. The amount of any Target Bonus to be paid to the Executive with respect to the first Fiscal Year following the Effective Date shall be reduced by the amount of the second installment of the Guaranteed Bonus payable to the Executive pursuant to clause (b) above, but in no event shall such amount be reduced to less than zero.

(d) RESTRICTED STOCK AND STOCK OPTIONS.

(i) RESTRICTED STOCK GRANT. Subject to the approval of the Compensation Committee, the Executive shall be granted, as of the Effective Date, 205,680 restricted shares of common stock of the Company (the "RESTRICTED STOCK"). As a condition to receiving such grant of the Restricted Stock, the Executive agrees to pay to the Company in cash the aggregate amount of the par value of the Restricted Stock. The Restricted Stock shall vest as follows: (A) 105,680 shares shall vest on January 1, 2002, (B) 50,000 shares shall vest on January 1, 2003, and (C) 50,000 shares shall vest on January 1, 2004; PROVIDED in each case that the Executive has been continuously employed with the Company from the Effective Date through the applicable vesting date. Except as otherwise provided herein, the Restricted Stock shall be subject to such terms and conditions as generally apply to restricted stock granted to other senior executive officers who participate in the Company's equity incentive plans as such terms and conditions are in effect on the Effective Date.

(ii) INITIAL OPTION GRANT. Subject to the approval of the Compensation Committee, the Executive shall be granted, as of the Effective Date, an option (the "INITIAL OPTION") to purchase 500,000 shares of common stock of the Company at a per share exercise price equal to the fair market value of the common stock of the Company on the Effective Date. The Initial Option shall vest and become exercisable in annual installments at the rate of 100,000 shares on each of December 31, 2001, December 31, 2002, December 31, 2003, December 31, 2004 and December 31, 2005 (each such installment, an "INITIAL OPTION INSTALLMENT"); PROVIDED in each case that the Executive has been continuously employed with the Company from the Effective Date through the applicable vesting date. Except as otherwise provided herein, the Initial Option shall be subject to such terms and conditions, including provisions regarding post-termination exercisability, as generally apply to stock options granted to other senior executive officers who participate in the Company's equity

incentive plans as such terms and conditions are in effect on the Effective Date.

(iii) ADDITIONAL OPTION GRANTS. Commencing on January 1, 2002, the Executive shall be eligible to receive additional grants of stock options (each, an "ADDITIONAL OPTION GRANT") to purchase shares of common stock of the Company as recommended by the Compensation Committee in its sole discretion. Such Additional Option Grants, if any, shall be subject to the terms and conditions of any applicable

stock option plans and programs of the Company and any other terms and conditions recommended by the Compensation Committee.

(e) FRINGE BENEFITS. The Executive shall be entitled to participate in any fringe, welfare and pension benefit and incentive programs adopted from time to time by the Company for the benefit of, and which generally apply to, its senior executive officers from time to time. The Executive will receive four (4) weeks of paid vacation annually.

Section 6. TERMINATION.

(a) NOTICE OF TERMINATION.

(i) "NOTICE OF TERMINATION" shall mean a notice that shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provisions so indicated.

(ii) Any purported termination of the Executive's employment by the Company or by the Executive shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 13 hereof.

(b) DATE OF TERMINATION. "DATE OF TERMINATION" shall mean:

(i) if the Executive's employment is terminated because of death, the date of the Executive's death,

(ii) if the Executive's employment is terminated by the Company because of Disability, ten (10) days following the date on which the Notice of Termination is given, and

(iii) if the Executive's employment is terminated for any other reason, the date specified in the Notice of Termination, which shall not be a date prior to the date such Notice of Termination is given.

(c) ACCRUED AND UNPAID BENEFITS. Following the termination of the Executive's employment with the Company for any reason, the Executive shall receive:

(i) any earned, but unpaid, Base Salary,

(ii) any earned, but unpaid, Guaranteed Bonus or Target Bonus for any Fiscal Year prior to the Fiscal Year in which the Date of Termination occurs,

(iii) the cash equivalent of any accrued, but unused, vacation,

(iv) any accrued employee benefits, subject to the terms of the applicable employee benefit plans, and

(v) all additional amounts that the Executive is entitled to receive pursuant to this Section 6 or Section 7 hereof.

(d) DEATH. In the event that the Executive's employment hereunder is terminated by reason of the Executive's death, the Company shall pay the amounts described in Section 6(c) above and all benefits payable to the Executive, if any, under the terms of the Company's compensation and benefit plans, programs or arrangements.

(e) DISABILITY.

(i) "DISABILITY" shall have the same meaning assigned to the same or a similar term pursuant to any long-term disability plan or policy of the Company in effect as of the Date of Termination. If no such plan or policy is then in effect, "Disability" shall mean that as a result of the Executive's incapacity due to physical or mental illness, the Executive shall have been absent from the full-time performance of his duties with the Company for a period of six (6) consecutive months or for any two hundred and ten (210) days within any period of twelve (12) consecutive months and that, in either case, the Executive shall not have returned to the full-time performance of his duties within thirty (30) days following the Company's delivery of a Notice of Termination pursuant to this Section 6(e)(i).

(ii) The Executive's employment under this Agreement may be terminated by the Company or the Executive for Disability, subject to applicable law.

