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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2000

OR

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

FOR THE TRANSITION PERIOD FROM ____________ TO _______________ .

COMMISSION FILE NUMBER: 001-14429

SKECHERS U.S.A., INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	95-4376145
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

228 MANHATTAN BEACH BLVD.
MANHATTAN BEACH, CALIFORNIA 90266
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (310) 318-3100
SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of each class	Name of each exchange on Which registered
Class A Common Stock $0.001 par value	New York Stock Exchange

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 [ ]

THE NUMBER OF SHARES OF CLASS A COMMON STOCK OUTSTANDING AS OF NOVEMBER 10, 2000: 10,302,826

THE NUMBER OF SHARES OF CLASS B COMMON STOCK OUTSTANDING AS OF NOVEMBER 10, 2000: 25,117,445

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SKECHERS U.S.A., INC. AND SUBSIDIARIES

FORM 10-Q

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SKECHERS U.S.A., INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands)

ASSETS

<TABLE>
<CAPTION>

	September 30, 2000	December, 31 1999
<S>	<C>	<C>
Current Assets:		
Cash	$ 7,801	$ 10,836
Trade accounts receivable, less allowance for bad debts and returns of $6,491 in 2000 and $3,237 in 1999	103,889	63,052
Due from officers and employees	210	851
Other receivables	820	2,771
Inventories	94,946	68,959
Prepaid expenses and other current assets	7,852	5,130
Deferred tax assets	2,810	2,810
	--------	--------

Total current assets	218,328	154,409
Property and equipment, at cost, less accumulated depreciation and amortization	39,190	21,387
Intangible assets, at cost, less applicable amortization	585	663
Other assets, at cost	1,185	1,455
	$259,288	$177,914

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:		
Short-term borrowings	$ 55,870	$ 30,382
Current installments of long-term borrowings	2,466	1,060
Accounts payable	55,917	47,696
Accrued expenses	12,798	10,268
Total current liabilities	127,051	89,406
Long-term borrowings, excluding current installments	10,554	2,508
Commitments and contingencies		
Stockholders' equity:		
Preferred Stock, $.001 par value; 10,000 authorized; none issued and outstanding	--	--
Class A Common Stock, $.001 par value; 100,000 shares authorized; 10,090 and 7,091 shares issued and outstanding at September 30, 2000 and December 31, 1999, respectively	10	7
Class B Common Stock, $.001 par value; 60,000 shares authorized; 25,323 and 27,814 shares issued and outstanding at September 30, 2000 and December 31, 1999, respectively	25	28
Additional paid-in capital	71,600	69,948
Retained earnings	50,048	16,017
Total stockholders' equity	121,683	86,000
	$259,288	$177,914

</TABLE>

See accompanying notes to unaudited condensed consolidated financial statements.

SKECHERS U.S.A., INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(Unaudited)
(In thousands, except per share data)

<TABLE>
<CAPTION>

	Three-Months Ended September 30,	
	2000	1999
<S>	<C>	<C>
Net sales	$ 205,749	$ 124,177
Cost of sales	118,838	71,340
Gross profit	86,911	52,837
Royalty income, net	6	--
	86,917	52,837

Operating expenses:		
Selling	25,177	15,814
General and administrative	33,865	21,534
	---------	---------
	59,042	37,348
	---------	---------
Earnings from operations	27,875	15,489
	---------	---------
Other income (expense):		
Interest, net	(2,674)	(1,465)
Other, net	(59)	219
	---------	---------
	(2,733)	(1,246)
	---------	---------
Earnings before income taxes	25,142	14,243
Income taxes	9,855	5,698
	---------	---------
Net earnings	$ 15,286	$ 8,545
	=========	=========
Net earnings per share:		
Basic	$ 0.43	$ 0.25
	=========	=========
Diluted	$ 0.40	$ 0.24
	=========	=========
Weighted average shares:		
Basic	35,837	34,814
	=========	=========
Diluted	37,915	35,594
	=========	=========

</TABLE>

See accompanying notes to unaudited condensed consolidated financial statements.

