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, 2002

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 (STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	95-4376145 (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 12, 2002: 18,227,438

THE NUMBER OF SHARES OF CLASS B COMMON STOCK OUTSTANDING AS OF NOVEMBER 12, 2002: 19,317,617

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

ASSETS

	September 30, 2002	December 31, 2001
Current Assets:		
Cash	$ 108,080	$ 15,554
Trade accounts receivable, less allowances of $7,803 in 2002 and $7,113 in 2001	122,756	120,285
Due from officers and employees	972	1,013
Other receivables	2,749	1,816
Inventories	129,677	157,659
Prepaid expenses and other current assets	9,163	17,695
Deferred tax assets	4,804	4,804
Total current assets	378,201	318,826
Property and equipment, at cost, less accumulated depreciation and amortization	80,821	85,739
Intangible assets, at cost, less applicable amortization	382	458
Deferred charges and other long term assets	5,840	2,463
	$ 465,244	$ 407,486

LIABILITIES AND STOCKHOLDERS' EQUITY

	September 30, 2002	December 31, 2001
Current Liabilities:		
Short-term borrowings	$ —	$ 84,175
Current installments of long-term borrowings	2,313	2,140
Accounts payable	62,021	77,498
Accrued expenses	17,461	15,041
Total current liabilities	81,795	178,854
4.50% Convertible subordinated notes	90,000	—
Long-term borrowings, excluding current installments	27,627	29,616
Total long term debt	117,627	29,616
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; 18,198 and 15,329 shares issued and outstanding at September 30, 2002 and December 31, 2001, respectively	18	15
Class B Common Stock, $.001 par value; 60,000 shares authorized; 19,347 and 21,482 shares issued and outstanding at September 30, 2002 and December 31, 2001, respectively	19	21
Additional paid-in capital	100,759	91,909
Accumulated other comprehensive income	2,345	33
Retained earnings	162,681	107,038
Total stockholders' equity	265,822	199,016
	$ 465,244	$ 407,486

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)

	Three-Months Ended September 30, 2002	Three-Months Ended September 30, 2001
Net sales	$ 261,147	$ 287,900
Cost of sales	152,347	165,305
Gross profit	108,800	122,595
Royalty income, net	107	64
	108,907	122,659
Operating expenses:		
Selling	32,574	40,771
General and administrative	52,232	59,929
	84,806	100,700
Earnings from operations	24,101	21,959
Other income (expense):		
Interest, net	(2,004)	(4,194)
Other, net	(280)	381
	(2,284)	(3,813)
Earnings before income taxes	21,817	18,146
Income taxes	7,710	6,768
Net earnings	$ 14,107	$ 11,378
Net earnings per share:		
Basic	$ 0.38	$ 0.31
Diluted	$ 0.35	$ 0.30
Weighted average shares:		
Basic	37,539	36,704
Diluted	41,962	38,275

See accompanying notes to unaudited condensed consolidated financial statements.

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

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

	Nine-Months Ended September 30,	
	2002	2001
Net sales	$ 762,748	$ 746,293
Cost of sales	445,638	425,209
Gross profit	317,110	321,084
Royalty income, net	532	268
	317,642	321,352
Operating expenses:		
Selling	72,636	85,804
General and administrative	150,717	152,872
	223,353	238,676
Earnings from operations	94,289	82,676
Other income (expense):		
Interest, net	(6,632)	(11,369)
Other, net	246	1,532
	(6,386)	(9,837)
Earnings before income taxes	87,903	72,839
Income taxes	32,260	27,539
Net earnings	$ 55,643	$ 45,300
Net earnings per share:		
Basic	$ 1.50	$ 1.25
Diluted	$ 1.39	$ 1.18
Weighted average shares:		
Basic	37,174	36,295
Diluted	41,004	38,237

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)