(iii) During any period prior to such termination during which the Executive is absent from the full-time performance of his duties with the Company due to Disability, the Company shall continue to pay the Executive his Base Salary at the rate in effect at the commencement of such period of Disability, and the vesting of the Initial Option, Restricted Stock and other stock awards, if any, shall continue.

(iv) Upon termination of the Executive's employment for Disability, the Company shall pay all benefits payable to the Executive, if any, under the terms of the Company's compensation and benefit plans, programs or arrangements.

(f) TERMINATION FOR CAUSE. The Company may terminate the Executive's employment under this Agreement for Cause (as defined below) at any time.

(i) As used herein, termination for "CAUSE" shall mean the occurrence of any of the following, as determined by a two-thirds majority of the members of the Board (excluding the Executive from such vote and the denominator):

(A) the willful failure, neglect or refusal by the Executive to perform his duties hereunder or to follow the instructions of the Board;

(B) any willful or grossly negligent act, or commission of a felony or misdemeanor, by the Executive that a two-thirds majority of the members of the Board (excluding the Executive from such vote and the denominator) determines may have the effect of materially

injuring (monetarily or otherwise) the business or reputation of the Company or its subsidiaries or their affiliates or any division thereof;

(C) the conviction of the Executive of (or the pleading by Executive of guilty or NOLO CONTENDRE to) any misdemeanor involving fraud or embezzlement or any felony;

(D) any misappropriation or embezzlement of the property of the Company or its subsidiaries or their affiliates (whether or not a misdemeanor or felony); and

(E) a material breach by the Executive of any covenant in this Agreement.

(ii) The Company shall notify the Executive of any event or circumstance described in subsection (i) above, and, if curable, the Executive shall have thirty (30) days following such notice within which to cure such event or circumstance. If such event or circumstance is not cured within such period

or is not curable, the Company may terminate the Executive for Cause at any time following the end of such period or, if such event or circumstance is not curable, at any time after such notice.

(iii) In the event of termination for Cause, this Agreement shall terminate without further obligation by the Company, except (A) for payment of the amounts described in Section 6(c) above, and (B) as otherwise may be provided under the terms of any equity incentive award outstanding on the Date of Termination.

(g) TERMINATION BY THE EXECUTIVE.

(i) FOR GOOD REASON. The Executive may terminate his employment hereunder for Good Reason (as defined below).

(ii) WITHOUT GOOD REASON. Except as provided in clause (iii) below, the Executive may terminate his employment hereunder voluntarily without Good Reason upon at least six (6) months' prior notice to the Company.

(iii) FOLLOWING RECEIPT OF NONRENEWAL NOTICE FROM THE COMPANY. In the event that the Executive receives a Nonrenewal Notice from the Company, the Executive may terminate his employment with the Company upon thirty (30) days' prior written notice to the Company; PROVIDED that such Notice of Termination is received by the Company no later than thirty (30) days prior to the expiration of the Term.

(iv) "GOOD REASON".

(A) The Executive shall have "GOOD REASON" to terminate his employment hereunder upon a failure by the Company to substantially comply with any material provision of this Agreement, without the Executive's written consent, that has not been cured within thirty (30) days after written notice of such noncompliance has been given by the Executive to the Company.

(B) Failure by the Company to substantially comply with any material provision of this Agreement shall mean:

(1) an action by the Company resulting in a diminution of the Executive's title or authority,

(2) any reduction in the Executive's Base Salary then in effect or the failure to pay any other compensation described in Section 5 hereof or Schedule 1 hereto that is due and payable to the Executive,

(3) the Executive being required by the Company to be based at any office or location outside the Los Angeles, California metropolitan area, or

(4) any failure by the Company or any successor of the Company to comply with and satisfy Section 18 hereof, including any failure by any such successor to adopt and be bound by this Agreement.

Section 7. SEVERANCE.

(a) PRIOR TO CHANGE IN CONTROL. If, prior to a change in control of the Company as defined in the Company's 1996 Equity Incentive Plan as in effect on the Effective Date ("CHANGE IN CONTROL"), the Company terminates the Executive's employment with the Company for any reason other than (i) the

Executive's death or Disability or (ii) for Cause, or if the Executive terminates his employment with the Company for Good Reason, the Executive shall enter into a consulting arrangement with the Company pursuant to which the Executive shall provide consulting services to the Company for up to forty (40) hours per month for a period of eighteen (18) months commencing on the Date of Termination (the "CONSULTING PERIOD"). During the Consulting Period, the Executive shall be entitled to the following:

(i) the Company shall pay to the Executive on an annualized basis the Executive's Base Salary then in effect, payable in accordance with the Company's policies relating to salaried employees;

(ii) any benefits to which the Executive would otherwise be entitled pursuant to Schedule 1 hereto with respect to the Relocation Loan (as defined in Schedule 1 hereto) as if the Executive remained in active employment with the Company during the Consulting Period;

(iii) on the Date of Termination, the Company shall pay to the Executive an amount equal to the portion of any Guaranteed Bonus for the expired portion of the Fiscal Year in which the Date of Termination occurs;

(iv) any portion of the Restricted Stock that is not vested on the Date of Termination shall vest on such date;

(v) any portion of the Initial Option that is not vested on the Date of Termination shall vest and be exercisable during the Consulting Period at the rate of 8,334 shares per month commencing with the month following the vesting date of the Initial Option pursuant to Section 5(d)(ii) hereof that immediately preceded the Date of Termination and continuing through the month in which the Consulting Period ends as if the Executive remained in active

employment with the Company during the Consulting Period;1 and

(vi) any portion of any Additional Grant that is not vested on the Date of Termination shall vest and be exercisable during the Consulting Period on a monthly basis based on the number of months remaining in the original vesting schedule as of the Date of Termination for such Additional Grant as if the Executive remained in active employment with the Company during the Consulting Period.