SKECHERS U.S.A., INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(Unaudited)
(In thousands, except per share data)

<TABLE>
<CAPTION>

	Nine-Months Ended September 30,	
	2000	1999
	---------	---------
<S>	<C>	<C>
Net sales	$ 502,992	$ 324,495
Cost of sales	293,310	192,228
	---------	---------
Gross profit	209,682	132,267
Royalty income, net	115	207
	---------	---------
	209,797	132,474
	---------	---------
Operating expenses:		
Selling	56,289	42,972
General and administrative	91,088	56,726
	---------	---------
	147,377	99,698
	---------	---------

Earnings from operations	62,420	32,776
Other income (expense):		
Interest, net	(6,666)	(5,334)
Other, net	218	722
	(6,448)	(4,612)
Earnings before income taxes	55,972	28,164
Income taxes	21,941	6,897
Net earnings	$ 34,031	$ 21,267
Pro forma operations data:		
Earnings before income taxes	$ 55,972	$ 28,164
Income taxes	21,941	11,266
Net earnings	$ 34,031	$ 16,898
Net earnings per share:		
Basic	$ 0.97	$ 0.55
Diluted	$ 0.93	$ 0.52
Weighted average shares:		
Basic	35,229	30,737
Diluted	36,512	32,430

</TABLE>

See accompanying notes to unaudited condensed consolidated financial statements.

SKECHERS U.S.A., INC. AND SUBSIDIARIES
STATEMENTS OF CONDENSED CONSOLIDATED CASH FLOWS

(Unaudited)
(In thousands)

<TABLE>
<CAPTION>

	Nine-Months Ended September 30, 2000	1999
<S>	<C>	<C>
Cash flows from operating activities:		
Net earnings	$ 34,031	$ 21,267
Adjustments to reconcile net earnings to net cash used in operating activities:		
Depreciation and amortization of property and equipment	4,021	3,032
Amortization of intangible assets	78	55
Provision (recovery) for bad debts and returns	3,254	(494)
Loss on disposal of equipment	--	400
Gain on distribution of intangibles	--	(118)
(Increase) decrease in assets:		
Receivables	(41,499)	(24,081)
Inventories	(25,987)	9,216
Deferred tax assets	--	(2,195)
Prepaid expenses and other current assets	(2,722)	733

Other assets	270	(1,743)
Increase (decrease) in liabilities:		
Accounts payable	8,221	(3,069)
Accrued expenses	2,530	(2,048)
	--------	--------
Net cash provided by (used in) operating activities	(17,803)	955
	--------	--------
Cash flows used in investing activities-capital expenditures	(21,824)	(6,599)
	--------	--------
Cash flows from financing activities:		
Net proceeds from initial public offering of common stock	--	69,720
Net proceeds from issuance of common stock	1,652	--
Net proceeds (payments) related to short-term borrowings	25,488	(22,320)
Proceeds from long-term borrowings	10,197	--
Payments on long-term borrowings	(745)	(562)
Payments on notes payable to stockholder	--	(12,244)
Distributions paid to stockholders	--	(35,364)
	--------	--------
Net cash provided by (used in) financing activities	36,592	(770)
	--------	--------
Net decrease in cash	(3,035)	(6,414)
Cash at beginning of period	10,836	10,942
	--------	--------
Cash at end of period	$ 7,801	$ 4,528
	========	========
Supplemental disclosures of cash flow information: Cash paid during the period for:		
Interest	$ 4,065	$ 5,500
Income taxes	17,906	7,343
	========	=======

</TABLE>

The Company had a non-cash distribution of intangibles aggregating $350 during the nine months ended September 30, 1999.

See accompanying notes to unaudited condensed consolidated financial statements.

SKECHERS U.S.A., INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(1) GENERAL

The unaudited condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and, in the opinion of management, reflect all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation for each of the periods presented. The results of operations for interim periods are not necessarily indicative of results to be achieved for full fiscal years.

As contemplated by the Securities and Exchange Commission (SEC) under Rule 10-01 of Regulation S-X, the accompanying condensed consolidated financial statements and related footnotes have been condensed and do not contain certain information that will be included in the Company's annual consolidated financial statements and footnotes thereto. For further information, refer to the consolidated financial statements and related footnotes for the year ended December 31, 1999 included in the Company's Annual Report on Form 10-K.

(2) EARNINGS PER SHARE

Basic earnings per share represents net earnings divided by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if options to issue common stock were exercised or converted into common stock. The weighted average diluted shares outstanding for nine-month period ended September 30, 1999 gives effect to the sale by the Company of those shares of common stock necessary to fund the payment of the excess of (i) the sum of stockholder distributions paid or declared from January 1, 1998 to June 7, 1999, the S Corporation termination date, in excess of (ii) the S Corporation earnings from January 1, 1998 to June 7, 1999 based on an initial public offering price of $11 per share, net of underwriting discounts.