	Nine-Months Ended September 30,	
	2002	2001
Cash flows from operating activities:		
Net earnings	$ 55,643	$ 45,300
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization of property and equipment	12,762	9,174
Amortization of intangible assets	76	76
Provision for (recoveries of) bad debts and returns	(434)	1,370
Amortization of debt offering costs	351	—
Loss on disposal of equipment	6	341
Tax benefit of non-qualified stock options	2,565	8,299
(Increase) decrease in assets:		
Receivables	(2,099)	(50,971)
Inventories	28,128	(46,751)
Prepaid expenses and other current assets	8,579	(4,801)
Other assets	187	249
Increase (decrease) in liabilities:		
Accounts payable	(15,223)	27,110
Accrued expenses	3,161	2,247
Net cash provided by (used in) operating activities	93,702	(8,357)
Cash flows used in investing activities-capital expenditures	(7,418)	(25,001)
Cash flows from financing activities:		
Proceeds from the issuance of convertible subordinated notes, net of offering costs	86,175	—
Proceeds from issuance of common stock	5,583	8,457
Net proceeds from short-term borrowings	(84,175)	32,915
Repayments on long-term borrowings	(1,885)	(1,806)
Net cash provided by financing activities	5,698	39,566
Effects of exchange rates on cash	544	364
Net increase in cash	92,526	6,208
Cash at beginning of period	15,554	8,781
Cash at end of period	$ 108,080	$ 15,353
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 4,909	$ 10,809
Income taxes	18,828	18,666

During the nine months ended September 30, 2002, the Company issued 48,072 shares of Class A common stock to the Company's 401k plan with a value of approximately $702,000. In addition, the Company acquired equipment aggregating $70,000 under capital lease obligations.

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 is 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, 2001 included in the Company’s Annual Report on Form 10-K.

(2) FOREIGN CURRENCY TRANSLATION

The Company operates internationally through the following foreign subsidiaries; Skechers S.a.r.l located in Switzerland, with a functional currency of the U.S. dollar; Skechers Ltd., located in the United Kingdom, with a functional currency of the British Pound; Skechers Iberia located in Spain, Skechers GmbH located in Germany, Skechers SAS located in France, Skechers EDC SPRL located in Belgium, Skechers USA Benelux BV located in the Netherlands, all with a functional currency of the Euro.

The results of operations for the Company’s non U.S. dollar functional currency subsidiaries are translated from their functional currency into U.S. dollars using the average exchange rates during each period; assets and liabilities are translated using exchange rates at the end of the each period. Adjustments resulting from the translation process are reported in a separate component of stockholders’ equity, and are not included in net earnings.

(3) OTHER COMPREHENSIVE INCOME

Other comprehensive income at September 30, 2002 and December 31, 2001, consist of foreign currency translation gains of $2,345,000 and $33,000, respectively. The change in comprehensive income consists of foreign currency translation (losses) gains of ($74,000) and $359,000 for the three months ended September 30, 2002 and 2001, respectively. For the nine months ended September 30, 2002 and 2001, the change in comprehensive income consists of foreign currency translation gains of $2,312,000 and $364,000, respectively.

(4) 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, in addition to the weighted average determined for basic earnings per share, includes common stock equivalents which would arise from the exercise of stock options using the treasury stock method, and assumes the conversion of the Company’s 4.50% Convertible Subordinated Notes for the period outstanding since their issuance in April 2002.

The following is a reconciliation of net income and weighted average common shares outstanding for purposes of calculating basic earnings per share (in thousands):

	Three-Months Ended September 30,		**Nine-Months Ended September 30,**	
Basic earnings per share	**2002**	**2001**	**2002**	**2001**
Net earnings	$14,107	$11,378	$55,643	$45,300
Weighted average common shares outstanding	37,539	36,704	37,174	36,295
Basic earnings per share	$ 0.38	$ 0.31	$ 1.50	$ 1.25

The following is a reconciliation of net income and weighted average common shares outstanding for purposes of calculating diluted earnings per share (in thousands):

	Three-Months Ended September 30,		Nine-Months Ended September 30,	
Diluted earnings per share	2002	2001	2002	2001
Net earnings	$14,107	$11,378	$55,643	$45,300
After-tax equivalent of interest expense on 4.50% convertible subordinated notes	$ 655	$ —	$ 1,218	$ —
Earnings for purposes of computing diluted earnings per share	$14,762	$11,378	$56,861	$45,300
Weighted average common shares outstanding	37,539	36,704	37,174	36,295
Dilutive stock options	957	1,571	1,641	1,942
Weighted average assumed conversion of 4.50% convertible subordinated notes	3,466	—	2,189	—
Weighted average common shares outstanding	41,962	38,275	41,004	38,237
Diluted earnings per share	$ 0.35	$ 0.30	$ 1.39	$ 1.18