(b) FOLLOWING CHANGE IN CONTROL. If, following a Change in Control and prior to the expiration of the Term, the Company terminates the Executive's employment with the Company for any reason other than (i) the Executive's death or Disability or (ii) for Cause, or if the Executive terminates his employment with the Company for Good Reason, the Executive shall be entitled to the following:

(i) the Company shall pay to the Executive a lump sum in an amount equal to two hundred percent (200%) of:

----

(1) This provision is intended to work as follows:

DATE OF TERMINATION	LAST VESTING DATE	TOTAL MONTHS TO VEST	TOTAL SHARES VESTED
1/15/03	12/31/02	1 + 18 months	19 x 8,334 = 158,346
6/15/03	12/31/02	6 + 18 months	24 x 8,334 = 200,016
11/15/03	12/31/02	11 + 18 months	29 x 8,334 = 241,686

(A) the Executive's Base Salary then in effect, and

(B) the Target Bonus payable to the Executive with respect to the Fiscal Year immediately preceding the Date of Termination or the Target Bonus payable to the Executive with respect to the Fiscal Year immediately preceding the Change in Control, whichever is higher (for the avoidance of doubt, the Target Bonus for the Fiscal Year ending December 31, 2001 includes the portion of the Guaranteed Bonus paid to the Executive during such Fiscal Year);

(ii) any benefits to which the Executive would otherwise be entitled pursuant to Schedule 1 hereto with respect to the Relocation Loan (as defined in Schedule 1 hereto) as if the Executive remained in active employment with the Company for a period of two (2) years commencing on the Date of Termination;

(iii) any portion of the Restricted Stock that is not vested on the date immediately prior to the Date of Termination shall immediately vest as of the Date of Termination;

(iv) any Initial Option Installment that has not vested immediately prior to the Date of Termination shall vest and be exercisable;

(v) any portion of any Additional Grant that has not vested immediately prior to the Date of Termination shall vest and be exercisable; and

(vi) if the aggregate of all payments or benefits made or provided to the Executive under this Agreement and under all other plans and programs of the Company (the "AGGREGATE PAYMENT") is determined to constitute a parachute payment, as such term is defined in Section 280G(b)(2) of the Internal Revenue Code of 1986, as amended (the "CODE"), the Company shall pay to the Executive, prior to the time any excise tax imposed by Section 4999 of the Code (the "EXCISE TAX") is payable with respect to such Aggregate Payment, an additional amount that, after the imposition of all income, excise and other taxes thereon, is equal to the Excise Tax on the Aggregate Payment. The determination of whether the Aggregate Payment constitutes a Parachute Payment and, if so, the amount to be paid to the Executive and the time of payment pursuant to this Section 7(b)(v) shall be made by the accounting firm that was, immediately prior to the Change in Control, the Company's independent auditor.

(c) NONRENEWAL BY THE COMPANY. Upon the expiration of the Term following the Executive's receipt of a Nonrenewal Notice from the Company (PROVIDED that the Executive's last day of employment with Company is the last day of the Term) or on the date on which the Executive voluntarily terminates his employment with the Company pursuant to Section 6(g)(iii) hereof, if earlier, the Executive shall enter into a consulting arrangement with the Company pursuant to which the Executive shall provide consulting services to the Company pursuant to the same terms and conditions as set forth in Section 7(a) hereof except that the "Consulting Period" shall be twelve (12) months rather than eighteen (18) months.

(d) MITIGATION. As a condition to receiving any payments or benefits pursuant to Section 7(c) hereof, the Executive agrees to mitigate the amount of any payment or benefit provided for pursuant to such Section 7(c), including, without limitation, by seeking comparable employment, and any amounts earned by the Executive from any employment or any consulting arrangement during the Consulting Period may be deducted from the payments described in Section 7(c) hereof. The obligation to mitigate and the deduction from payment described in this Section 7(d) does not apply to payments and benefits described in Sections 7(a) and 7(b) hereof.

(e) RELEASE OF EMPLOYMENT CLAIMS. The Executive agrees, as a condition to receipt of the payments and benefits provided for in this Section 7, that he will execute a release agreement, in a form satisfactory to the Company, releasing any and all claims arising out of the Executive's employment (other than enforcement of this Agreement and the Executive's rights under any of the Company's incentive compensation and employee benefit plans and programs to which he is entitled under this Agreement).

Section 8. CONFIDENTIALITY; NON-COMPETITION.

(a) CONFIDENTIALITY. "CONFIDENTIAL INFORMATION" shall mean non-public information about the Company and its subsidiaries or their affiliates, and their respective clients and customers that is not disclosed by the Company or its subsidiaries for financial reporting purposes and that was learned by the Executive in the course of his employment with the Company, including, without limitation, any proprietary knowledge, trade secrets, data, formulae, information and client and customer lists and all papers, resumes and records (including computer records) of the documents containing such Confidential Information. Confidential Information does not include information regarding the Executive's own compensation and benefits.