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

<TABLE>
<CAPTION>

<S>	Three-Months Ended September 30, 2000 <C>	Three-Months Ended September 30, 1999 <C>	Nine-Months Ended September 30, 2000 <C>	Nine-Months Ended September 30, 1999 <C>
Weighted average shares used in basic Computation	35,837	34,814	35,229	30,737
Shares to fund stockholders' distributions described above	--	--	--	713
Dilutive effect of stock options	2,078	780	1,283	980
Weighted average shares used in diluted computation	37,915	35,594	36,512	32,430

</TABLE>

(3) INCOME TAXES

Income taxes for the interim periods were computed using the effective tax rate estimated to be applicable for the full fiscal year, which is subject to ongoing review and evaluation by management.

The pro forma income tax adjustment for the nine months ended September 30, 1999 represents taxes that would have been reported had the Company been subject to Federal and state income taxes as a C Corporation, assuming an effective rate of 40.0%.

(4) SHORT-TERM BORROWINGS

The Company has available a secured line of credit permitting borrowings of up to $120.0 million based upon eligible accounts receivable and inventories. The agreement expires on December 31, 2002. As amended on June 1, 2000, borrowings bear interest at the prime rate (9.5% at September 30, 2000) minus 0.50%. The agreement provides for the issuance of letters of credit up to a maximum of $36.0 million of which 50% decreases the amount available for borrowings under the agreement. Outstanding letters of credit at September 30, 2000 were $4.6 million. Available borrowings under the line of credit at September 30, 2000 were $70.9 million. The Company pays an unused line of credit fee of .25% annually. The Company is required to maintain certain financial covenants including specified minimum tangible net worth, working capital and leverage ratios as well as limit the payment of dividends if it is in default of any provision of the agreement. The Company was in compliance with these covenants at September 30, 2000.

(5) LEASE OBLIGATIONS

The Company has entered into three capital lease agreements since December 31, 1999. The first is with Banc of America Leasing & Capital, LLC and provides up to approximately $11.3 million for the purchase of material/inventory handling, sortation and delivery equipment.

The Company will pay 60 monthly payments, each equal to 1.6% of original cost plus a 35.0% (of original cost) balloon payment at the end of the lease. The interest rate per annum is equal to 2.25% plus the U.S. Treasury obligation bond-equivalent yield per annum corresponding to the average life of the lease term. In addition, the Company will pay the same interest rate on advances from the date of the advance until the lease commencement date. During the nine months ended September 30, 2000, the Company submitted and received advances for $8.5 million at an interest rate of 8.5%. The Company is required to maintain financial covenants including specified minimum tangible net worth, and leverage ratios. The Company was in compliance with these covenants at September 30, 2000.

The second, dated February 4, 2000, provided $933,000 for the acquisition of warehouse equipment. The term of the lease is for five years at an interest rate of 8.8% per annum.

The third, dated May 15, 2000, provided $850,000 for the acquisition of warehouse equipment. The term of the lease is for 5 years at an interest rate of 9.4% per annum.

(6) LITIGATION

In January 2000 and December 1999, the Company and two officers/directors were named as defendants in four purported class-action lawsuits. Two of the lawsuits also named the underwriters of the Company's initial public offering as defendants. All of the complaints seek damages and rescission on behalf of a class of persons who purchased securities in, or traceable to, the Company's initial public offering or thereafter on the open market prior to July 6, 1999. These suits have now been consolidated into one matter. As this matter is in the early stages of pleading and discovery, neither the Company nor its counsel are able to conclude as to the potential likelihood of an unfavorable outcome. The Company is vigorously defending these complaints and believe their defenses to be meritorious. Accordingly, the Company has not provided for any potential losses associated with these lawsuits.

The Company is involved in other litigation arising from the ordinary course of business. Management does not believe that the disposition of these matters will have a material effect on the Company's financial position or results of operations.

(7) STOCKHOLDERS' EQUITY

During the nine-months ended September 30, 2000, certain Class B stockholders converted 1,990,710 shares of Class B common stock to Class A common stock.

ITEM 2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Company's Condensed Consolidated Financial Statements and Notes thereto appearing elsewhere in this document.

This Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements with regards to the Company's revenues, earnings, spending, margins, cash flow, orders, inventory, products, actions, plans, strategies and objectives. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or simply state future results, performance or achievements, and may contain the words "believe," "anticipate," "expect," "estimate," "intend," "plan," "project," "will be," "will continue," "will result," "could," "may," "might," or any variations of such words with similar meanings. Any such statements are subject to risks and uncertainties that could cause the Company's actual results to differ materially from those which are management's current expectations or forecasts. Such information is subject to the risk that such expectations or forecasts, or the assumptions underlying such exceptions or forecasts, become inaccurate.

Risks and uncertainties that could affect the Company's actual results and could cause such results to differ materially from those contained forward-looking statements made

by or on behalf of the Company are included under the "Risk Factors" on pages 14 through 22 in the Company's Form 10-K.

OVERVIEW

Skechers designs and markets branded contemporary casual, active rugged and lifestyle footwear for men, women and children. The Company's objective is to become a leading source of contemporary casual and active footwear while ensuring the longevity of both the Company and Skechers brand name through controlled, well managed growth. The Company strives to achieve this objective by developing and offering a balanced assortment of basic and fashionable merchandise across a wide spectrum of product categories and styles, while maintaining a diversified, low-cost sourcing base and controlling the growth of its distribution channels. The Company sells its products to department stores such as Nordstrom, Dillards, Robinsons-May, JC Penney and specialty retailers such as Footlocker, Famous Footwear, Genesco's Journeys and Jarman chains, and Footaction U.S.A. The Company also sells its products internationally in over 100 countries and territories through major international distributors as well as through its' European subsidiaries, and directly to consumers through Company owned stores, via mail order and e-commerce.

RESULTS OF OPERATIONS

The following table sets forth for the periods indicated, selected information from the Company's results of operations as a percentage of net sales. Pro forma reflects adjustments for Federal and state income taxes for the nine months ended September 30, 1999 as if the Company had been taxed as a C Corporation at an assumed effective rate of 40.0% rather than as an S Corporation.

<TABLE>
<CAPTION>

	Three-Months Ended September 30,			
	2000		1999	
<S>	<C>	<C>	<C>	<C>
Net sales	$ 205,749	100.0%	$ 124,177	100.0%
Cost of sales	118,838	57.8	71,340	57.5
	---------	-----	---------	-----

Gross profit	86,911	42.2	52,837	42.5
Royalty income, net	6	--	--	0.0
	86,917	42.2	52,837	42.5
Operating expenses:				
Selling	25,177	12.2	15,814	12.7
General and administrative	33,865	16.5	21,534	17.3
	59,042	28.7	37,348	30.0
Earnings from operations	27,875	13.5	15,489	12.5
Interest expense, net	(2,674)	(1.3)	(1,465)	(1.2)
Other, net	(59)	--	219	0.2
Earning before income taxes	25,142	12.2	14,243	11.5
Income taxes	9,855	4.8	5,698	4.6
Net earnings	$ 15,286	7.4%	$ 8,545	6.9%

</TABLE>

<TABLE>
<CAPTION>

	Nine-Months Ended September 30,			
	2000		1999	
<S>	<C>	<C>	<C>	<C>
Net sales	$ 502,992	100.0%	$ 324,495	100.0%
Cost of sales	293,310	58.3	192,228	59.2
Gross profit	209,682	41.7	132,267	40.8
Royalty income, net	115	--	207	0.0
	209,797	41.7	132,474	40.8
Operating expenses:				
Selling	56,289	11.2	42,972	13.2
General and administrative	91,088	18.1	56,726	17.5
	147,377	29.3	99,698	30.7
Earnings from operations	62,420	12.4	32,776	10.1
Interest expense, net	(6,666)	(1.3)	(5,334)	(1.6)
Other income, net	218	--	772	0.2
Earnings before pro forma income taxes	55,972	11.1	28,164	8.7
Pro forma income taxes	21,941	4.4	11,266	3.5
Pro forma net earnings	$ 34,031	6.8%	$ 16,898	5.2%

</TABLE>

THREE MONTHS ENDED SEPTEMBER 30, 2000 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 1999

Net Sales

Net sales for three-months ended September 30, 2000 were $205.7 million or 65.7%

higher than $124.2 million in the comparable period of 1999. The increase in net sales is a result of strong market acceptance and continued brand imaging of the Skechers name and styles. The Company continues to focus primarily on its wholesale business, which experienced tremendous growth during the three-months ended September 30, 2000 compared to the same period in 1999. Retail sales grew during the three-months ended September 30, 2000 compared to the same period in 1999 due to nine additional Company retail store locations opened during the year. Mail order sales increased during the three-months ended September 30, 2000 compared to 1999 due to the increased focus on catalog development and expansion of circulation. International sales experienced an increase in sales during the three-months ended September 30, 2000 compared to the same period in 1999 due to expansion into Germany and increased brand awareness achieved through advertising and marketing campaigns abroad.