There were 932,897 and 305,125 options outstanding that were not included in the computation of diluted earnings per share for the three-month period ended September 30, 2002 and 2001, respectively. There were 330,000 and 7,500 options outstanding that were not included in the computation of diluted earnings per share for the nine-month period ended September 30, 2002 and 2001, respectively. The options outstanding that were not included in the computation of diluted earnings per share were excluded because their effect would have been anti-dilutive.

(5) 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.

(6) SHORT-TERM BORROWINGS

The Company has available a secured line of credit, as amended on July 12, 2002, permitting borrowings up to $200.0 million based upon eligible accounts receivable and inventories. Borrowings bear interest at the prime rate (4.75% at September 30, 2002) minus 0.50%, and the agreement expires on December 31, 2003. The agreement provides for the issuance of letters of credit up to a maximum of $30.0 million of which 50% decreases the amount available for borrowings under the agreement. Outstanding letters of credit at September 30, 2002 were $9.3 million. Available borrowings under the line of credit at September 30, 2002 were $118.6 million and no amounts were outstanding at September 30, 2002. The Company pays an unused line of credit fee of .25% annually. The agreement provides that stockholders' equity shall not decrease by more than 20% in any given calendar quarter, contains a tangible net worth requirement, as defined in the agreement, and limits the payment of dividends if in default of any provision of the agreement. The Company was in compliance with these covenants at September 30, 2002.

(7) LONG TERM DEBT

In April 2002, the Company issued $90.0 million aggregate principal amount of 4.50% Convertible Subordinated Notes (the "Notes") due April 15, 2007. The Notes are convertible into shares of Class A common stock. Interest on the Notes is paid semi-annually on April 15 and October 15 of each year, commencing October 15, 2002. The Notes are convertible at the option of the holder into shares of Class A common stock at a conversion rate of 38.5089 shares of Class A common stock per $1,000 principal amount of Notes, which is equivalent to a conversion price of approximately $25.968 per share. The conversion rate is subject to adjustment. The Notes may be converted at any time on or before the close of business on the maturity date, unless the Notes have been previously redeemed or repurchased; provided, however, that if a Note is called for redemption or repurchase, the holder will be entitled to convert the Notes at any time before the close of business on the date immediately preceding the date fixed for redemption or repurchase, as the case may be. The Notes are unsecured and subordinated to our present and future Senior Debt, as defined in the indenture. The Notes are also structurally subordinated in right of payment to all indebtedness and other liabilities of the Company's subsidiaries. The indenture under which the Notes were issued does not restrict the incurrence of indebtedness, including Senior Debt, or the subsidiaries' incurrence of indebtedness. Net proceeds from the issuance of the Notes were $86.2 million, of which $65.0 million was used to repay amounts owing under the Company's line of credit and the remaining proceeds will be used for working capital. The costs associated with the issuance of the Notes, approximately $3.8 million, will be amortized over the life of the Notes and are included in interest expense as amortized.