(i) The Executive acknowledges that in his employment with the Company, he will occupy a position of trust and confidence. The Executive shall not, except as may be required to perform his duties hereunder or as required by applicable law, without limitation in time or until such information shall have become public

other than by the Executive's unauthorized disclosure, disclose to others or use, whether directly or indirectly, any Confidential Information.

(ii) The Executive acknowledges that all Confidential Information is specialized, unique in nature and of great value to the Company and its subsidiaries, and that such Confidential Information gives the Company and its subsidiaries a competitive advantage. The Executive agrees to deliver or return to the Company, at the Company's request at any time or upon termination or expiration of his employment or as soon thereafter as possible, all documents, computer tapes and disks, records, lists, data, drawings, prints, notes and written information (and all copies thereof) furnished by or on behalf of or for the benefit of the Company and its subsidiaries or their affiliates or prepared by the Executive during the term of his employment by the Company, but excluding documents relating to the Executive's own compensation and benefits.

(b) NON-COMPETITION. During the Executive's employment with the Company and during the Consulting Period, if any, the Executive shall not, directly or indirectly, whether as owner, consultant, employee, partner, venturer, agent, through stock ownership, investment of capital, lending of money or property, rendering of services, or otherwise, compete with the Company or any of its affiliates or subsidiaries in any business in which any of them is engaged while the Executive is employed with Company, including, without limitation, the design, manufacture and/or distribution of men's, women's or children's sportswear or accessories (such businesses are hereinafter referred to as the "BUSINESS"), or assist, become interested in or be connected with any corporation, firm, partnership, joint venture, sole proprietorship or other entity which so competes with the Business. During the Consulting Period, if any, the restrictions imposed by this Section 8(b) shall not apply to any business in which the Company or its affiliates and subsidiaries were not engaged at the time of termination of the Executive's employment hereunder or to any geographic area in which the Company or its affiliates and subsidiaries were not engaged in the Business at the time of termination.

(c) NON-SOLICITATION OF CUSTOMERS AND SUPPLIERS. During the Executive's employment with the Company and during the Consulting Period, if any (and, in the event of a termination by the Company for Cause or by the Executive other than for Good Reason, for a period of twenty-four (24) months following the Date of Termination), the Executive shall not, directly or indirectly, influence or attempt to influence customers or suppliers of the Company or any of its subsidiaries or their affiliates to divert their business to any business, individual, partner, firm, corporation or other entity that is then a direct competitor of the Company or its subsidiaries or their affiliates (each such competitor, a "COMPETITOR OF THE COMPANY"); PROVIDED, HOWEVER, that if the Executive is employed by customers or suppliers of the Company following his termination of employment and such employment does not violate Section 8(b) hereof, the normal execution of his duties in connection with such employment shall not constitute a violation of this Section 8(c).

(d) NON-SOLICITATION OF EMPLOYEES.

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

(ii) The Executive recognizes that the information he will possess about these other employees is not generally known, is of substantial value to the Company and its

subsidiaries in developing their business and in securing and retaining customers, and will be acquired by him because of his business position with the Company and its subsidiaries.

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

(e) REMEDIES. In the event of a breach or threatened breach of this Section 8, the Executive agrees that the Company shall be entitled to apply for injunctive relief in a court of appropriate jurisdiction to remedy any such breach or threatened breach, the Executive acknowledging that damages would be inadequate and insufficient. Without limiting the foregoing and in addition to whatever other rights and remedies the Company may have at equity or in law, if the Executive breaches any of the provisions contained in this Section 8, all benefits and payments payable pursuant to Section 7 hereof shall cease and all outstanding stock options, Restricted Stock or other stock awards shall be forfeited.

(f) SURVIVAL OF PROVISIONS. The obligations contained in this Section 8 shall, to the extent provided in this Section 8, survive the termination or expiration of the Executive's employment with the Company and, as applicable, shall be fully enforceable thereafter in accordance with the terms of this Agreement. If it is determined by a court of competent jurisdiction in any state that any restriction in this Section 8 is excessive in duration or scope or is unreasonable or unenforceable under the laws of that state, it is the intention of the parties that such restriction may be modified or amended by the court to render it enforceable to the maximum extent permitted by the law of that state.

Section 9. NO VIOLATION OF THIRD-PARTY RIGHTS.

(a) The Executive hereby represents, warrants and covenants to the Company that the Executive:

(i) shall not, in the course of his employment or his consultancy with the Company, infringe upon or violate any proprietary rights of any third party (including, without limitation, any third party confidential relationships, patents, copyrights, mask works, trade secrets or other proprietary rights);

(ii) is not a party to any agreements with third parties that are not publicly available that prevent him from fulfilling the terms of employment and the obligations of this Agreement or which would be breached as a result of his execution of this Agreement; and

(iii) agrees to respect any and all valid obligations which he may now have to prior employers or to others relating to confidential information, inventions or discoveries which are the property of those prior employers or others, as the case may be.

(b) The Executive agrees to indemnify and save harmless the Company from any loss, claim, damage, cost or expense of any kind

(including, without limitation, attorney fees) to which the Company may be subjected by virtue of a breach by the Executive of any of the foregoing representations, warranties and covenants.

Section 10. RELOCATION EXPENSES. The Executive shall be entitled to the relocation benefits described in SCHEDULE 1 hereto.