Gross Profit

The Company's gross profit as a percentage of net sales remained strong at 42.2% for the three-months ended September 30, 2000 compared to 42.5% for the comparable period in 1999. The slight decrease in overall profit margin is the result of slightly higher international sales at lower gross margins over retail in the three-months ended September 30, 2000.

Selling Expenses

Selling expense (which includes sales salaries, commissions and incentives, advertising, promotions, trade shows and catalog printing costs) increased $9.4 million to $25.2 million or 12.2% of net sales for the three-months ended September 30, 2000 from $15.8 million or 12.7% of net sales for the three-months ended September 30, 1999. As a percentage of net sales, sales salaries, commission and incentives expenses increased to 2.4% of net sales in the three-months ended September 30, 2000 from 1.8% for the comparable period in 1999. This increase is

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attributable to the hiring of additional sales personnel and additional incentives based on volume to enable continued growth.

Management is committed to the overall marketing strategy that is largely responsible for the increase in the market presence, product visibility and product demand over the past three years. The Company has increased its advertising budget consistent with projected sales, which has included such avenues as magazines, television, trade shows, billboards, and buses. The Company endeavors to spend approximately 8% to 10% of annual net sales in the marketing of Skechers footwear through advertising, promotions, public relations, trade shows and other marketing efforts. Marketing expense as a percentage of net sales may vary from quarter to quarter. In the three-months ended September 30, 2000, total advertising expenses increased to $15.6 million or 7.6% of net sales from $10.3 million or 8.3% of net sales for the same period in 1999.

General and Administrative Expenses

General and administrative expenses increased 57.3% to $33.9 million or 16.5% of net sales for the three-months ended September 30, 2000 from $21.5 million or 17.3% of net sales for the three-months ended September 30, 1999. During three-months ended September 30, 2000, salaries, wages and temporary help costs accounted for the majority of the increase. These costs increased to $17.8 million or 8.7% of net sales from $10.5 million or 8.5% of net sales for the comparable period in 1999. Such increase can be attributed in part to normal payroll costs associated with additional staffing needs to meet the growth of the Company and the addition of new retail locations. In addition, the Company utilized overtime and temporary help for the warehousing and shipping department to meet the demand of the increasing sales volume.

Interest Expense, Net

Interest expense, net, increased 82.5% or $1.2 million to $2.7 million for the three-months ended September 30, 2000 from $1.5 million for the three-month ended September 30, 1999. The increase is primarily a result of increased financing costs associated with capital additions made during the year, increased purchases of inventory and build up of accounts receivable commensurate with growth.

Other, Net

During the three-months ended September 30, 2000 the Company incurred other expenses, net of $59,000. During the three-months ended September 30, 1999 the Company realized other income, net of $219,000, including a legal settlement of $674,000.

Income Taxes

Income taxes for the interim period were computed using the effective tax rate estimated to be applicable for the full fiscal year, which is subject to ongoing review and evaluation by management.

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NINE MONTHS ENDED SEPTEMBER 30, 2000 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 1999

Net Sales

Net sales for nine-months ended September 30, 2000 were $503.0 million or 55.0% higher than $324.5 million in the comparable period of 1999. The Company continues to focus primarily on its wholesale business, which experienced a 53.8% increase during the nine-months ended September 30, 2000 versus the nine-months ended September 30, 1999. The increase in sales is a result of continued brand awareness and imaging achieved through the significant expansion of the Company's dedicated nationwide sales force and marketing campaigns. Additionally, the Company continues to experience growth through product diversification and increased style offerings. The Company has expanded its product categories to offer additional styles of women's, men's and children's athletic shoes and a line of men's quality dress shoes. Retail sales grew during the nine-months ended September 30, 2000 compared the same period in 1999. The increase is primarily due to 9 more locations being added nationwide during the year. Mail order sales increased during the nine-months ended September 30, 2000 compared to 1999 due to the focus on catalog development and expansion of circulation. International sales experienced an increase during the nine-months ended September 30, 2000 compared to 1999 due to increase brand awareness and advertising campaigns abroad.