(8) LITIGATION

On March 6, 2002, Skechers filed a complaint captioned SKECHERS U.S.A., INC. V. HEELING SPORTS LIMITED, HEELING MANAGEMENT CORPORATION, ROGER ADAMS AND CHARLIE BEERY. The complaint was filed in the United States District Court Central District of California (Case No. 02-1906NM). Skechers' complaint alleges federal, California and common law unfair competition, intentional interference with economic relations and intentional interference with contract with respect to Skechers' shoes called "3 Wheelers." Skechers seeks relief that includes enjoining defendants from certain actions, certain trebled money damages, punitive damages, restitution and attorney fees and costs. On April 10, 2002, Skechers was served with a complaint captioned HEELING SPORTS LIMITED AND HEELING MANAGEMENT CORP., V. SKECHERS U.S.A., INC. that was filed on April 4, 2002 in the United States District Court, Eastern District of Texas, Sherman Division (Civil Action No. 4:02cv101). The lawsuit alleges breach of confidential agreement and misappropriation of trade secrets and is with respect to Skechers' 3 Wheelers. The complaint seeks relief that includes a permanent injunction enjoining Skechers from selling the 3 Wheeler shoes, using any alleged confidential information and assignment of any intellectual property based on the plaintiff's alleged confidential information, and damages that include those sustained by the plaintiff as a result of Skechers' actions, profits and exemplary and punitive damages. Skechers' 3 Wheelers is a new product that is currently a very small part of the Skechers' product line. On June 18, 2002, a second complaint was filed against Skechers by Heeling Sports Limited in the United States District Court for the Eastern District of Texas, Sherman Division (Civil Action No. 4:02cv169), and the complaint was amended on June 21, 2002. The lawsuit is generally based upon the same facts as the earlier suit filed against Skechers by Heeling Sports Limited and Heeling Management Corp., alleging that Skechers' sales of its 3 Wheeler shoes violates the plaintiff's proprietary rights. However, the second complaint, as amended, alleges that Skechers' 3 Wheelers infringe Heeling's new patent that was issued on June 18, 2002, unfair competition and interference with prospective business relations. The second complaint, as amended, seeks relief that includes an injunction, declaratory relief that Skechers is infringing and will induce infringement of Heeling's patent, compensatory, trebled and exemplary damages, and attorney's fees.

In late August 2002, Skechers and Heeling met in Dallas, Texas to attempt to settle all disputed claims. The parties settled all issues in principle and are in the process of working out the written terms and revising the draft agreements. Skechers believes final settlement will be achieved. The terms and obligations of the settlement will not have a material effect on Skechers' financial position or results of operations.

On May 31, 2002, a complaint captioned RAYMOND MEIER V. SKECHERS USA, INC. was filed against Skechers in the United States District Court, Southern District of New York (Case No. 02 CV 4139). The lawsuit alleges copyright infringement for the use of certain drawings by Skechers in its Skechers by Michelle K advertisements. The complaint seeks damages that include actual damages and profits attributable to the alleged infringement, compensatory damages, punitive damages and an injunction preventing further use of the drawings by Skechers. For reasons unrelated to the complaint, Skechers had discontinued using the subject drawings. Skechers believes that it has meritorious defenses to the issues raised in the complaint and intends to defend these claims vigorously. This matter was settled on October 28, 2002. The terms of the settlement are confidential. The obligations will not have a material effect on Skechers' financial position or results or operations.

We occasionally become involved in litigation arising from the normal course of business. Other than the foregoing, we believe that any liability with respect to pending legal actions, individually or in the aggregate, will not have a material adverse effect on our business, financial condition and results of operations.

(9) STOCKHOLDERS' EQUITY

During the three-month and nine-month periods ended September 30, 2002, certain Class B stockholders converted 200,000 and 2,135,374 shares of Class B common stock to Class A common stock, respectively.

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 forward-looking statements made by or on behalf of the Company are set forth in "Risk Factors" and elsewhere in this report.

OVERVIEW

We design, market and sell contemporary footwear for men, women and children under the Skechers brand. Our footwear is sold through a wide range of department stores and leading specialty retail stores, a growing network of our own retail stores and our e-commerce website. Our objective is to continue to profitably grow our domestic operations, while leveraging our brand name to expand internationally.

We generate revenues from three principal sources:

WHOLESALE. We sell footwear directly to department stores and specialty retail stores both domestically and internationally.

RETAIL. We own and operate our own retail stores both domestically and, on a smaller scale, internationally through three retail formats. Our retail formats are as follows:

- Concept Stores. Our concept stores are located in marquee street locations and high performing regional malls, promote awareness of the Skechers brand and showcase a broad assortment of our in-season footwear styles.

- Factory Outlet Stores. Our factory outlet stores are generally located in manufacturers' outlet centers and provide opportunities to sell an assortment of in-season, discontinued and excess merchandise at lower price points.

- Warehouse Outlet Stores. Our freestanding warehouse outlet stores appeal to our most value conscious customers and enable us to liquidate excess merchandise, discontinued lines and odd-size inventory in a cost-efficient manner.