Section 11. REIMBURSEMENT FOR LEGAL FEES. The Company shall reimburse the Executive for reasonable legal fees and expenses incurred by the Executive in connection with the negotiation and preparation of this Agreement; PROVIDED that the aggregate amount of such reimbursement shall not exceed $20,000 and the Executive has furnished to the Company evidence satisfactory to the Company relating to such legal fees and expenses.

Section 12. WITHHOLDING; OFFSET.

(a) The Company shall make such deductions and withhold such amounts from each payment made to the Executive hereunder as may be required from time to time by law, governmental regulation or order.

(b) The Company shall have the right to offset any amounts that are due and payable to the Company by the Executive upon or after the Executive's termination of employment with the Company for any reason from any amounts due to the Executive pursuant to this Agreement; PROVIDED, HOWEVER, that the Company may not offset any amounts payable by the Executive to the Company in connection with any breach of contract or breach of fiduciary duty claim that has not been entered as a judgment.

Section 13. NOTICES. All notices and other communications under this Agreement shall be in writing and shall be given by hand, facsimile or first-class mail, certified or registered with return receipt requested, and shall be deemed to have been duly given three (3) days after mailing or twenty-four (24) hours after transmission of a facsimile to the respective persons named below:

(a) IF TO THE COMPANY:

GUESS ?, Inc.
1444 South Alameda Street
Los Angeles, California 90021
Attention: Maurice Marciano
Facsimile: (213) 744-7840

(b) IF TO THE EXECUTIVE:

Carlos Alberini
11 Boulder Trail
Chappaqua, New York 10514

Either party may change such party's address for notices by notice duly given pursuant hereto.

Section 14. DISPUTE RESOLUTION; ATTORNEYS' FEES. The Company and the Executive agree that any dispute arising as to the parties' rights and obligations hereunder, other than with respect to Section 8 hereof, shall be resolved by binding arbitration in accordance with the rules of the American Arbitration Association then in effect. Each party shall have the right, in addition to any other relief granted by such arbitrator (or by any court with respect to relief granted with respect to Section 8 hereof), to reasonable attorneys' fees based on a determination by the arbitrator (or, with respect to Section 8 hereof, the court) of the extent to which each party has prevailed as to the material issues raised in determination of the dispute.

Section 15. GOVERNING LAW. This Agreement and the legal relations thus created between the parties hereto shall be governed by and construed under and in accordance with the laws of the State of California, without regard to its conflicts of law principles.

Section 16. TERMINATION OF PRIOR AGREEMENTS. This Agreement terminates and supersedes any and all prior agreements and understandings between the parties with respect to the Executive's employment and compensation by the Company.

Section 17. WAIVER; MODIFICATION. Failure to insist upon strict compliance with any of the terms, covenants or conditions hereof shall not be deemed a waiver of such term, covenant or condition, nor shall any waiver or relinquishment of, or failure to insist upon strict compliance with, any right or power hereunder at any one or more times be deemed a waiver or relinquishment of such right or power at any other time or times. This Agreement shall not be modified in any respect except by a writing executed by each party hereto.

Section 18. ASSIGNMENT; SUCCESSORS. This Agreement is personal in its nature and neither of the parties hereto shall, without the consent of the other, assign or transfer this Agreement or any rights or obligations hereunder; PROVIDED that, in the event of the merger, consolidation, transfer or sale of all or substantially all of the assets of the Company with or to any other individual or entity or any similar event, this Agreement shall, subject to the provisions hereof, be binding upon and inure to the benefit of such successor and such successor shall discharge and perform all the promises, covenants, duties and obligations of the Company hereunder.

Section 19. SEVERABILITY. Except as provided in Section 8(f) hereof, in the event that a court of competent jurisdiction determines that any portion of this Agreement is in violation of any statute or public policy, only the portions of this Agreement that violate such statute or public policy shall be stricken. All portions of this Agreement that do not violate any statute or public policy shall continue in full force and effect. Furthermore, any court order striking any portion of this Agreement shall modify the stricken terms as little as possible to give as much effect as possible to the intentions of the parties under this Agreement.

Section 20. HEADINGS. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

Section 21. COUNTERPARTS. This Agreement may be executed in counterparts (including counterparts delivered by facsimile), each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

Section 22. REPRESENTATION BY COUNSEL; INTERPRETATION. Each party acknowledges that it has had the opportunity to be represented by counsel in connection with this Agreement. Any rule of law or any legal decision that would require interpretation of any claimed ambiguities in this Agreement against the party that drafted it has no application and is expressly waived.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer and the Executive has hereunto signed this Agreement on the date first above written.

GUESS ?, INC.

By:

Title:

CARLOS ALBERINI

SCHEDULE 1

RELOCATION POLICY

1. REIMBURSEMENT FOR RELOCATION EXPENSES. The Company shall reimburse the Executive in accordance with the Company's relocation policy for the Executive's reasonable relocation-related costs and expenses; PROVIDED that the Executive has furnished to the Company evidence satisfactory to the Company relating to such costs and expenses.