Gross Profit

The Company's gross profit as a percentage of net sales increased to 41.7% for the nine-months ended September 30, 2000 from 40.8% for the comparable period in 1999. The increase is due in part to increased sales in the higher margin product categories within the domestic wholesale business. Domestic wholesale profit margin increased 2.1% during the nine-months ended September 30, 2000 from the comparable period in 1999. Additionally, sales returns and allowances as a percentage of gross sales decreased 0.4% during the nine-months ended September 30, 2000 compared to the same period in 1999.

Selling Expenses

Selling expenses increased $13.3 million to $56.3 million or 11.2% of net sales for the nine-months ended September 30, 2000 from $43.0 million or 13.2% of net sales for the comparable period in 1999. The increase in total expenses is primarily due to the increase in advertising and promotional costs attributable to the Company's ongoing marketing efforts. The decrease as a percentage of net sales is attributable to the sales growth realized from the strength in the brand image and product awareness.

Advertising, trade show and catalog expenses increased $9.1 million to $44.8 million or 8.9% of net sales for the nine-months ended September 30, 2000 from $35.7 million or 11.0% of net sales for the comparable period in 1999. The increase is a result of advertising and catalog costs. The decrease as a percentage of net sales is primarily a result of sales growth.

As a percentage of net sales, sales salaries, commission and incentives expenses remained consistent at 2.2% of net sales in the nine-months ended September 30, 2000 compared to the same period in 1999.

General and Administrative Expenses

General and administrative expenses increased 60.6% to $91.1 million or 18.1% of net sales for the nine-months ended September 30, 2000 from $56.7 million or 17.5% of net sales for the comparable period in 1999. This 0.6% increase as a percentage of net sales is partly attributable to the Company's mail order business, which

inherently has a higher percentage of expenses per dollar sales. Additionally, the Company incurred increased distribution and warehousing costs to meet demand until its new distribution center is operational, which is expected in the fourth quarter of 2000, and expansion into six new retail locations has caused expenses to increase.

During nine-months ended September 30, 2000, salaries, wages and temporary help costs increased to $41.2 million or 8.2% of net sales from $23.6 million or 7.3% of net sales for the comparable period in 1999. Such increase can be attributed in part to normal payroll costs associated with additional staffing needs to meet the growth of the Company. In addition, the Company utilized overtime and temporary help for the warehousing and shipping department to meet the demand of the increasing sales volume.

Interest Expense, Net

Interest expense, net, increased 25.0% or $1.3 million to $6.7 million for the nine-months ended September 30, 2000 from $5.3 million for the nine-month ended September 30, 1999. The increase is primarily a result of financing costs associated with increased capital additions and short-term borrowings made during the year.

Other Income, Net

Other income, net for the nine-months ended September 30, 1999 includes a gain of $674,000 related to commercial lawsuits filed by the Company.

Income Taxes

Income taxes for the interim period were computed using the effective tax rate estimated to be applicable for the full fiscal year, which is subject to ongoing review and evaluation by management.

The pro forma income tax adjustment for the interim period ended September 30, 1999 represents taxes that would have been reported had the Company been subject to Federal and state income taxes as a C Corporation, assuming an effective rate of 40.0%.

LIQUIDITY AND CAPITAL RESOURCES

The Company's need for funds arises primarily from its working capital requirements, including the need to finance its receivables and inventory. The Company's working capital was $91.3 million at September 30, 2000 and $65.0 million at December 31, 1999. The 40.4% increase in working capital at September 30, 2000 was principally due to the increase in trade accounts receivable and inventories net of an increase in related short-term borrowings and accounts payable since December 31, 1999.

The Company is currently negotiating with a lender to provide approximately $7.9 million for the acquisition of the Company's Ontario, California, distribution facilities and related improvements. It is anticipated that the financing will be amortized over 30 years, with a final balloon payment due after 10 years, and will be at current market rates for similar financing. Additionally, the Company has currently signed a purchase agreement for the acquisition of an additional corporate facility located in Manhattan Beach, California. The Company is in the process of completing due diligence review and is negotiating with a lender to provide approximately $10.4 million of the $14.5 million purchase price. There is no assurance the Company will obtain the financing.