DISTRIBUTORS. Internationally, we sell our footwear to our foreign distributors who distribute such footwear to department stores and specialty retail stores in Europe, Asia, Latin America, South America and numerous other countries and territories.

The substantial portion of our revenues are derived from domestic wholesale sales. Typically, retail sales achieve higher gross margins as a percentage of net sales than wholesale sales. Sales through foreign distributors result in lower gross margins as a percentage of net sales than retail or wholesale sales. None of our domestic retail sales formats, international wholesale sales, international retail sales, or international distributor sales individually comprised more than 10% of our consolidated net sales for the three and nine months ended September 30, 2002 and 2001.

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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:

	Three-Months Ended September 30,				Nine-Months Ended September 30,			
	2002		2001		2002		2001	
Net sales	$261,147	100.0%	$287,900	100.0%	$762,748	100.0%	$746,293	100.0%
Cost of sales	152,347	58.3	165,305	57.4	445,638	58.4	425,209	57.0
Gross profit	108,800	41.7	122,595	42.6	317,110	41.6	321,084	43.0
Royalty income, net	107	0.0	64	0.0	532	0.1	268	0.0
	108,907	41.7	122,659	42.6	317,642	41.7	321,352	43.0
Operating expenses:								
Selling	32,574	12.5	40,771	14.2	72,636	9.5	85,804	11.5
General and administrative	52,232	20.0	59,929	20.8	150,717	19.8	152,872	20.4
	84,806	32.5	100,700	35.0	223,353	29.3	238,676	31.9
Earnings from operations	24,101	9.2	21,959	7.6	94,289	12.4	82,676	11.1
Interest expense, net	(2,004)	(0.8)	(4,194)	(1.4)	(6,632)	(0.9)	(11,369)	(1.6)
Other, net	(280)	(0.1)	381	0.1	246	0.0	1,532	0.3
Earnings before income taxes	21,817	8.3	18,146	6.3	87,903	11.5	72,839	9.8
Income taxes	7,710	3.0	6,768	2.3	32,260	4.2	27,539	3.7
Net earnings	$ 14,107	5.3%	$ 11,378	4.0%	$ 55,643	7.3%	$ 45,300	6.1%

THREE MONTHS ENDED SEPTEMBER 30, 2002 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 2001

Net Sales

Net sales for the three months ended September 30, 2002 were $261.1 million, compared to net sales of $287.9 million for the three months ended September 30, 2001. Domestic wholesale net sales decreased during the three months ended September 30, 2002, compared to the three months ended September 30, 2001. We realized decreases in both our men and women's product lines, and also, but to a lesser extent, our kids' lines. The decrease in domestic wholesale net sales was due to reduced sales volume shipped to both our department store and specialty retail accounts, and a decrease in the average selling price per pair, the result of a continuing soft retail environment. International wholesale net sales for the three months ended September 30, 2002 increased significantly over the three months ended September 30, 2001. The increase in international wholesale net sales is due to increased demand generated from our international direct sales and marketing strategies initiated in April 2001, and the expansion of our international efforts into the Benelux region, Spain and Italy. Distributor sales for the three months ended September 30, 2002 decreased compared to the same three month period in 2001. The decrease was primarily due to decreased sales into South America, and, to a lesser extent, North America. Domestic retail sales increased during the three months ended September 30, 2002, compared to the three months ended September 30, 2001. The increase in domestic retail sales was due to the addition of 17 retail stores since September 30, 2001, 12 of which were warehouse and outlet stores which generate higher sales levels per store than our concept stores. Our international retail store sales increased during the three-months ended September 30, 2002, compared to the three months ended September 30, 2001, due to increased acceptance of our brand.

The decrease in net sales for the three months ended September 30, 2002 compared to the three months ended September 30, 2001, marks the first quarter over comparable quarter decrease since we became a publicly traded company in June 1999. The decrease in average selling price per pair is the result of a change in product mix and our continued efforts to support our wholesale accounts in increasing demand at the retail level. In addition, given the current weak retail environment, we anticipate sales for the fourth quarter ended December 31, 2002 to be less than net sales for the same period in 2001 by between four and nine percent. The anticipated decline in fourth quarter 2002 net sales, compared to the same period in 2001, does not take into account any deterioration of the ongoing west coast port negotiations between the International Longshore and Warehouse Union and the Pacific Maritime Association.