2. RELOCATION LOAN FOR PURCHASE OF PRIMARY RESIDENCE. Upon request by the Executive, the Company shall advance an aggregate amount of up to $1,000,000 to be used by the Executive solely for the purchase of a primary residence ("RESIDENCE") for the Executive in the Los Angeles, California metropolitan area (the total amount advanced hereinafter referred to as the "RELOCATION LOAN"). The Relocation Loan shall be evidenced by a separate agreement, the terms of which shall be consistent with this Paragraph 2.

   a. The unpaid principal balance of the Relocation Loan shall accrue interest at the fixed rate of seven percent (7%) per annum (calculated using the actual daily principal balance outstanding and on the basis of a 365-day or 366-day year); PROVIDED that no interest shall accrue while the Executive is continuously employed with the Company.

   b. The Relocation Loan shall be secured by a first or second mortgage on the Residence.

   c. On each of the sixth, seventh, eighth, ninth and tenth anniversaries of the Effective Date (subject to the Executive being continuously employed with the Company from the Effective Date through each such anniversary date), an amount equal to twenty-percent (20%) of the Relocation Loan shall be deemed to have been repaid.

   d. Upon termination of the Executive's employment with the Company by the Executive for Good Reason, by the Company without Cause or by the Executive pursuant to Section 6(g)(iii) of the Agreement, the Executive shall repay the entire unpaid principal balance of the Relocation Loan (plus interest accrued thereon from the Date of Termination) by the earlier of (i) twelve (12) months following the Date of Termination, and (ii) the date of the closing of the sale of the Residence (directly from the escrow proceeds), unless the Compensation Committee, in its sole discretion, waives the Executive's obligation to repay all or any portion of such amount.

   e. Upon termination of the Executive's employment with the Company by the Company for Cause, the Executive shall repay the entire unpaid principal balance of the Relocation Loan (plus interest accrued thereon from the Date of Termination) by the earlier of (i) six (6) months following the Date of Termination, and (ii) the date of the closing of the sale of the Residence (directly from the escrow proceeds).

   f. Upon termination of the Executive's employment with the Company for any other reason not described in clauses c. and d. above, the Executive shall repay the entire unpaid principal balance of the Relocation Loan (plus interest accrued thereon from the Date of Termination) by the earlier

of (i) thirty (30) days following the Date of Termination, and (ii) the date of the closing of the sale of the Residence (directly from the escrow proceeds).

g. The Company shall have the right to offset any amounts due and payable by the Executive to the Company with respect to the Relocation Loan against any amounts then due to the Executive pursuant to this Agreement.

------------------ COMPARISON OF FOOTNOTES ------------------

-FOOTNOTE 1-

This provision is intended to work as follows:

DATE OF TERMINATION	LAST VESTING DATE	TOTAL MONTHS TO VEST	TOTAL SHARES VESTED
1/15/03	12/31/02	1 + 18 months	19 x 8,334 = 158,346
6/15/03	12/31/02	6 + 18 months	24 x 8,334 = 200,016
11/15/03	12/31/02	11 + 18 months	29 x 8,334 = 241,686

EXHIBIT NO. 10.43

EXECUTION COPY

FIRST AMENDMENT, dated as of March 27, 2001 (this "AMENDMENT"), to the CREDIT AGREEMENT, dated as of December 3, 1999 (the "CREDIT AGREEMENT"), among GUESS ?, INC. (the "BORROWER"), the several banks and other financial institutions or entities from time to time parties to the Credit Agreement (the "LENDERS"), the Co-Agent named therein and THE CHASE MANHATTAN BANK, as Administrative Agent. Terms defined in the Credit Agreement shall be used in this Amendment with their defined meanings unless otherwise defined herein.

W I T N E S S E T H :

WHEREAS, the Borrower has requested the Lenders to enter into this Amendment on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

I. AMENDMENTS.

1. Section 1.1 of the Credit Agreement is hereby amended to add the following definitions in the appropriate alphabetical order:

"BORROWING BASE CERTIFICATE": a certificate of a Responsible Officer of the Borrower setting forth a calculation of the Liquidity Ratio in form and detail satisfactory to the Administrative Agent.

"ELIGIBLE INVENTORY": any inventory owned by a Loan Party that (a) is located in the United States, (b) constitutes finished goods and (c) is subject to a first priority perfected Lien pursuant to the Guarantee and Collateral Agreement.

"ELIGIBLE RECEIVABLES": any accounts receivable owing to a Loan Party that (a) result from (i) the sale of inventory or (ii) the licensing of Intellectual Property, in each case in the ordinary course of business, (b) in the case of accounts receivable resulting from the sale of inventory, are owing by a Person domiciled and organized in a jurisdiction within the United States, (c) have not remained unpaid for 90 days or more from the invoice date and (d) are subject to a first priority perfected Lien pursuant to the Guarantee and Collateral Agreement.

"LIQUIDITY RATIO": the ratio of (a) the sum of (i) 100% of Unencumbered Cash and Cash Equivalents, (ii) 85% of the outstanding balance of Eligible Receivables (net of reserves), (iii) 50% of the value of Eligible Inventory (valued at the lower of cost or market value, and determined net of reserves for obsolescence) and (iv) 50% of the aggregate face amount of all then outstanding undrawn Documentary Letters of Credit (PROVIDED, that the percentages referred to in clauses (iii) and (iv) above shall be 60% at all times on or prior to May 31, 2001) to (b) the Total Revolving Extensions of Credit at such time.

"UNENCUMBERED CASH AND CASH EQUIVALENTS": any cash or Cash Equivalents held by a Loan Party that (a) are held in an account located within the United States and (b) are free and clear of any Lien (other than pursuant to the Security Documents).