As part of the Company's working capital management, the Company performs substantially all customer credit functions internally, including extension of credit and collections. The Company's bad debt write-offs were less than 0.08% of net sales for the nine-month period ended September 30, 2000. The Company carries bad debt insurance to cover approximately the first 90.0% of bad debts on substantially all of the Company's major retail accounts.

Net cash used in operating activities totaled $17.8 million for the nine-months ended September 30, 2000 compared to cash provided by operating activities of $955,000 for the comparable period in 1999. The decrease in cash provided by operating activities was the net result of a substantial increase in trade accounts receivable(net of a $6.5 million provision for bad debts and returns) and inventories offset by an increase in related accounts payable and accrued expenses. These increases are due to the Company's growth during the nine-months ended September 30, 2000.

Net cash used in investing activities, consisting of capital expenditures, totaled $21.8 million and $6.6 million for the nine-months ended September 30, 2000 and 1999, respectively. Capital expenditures during the nine-months ended September 30, 2000 were comprised primarily of equipment for the new material/inventory handling, sortation and delivery system and the construction of 9 additional retail stores. Investing activities for the same period in 1999 were primarily due to capital expenditures in connection with the establishment of the Company's existing distribution facilities in Ontario, California, the construction of additional Company retail stores, and additional hardware and software for the Company's computer needs.

Net cash provided by financing activities totaled $36.6 million during the nine-months ended September 30, 2000, compared to cash used in financing activities of $770,000 for the comparable period in 1999. During the nine-months ended September 30, 2000, cash was provided by proceeds from borrowings on the Company's credit facilities as well as capital lease financing during the period. This compares to cash used in financing activities during the nine-months ended September 30, 1999, principally to repay short-term borrowings, as well as payments to stockholders, which were partially financed by the initial public offering.

The Company's credit facility provides for borrowings under a revolving line of credit of up to $120.0 million and a term loan, with actual borrowings limited to available collateral and certain limitations on total indebtedness (approximately $70.9 million of availability as of September 30, 2000) with The CIT Group, as agent for the lenders. The Company negotiated more favorable interest terms on June 1, 2000. As amended, the revolving line of credit bears interest at the prime rate (9.5% at September 30, 2000) minus 0.50%. Interest on the revolving line of credit is payable monthly. The revolving line of credit expires on December 31, 2002. The revolving line of credit provides a sub-limit for letters of credit of up to $36.0 million to finance the Company's foreign purchases of merchandise inventory. As of September 30, 2000, the Company had approximately $4.6 million of letters of credit under the revolving line of credit. The term loan component of the credit facility, which has a principal balance of approximately $2.3 million as of September 30, 2000, bears interest at the prime rate plus 1% and is due in monthly installments with a final balloon payment December 2002. The proceeds from this note were used to purchase equipment for one of the Company's distribution centers in Ontario, California and the note is secured by such equipment. The credit facility contains certain financial covenants that require the Company to maintain minimum tangible net worth, working capital and specified leverage ratios and limit the ability of the Company to pay dividends if it is in default of any provisions of the credit facility. The Company was in compliance with these covenants as of September 30, 2000.

The Company believes that anticipated cash flows from operations, available borrowings under the Company's revolving line of credit, cash on hand and its financing arrangements will be sufficient to provide the Company with the liquidity necessary to fund its anticipated working capital and capital requirements through fiscal 2001. However, in connection with its growth strategy, the Company will incur significant working capital requirements and capital expenditures. The Company's future capital requirements will depend on many factors, including, but not limited to, the levels at which the Company maintains inventory, the market acceptance of the Company's footwear, the levels of promotion and advertising required to promote its footwear, the extent to which the Company invests in new product design and improvements to its existing product design and the number and timing of new store openings. To the extent that available funds are insufficient to fund the Company's future activities, the Company may need to raise additional funds through public or private financing. No assurance can be given that additional financing will be available or that, if available, it can be obtained on terms favorable to the Company and its stockholders. Failure to obtain such financing could delay or prevent the Company's planned expansion, which could adversely affect the Company's business, financial condition and results of operations. In addition, if additional capital is raised through the sale of additional equity or convertible securities, dilution to the Company's stockholders could occur.