In September 2002, we signed our second licensing agreement. Under this agreement, Advance Group Inc., will create quality and stylish timepieces using the Skechers Sport logo and colors in a manner consistent with the our lifestyle image. The watches will be available beginning second quarter 2003 in leading department stores, specialty stores and catalogs. We continuously review licensing opportunities, however, we are very selective in granting any use of our name or logos for such licensed products.

Gross Profit

Gross profit for the three months ended September 30, 2002 was $108.8 million, compared to gross profit of $122.6 million for the three months ended September 30, 2001. Gross profit as a percentage of net sales was 41.7% during the three months ended September 30, 2002, compared to 42.6% for the three months ended September 30, 2001. The decrease in gross profit as a percent of net sales was due to continued price concessions granted to our domestic wholesale accounts and reduced margins at our company owned retail stores, primarily due to the shift in volume from higher margin concept stores to other retail formats.

As a result of the ten-day west coast port lockout, in particular the Port of Long Beach, in early October 2002, and the subsequent delays in clearing the backlog of cargo containers, we initiated alternatives to ensure the timely arrival of certain of our products. The measures initiated include, the routing of product through east coast ports and through the port in Vancouver, Canada, and, when warranted, the shipping of product via air freight from the factory. These measures, particularly the air freight initiatives, have increased our freight costs, including the transport costs from non-western United States ports, and as a result we expect our gross margins to be adversely effected by approximately 100 to 200 basis points during the fourth quarter ended December 31, 2002, when compared to gross margins during the third quarter ended September 30, 2002. The anticipated decline in gross margin does not factor in additional delays (or stoppages) that may arise out of the ongoing negotiations between the International Longshore and Warehouse Union and the Pacific Maritime Association.

Selling Expenses

Selling expenses for the three months ended September 30, 2002 were $32.6 million, an $8.2 million decrease from selling expenses of $40.8 million during the three months ended September 30, 2001. Selling expenses as a percentage of net sales decreased to 12.5% during the three months ended September 30, 2002, compared to 14.2% in the same period in 2001. The decrease in selling costs were primarily due to decreased advertising costs which were 10.5% of net sales during the three months ended September 30, 2002 compared to 11.3% during the three months ended September 30, 2001, and, the elimination of catalog costs associated with our mail order operations that were discontinued in September 2001.

General and Administrative Expenses

General and administrative expenses for the three months ended September 30, 2002 were $52.2 million, a decrease of $7.7 million or 12.8%, compared to general and administrative expenses of $59.9 million during the three months ended September 30, 2001. General and administrative expenses as a percentage of net sales decreased to 20.0% during the three months ended September 30, 2002, compared to 20.8% during the three months ended September 30, 2001. The decrease in general and administrative expenses was due to reduced temporary help costs at our distribution facility, the elimination of outside processing and shipping costs associated with our mail order operations, that were discontinued in September 2001, and, to a lesser extent, office supplies, all of which were offset by increased rent and depreciation associated with the added retail stores, product showrooms and international facilities.

We are currently establishing our first internally managed international distribution facility in Leige, Belgium, through our subsidiary Skechers EDC SPRL located in Belgium, and anticipate the facility becoming operational in the first quarter of 2003.

Interest Expense

Interest expense decreased to $2.0 million for the three months ended September 30, 2002, from $4.2 million for the three months ended September 30, 2001. The decrease in interest expense was due to interest rate reductions on our open purchase agreements with our foreign manufacturers, payoff of our term loan in the fourth quarter of 2001, and payoff of our line of credit facility, whose interest rate was tied to the prime rate of interest, with proceeds from the issuance of our 4.50% notes.

Other Net

Other net consist of primarily of foreign exchange rate losses for the three months ended September 30, 2002

Income Taxes

Income taxes were computed using the effective tax rate estimated to be applicable for the full fiscal year. The effective tax rate for the three months ended September 30, 2002 was 35.3% compared to 37.3% for the three months ended September 30, 2001. The decrease in the effective tax rate is due to changes in our projections of income in differing tax jurisdictions as a result of international expansion.