2. The definition of "Basket Amount" contained in Section 1.1 of the Credit Agreement is hereby amended by (a) changing the phrase "$75,000,000 on the Closing Date" to the phrase "$25,000,000 on the First Amendment Effective Date (as defined in the First Amendment to this Agreement)"

and (b) adding the following phrase and new sentence to the end of such definition: ", in each case to the extent such expenditures are made on or after the First Amendment Effective Date. It is understood that expenditures of the type described in this definition made between the Closing Date and the First Amendment Effective Date in accordance with this Agreement prior to giving effect to the First Amendment to this Agreement shall be deemed to be permitted expenditures and shall not count as utilization of the Basket Amount."

3. Section 6.2 of the Credit Agreement is hereby amended by changing each reference therein to clause (f) to a reference to clause (g) and by adding a new clause (f) which shall read as follows:

"(f) no later than 10 days after the end of each calendar month, a Borrowing Base Certificate setting forth a calculation of the Liquidity Ratio as of the last day of such month;"

4. Section 7.1 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"7.1 FINANCIAL CONDITION COVENANTS.

(a) CONSOLIDATED LEVERAGE RATIO. Permit the Consolidated Leverage Ratio as at the last day of any period of four consecutive fiscal quarters of the Borrower to be greater than (i) 4.50 to 1.0 in the case of any such period ending on or prior to the last day of the third fiscal quarter of fiscal year 2001 or (ii) 3.50 to 1.0 in the case of any such period ending thereafter.

(b) CONSOLIDATED FIXED CHARGE COVERAGE RATIO. Permit the Consolidated Fixed Charge Coverage Ratio for any period of four consecutive fiscal quarters of the Borrower ending during any period set forth below to be less than the ratio set forth below opposite such fiscal quarter:

Fiscal Quarter	Consolidated Fixed Charge Coverage Ratio
Through and including the last day of the second fiscal quarter of fiscal year 2001	0.50 to 1.0
From and including the first day of the third fiscal quarter of fiscal year 2001 to and including the day before the last day of the fourth fiscal quarter of fiscal year 2001	0.75 to 1.0
From and including the last day of the fourth fiscal quarter of fiscal year 2001 and thereafter	1.50 to 1.0

(c) CONSOLIDATED NET WORTH. Permit Consolidated Net Worth at any time to be less than $135,000,000.

(d) CONSOLIDATED NET INCOME. Permit Consolidated Net Income for (i) the second fiscal quarter of fiscal year 2001 of the Borrower, (ii) the third fiscal quarter of fiscal year 2001 of the Borrower or (iii) any period of four consecutive fiscal quarters of the Borrower ending thereafter, in each case, to be less than $1.00.

(e) LIQUIDITY RATIO. Permit the Liquidity Ratio to be less than 1.0 to 1.0. It is understood that verification of compliance with this Section 7.1(e) shall only be required in connection with the delivery of Borrowing Base Certificates pursuant to Section 6.2(f) and at any other time requested by the Administrative Agent."

5. Section 7.7 of the Credit Agreement is hereby amended by deleting the words "and $85,000,000 in any fiscal year thereafter" and replacing them with the words ", $40,000,000 in fiscal year 2001 and $50,000,000 in any fiscal year thereafter".

6. The Pricing Grid attached as Annex A to the Credit Agreement is hereby replaced by the Pricing Grid attached as Annex A to this Amendment.

II. WAIVER.

The Lenders hereby permanently waive any Event of Default resulting from (a) any misrepresentation made pursuant to Section 4.1 in respect of the Borrower's financial statements for the third quarter of its 1999 fiscal year prior to their restatement, (b) any misrepresentation made pursuant to Section 4.2 or 4.18 of the Credit Agreement resulting from the restatement of the Borrower's financial statements for the third quarter of its 1999 fiscal year and the first, second and third quarters of its 2000 fiscal year or from matters expressly disclosed

to the Lenders prior to the First Amendment Effective Date pursuant to such restated financial statements, (c) noncompliance with the last sentence of Section 6.1 of the Credit Agreement in respect of the Borrower's financial statements for the periods referred to in clause (b) above prior to their restatement and (d) noncompliance with Section 7.1(b) of the Credit Agreement for the periods ending with the third and fourth fiscal quarters of fiscal year 2000 (as restated).

III. MISCELLANEOUS.

1. REPRESENTATIONS AND WARRANTIES. The Borrower hereby represents and warrants as of the First Amendment Effective Date that, after giving effect to this Amendment, (a) no Default or Event of Default has occurred and is continuing and (b) all representations and warranties of each Loan Party contained in the Loan Documents (with each reference to the Loan Documents in such representations and warranties being deemed to include, unless the context otherwise requires, this Amendment and the Credit Agreement as amended by this Amendment) are true and correct in all material respects with the same effect as if made on and as of such date (except for those representations and warranties which expressly relate to a specific earlier date).

2. EXPENSES. The Borrower agrees to pay or reimburse the Administrative Agent on demand for all its reasonable out-of-pocket costs and expenses incurred in connection with the preparation and execution of this Amendment and the transactions contemplated hereby, including, without limitation, (a) the reasonable fees and disbursements of counsel to the Administrative Agent and (b) the expenses of the field examination referred to in paragraph 4 below.