QUARTERLY RESULTS AND SEASONALITY

While sales of footwear products have historically been somewhat seasonal in nature with the strongest sales generally occurring in the third and fourth quarters, the Company believes that changes in its product offerings have somewhat mitigated the effect of this seasonality and, consequently, the Company's sales are not necessarily as subjected to seasonal trends as that of its' past or its' competitors in the footwear industry.

The Company has experienced, and expects to continue to experience, variability in its net sales and operating results on a quarterly basis. The Company's domestic customers generally assume responsibility for scheduling pickup and delivery of purchased products. Any delay in scheduling or pickup which is beyond the Company's control could materially negatively impact the Company's net sales and results of operations for any given quarter. The Company believes the factors which influence this variability include (i) the timing of the Company's introduction of new footwear products, (ii) the level of consumer acceptance of new and existing products, (iii) general economic and

industry conditions that affect consumer spending and retail purchasing, (iv) the timing of the placement, cancellation or pickup of customer orders, (v) increases in the number of employees and overhead to support growth, (vi) the timing of expenditures in anticipation of increased sales and customer delivery requirements, (vii) the number and timing of new Company retail store openings and (viii) actions by competitors. Due to these and other factors, the operating results for any particular quarter are not necessarily indicative of the results for the full year.

INFLATION

The Company does not believe that the relatively moderate rates of inflation experienced in the United States over the last three years have had a significant effect on its net sales or profitability. However, the Company cannot accurately predict the effect of inflation on future operating results. Although higher rates of inflation have been experienced in a number of foreign countries in which the Company's products are manufactured, the Company does not believe that inflation has had a material effect on the Company's net sales or profitability. In the past, the Company has been able to offset its foreign product cost increases by increasing prices or changing suppliers, although no assurance can be given that the Company will be able to continue to make such increases or changes in the future.

EXCHANGE RATES

The Company receives U.S. Dollars for substantially all of its product sales and its royalty income. Inventory purchases from offshore contract manufacturers are primarily denominated in U.S. Dollars; however, purchase prices for the Company's products may be impacted by fluctuations in the exchange rate between the U.S. Dollar and the local currencies of the contract manufacturers, which may have the effect of increasing the Company's cost of goods in the future. During 2000 and 1999, exchange rate fluctuations did not have a material impact on the Company's inventory costs. The Company does not engage in hedging activities with respect to such exchange rate risk.

MARKET RISK

The Company does not hold any derivative securities. The Company's short-term borrowings are sensitive to changes in short-term interest rates and an increase in rates may decrease the Company's earnings.

NEW ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities ("SFAS No. 133"). SFAS No. 133 modifies the accounting for derivative and hedging activities and is effective for fiscal years beginning after June 15, 2000. Since the Company does not presently hold any derivatives or engage in hedging activities, SFAS No. 133 should not impact the Company's financial position or results of operations.

On March 31, 2000, the Financial Accounting Standards Board issued FASB Interpretation No. 44, Accounting for Certain Transactions involving Stock Compensation - an interpretation of APB Opinion No. 25 (FIN 44). This interpretation provides guidance for issues that have arisen in applying APB Opinion No. 25 Accounting for Stock Issued to Employees. FIN 44 applies prospectively to new awards, exchanges of awards in business combinations, modification of outstanding awards, and changes in grantee status that occur on or after July 1, 2000, except for the provisions related to

repricings and the definition of an employee which apply to awards issued after December 15, 1998. The provisions related to modifications to fixed stock option awards to add a reload feature are for awards modified after January 12, 2000. The new interpretation is not expected to have a material impact upon the Company's financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK -- Not Applicable

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS -- Not Applicable

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS -- Not Applicable

ITEM 3. DEFAULTS UPON SENIOR SECURITIES -- Not Applicable

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS -- Not Applicable

ITEM 5. OTHER INFORMATION -

On September 5, 2000, the Board of Directors of the Company appointed Robert Siegel and Jeffrey Greenberg as members of the Board of Directors. Robert Siegel is a Class 2 director serving until the annual meeting of stockholders in 2001. Jeffrey Greenberg is a Class 1 director serving until the annual meeting of stockholders in 2003.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K --

(a) Exhibits

27 Financial Data Schedule

(b) Reports on Form 8-K

The Company did not file any reports on Form 8-K during the quarterly period ended September 30, 2000.

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SIGNATURES

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

SKECHERS U.S.A, INC.

Dated: November 14, 2000 /s/ David Weinberg

David Weinberg
Executive Vice President and
Chief Financial Officer

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