3. NO CHANGE. Except as expressly provided herein, no term or provision of the Credit Agreement shall be amended, modified or supplemented, and each term and provision of the Credit Agreement shall remain in full force and effect.

4. EFFECTIVENESS. This Amendment shall become effective on the date (the "FIRST AMENDMENT EFFECTIVE DATE") on which (a) the Administrative Agent shall have received counterparts hereof duly executed by the Borrower and the Required Lenders, (b) the Administrative Agent shall have received a field examination in form, scope and substance satisfactory to it and (c) the Borrower shall have paid to the Administrative Agent for the account of the relevant Lenders an amendment fee equal to 0.20% of the Commitment of each Lender that submits an executed signature page to the Administrative Agent or its counsel (including by facsimile transmission) no later than 5:00 p.m., New York City time, on March 27, 2001.

5. COUNTERPARTS. This Amendment may be executed by the parties hereto in any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

6. GOVERNING LAW. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their proper and duly authorized officers as of the date first above written.

GUESS ?, INC.

By:

Name:
Title:

THE CHASE MANHATTAN BANK,
as Administrative Agent, as Issuing Lender
and as a Lender

By:

Name:
Title:

SANWA BANK CALIFORNIA,
as Co-Agent and as a Lender

By:

Name:
Title:

GMAC COMMERCIAL CREDIT LLC

By:

Name:
Title:

ISRAEL DISCOUNT BANK OF NEW YORK

By:

Name:
Title:

By:

Name:
Title:

MERCANTILE BANK NATIONAL ASSOCIATION

By:

Name:
Title:

BANK LEUMI USA

By: --
Name:
Title:

By: --
Name:
Title:

ATLANTIC BANK OF NEW YORK

By: --
Name:
Title:

SUMMIT BANK

By: --
Name:
Title:

ANNEX A

Consolidated Leverage Ratio	Applicable Margin for Eurodollar Loans	Applicable Margin for ABR Loans	Commitment Fee Rate	Applicable Documentary L/C Fee Rate
Greater than or equal to 4.00 to 1.0	2.25%	1.25%	0.625%	0.300%
Greater than or equal to 3.50 to 1.0 but less than 4.0 to 1.0	2.00%	1.00%	0.5625%	0.275%
Greater than or equal to 3.00 to 1.0 but less than 3.50 to 1.0	1.75%	0.75%	0.500%	0.250%
Greater than or equal to 2.75 to 1.0 but less than 3.00 to 1.0	1.50%	0.50%	0.375%	0.225%
Greater than or equal to 2.50 to 1.0 but less than 2.75 to 1.0	1.25%	0.25%	0.375%	0.200%
Greater than or equal to 2.25 to 1.0 but less than 2.50 to 1.0	1.125%	0.125%	0.300%	0.175%
Less than 2.25 to 1.0	1.000%	0.000%	0.250%	0.150%

Changes in the Applicable Margin resulting from changes in the Consolidated Leverage Ratio shall become effective on the date (the "ADJUSTMENT DATE") on which financial statements are delivered to the Lenders pursuant to Section 6.1 (but in any event not later than the 45th day after the end of each of the first three quarterly periods of each fiscal year or the 90th day after the end of each fiscal year, as the case may be) and shall remain in effect until the next change to be effected pursuant to this paragraph. If any financial statements referred to above are not delivered within the time periods specified above, then, until such financial statements are delivered, the Consolidated Leverage Ratio as at the end of the fiscal period that would have been covered thereby shall for the purposes of this definition be deemed to be greater than 4.00 to 1.0. In addition, at all times while an Event of Default shall have occurred and be continuing, the Consolidated Leverage Ratio shall for the purposes of this

definition be deemed to be greater than 4.00 to 1.0. Each determination of the Consolidated Leverage Ratio pursuant to this pricing grid shall be made with respect to (or, in the case of Consolidated Total Debt, as at the end of) the period of four consecutive fiscal quarters of the Borrower ending at the end of the period covered by the relevant financial statements.

Exhibit 21.1. List of Subsidiaries.

LIST OF SUBSIDIARIES

Investment in	Location	Owned by	Percent of Ownership
GUESS? Retail, Inc.	United States	Guess ?, Inc.	100%
GUESS? Licensing, Inc.	United States	Guess ?, Inc.	100%
GUESS? Europe, BV	Netherlands	Guess ?, Inc.	100%
Ranche Ltd.	Hong Kong	GUESS? Europe, BV	100%
Guess.com, Inc.	United States	Guess ? Inc.	100%
Baby GUESS? Inc.	United States	Guess ? Inc.	100%
Guess Italia, S.r.l.	Italy	Guess ? Europe, BV	100%
GUESS? Canada Corporation	Canada	Guess ?, Inc.	60%

Exhibit 23.1

Independent Accountants' Consent

We consent to incorporation by reference in the registration statement (Nos. 333-10069) on Form S-8 of Guess?, Inc. of our report dated March 7, 2001, except for the penultimate paragraph of note 10 and the second paragraph of note 7, which are as of March 15, 2001 and March 27, 2001, respectively, relating to the consolidated balance sheets of Guess?, Inc. and subsidiaries as of December 31, 2000, and 1999, and the related consolidated statements of earnings, stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2000, and the related financial statement schedule, which report appears in the December 31, 2000 annual report on Form 10-K of Guess?, Inc.

Los Angeles, California
March 30, 2001