NINE MONTHS ENDED SEPTEMBER 30, 2002 COMPARED TO NINE MONTHS ENDED JUNE 30, 2001

Net Sales

Net sales for the nine months ended September 30, 2002 increased $16.5 million or 2.2% to $762.7 million from $746.3 million for the nine months ended September 30, 2001. Domestic wholesale net sales decreased slightly during the nine months ended September 30, 2002 compared to the nine months ended September 30, 2001. The decrease in domestic sales was due to reduced sales within our men's and women's product lines offset by increases in our kids' lines and to a lesser extent sales from our 4-Wheelers line launched in the third quarter of 2001. International wholesale net sales increased significantly during the nine months ended September 30, 2002 compared to the nine months ended September 30, 2001, due to our direct selling and marketing efforts being in place the entire nine months ended September 30, 2002, compared to only six months in 2001, and to the expansion into new regions including Italy and Spain. Distributor sales decreased during the nine months ended September 30, 2002 compared to the nine months ended September 30, 2001. The decrease was due to reduced sales into South America, Asia and the Pacific Rim regions. Domestic retail sales increased during the nine months ended September 30, 2002 compared to the nine months ended September 30, 2001. The increase was due to the increase in the number of stores, 17 since September 30, 2001, with a majority of them being warehouse or outlet stores, which have higher sales levels than our concept stores. International retail sales increased during the nine months ended September 30, 2002 compared to the nine months ended September 30, 2001. The increase in international retail sales was due to the international stores being open the entire nine months ended September 30, 2002 compared to only a portion of the nine months ended September 30, 2001.

Gross Profit

Gross profit for the nine months ended September 30, 2002 was $317.1 million compared to $321.1 million for the nine months ended September 30, 2001. Gross margin as a percentage of net sales was 41.6% during the nine months ended September 30, 2002 compared to 43.0% during the nine months ended September 30, 2001. The decrease in gross margin was due to continued support of our retail accounts in the form of discounts and allowances and lower margins at our retail stores due to price reductions to stimulate sales within the warehouse and outlet stores.

Selling Expenses

Selling expenses for the nine months ended September 30, 2002 decreased $13.2 million or 15.3% to $72.6 million compared to $85.8 million for the nine months ended September 30, 2001. Selling expenses as a percentage of net sales decreased to 9.5% during the nine months ended September 30, 2002, compared to 11.5% during the same nine month period in 2001. The decrease in selling expenses during the nine months ended September 30, 2002, when compared to the same nine month period in 2001, was due to reduced advertising and trade show expenses, and the elimination of catalog costs associated with our mail order operations that were discontinued. Advertising expenses as a percentage of net sales were 7.6% during the nine months ended September 30, 2002, compared to 9.0% for the nine months ended September 30, 2001. We continually adjust our marketing and advertising expenditures based on projected sales levels.

General and Administrative Expenses

General and administrative expenses for the nine months ended September 30, 2002 decreased $2.2 million to $150.7 million compared to $152.9 million for the nine months ended September 30, 2001. General and administrative expenses as a percent of net sales decreased to 19.8% compared to 20.5% for the nine months ended September 30, 2001. General and administrative expenses decreased due to reduced temporary help costs at our distribution facility, reduced outside processing and shipping costs associated with our mail order operations discontinued in September 2001, and reduced office supplies, offset by increased rent and depreciation associated with the addition of 17 new retail stores added since September 30, 2001 and additional administrative facilities and showrooms associated with our international subsidiaries.

Interest Expense

Interest expense for the nine months ended September 30, 2002 was $6.6 million compared to $11.4 million for the nine months ended September 30, 2001. The decrease in interest expense is due to (i) the pay down of our line of credit facility, whose interest rate is tied to the prime rate of interest which has decreased since January 1, 2001, with a portion of the proceeds from the issuance of our 4.50%

subordinated notes, (ii) reduced interest charges on open purchased agreements with our international manufacturers, and (iii) the elimination of our term debt in the fourth quarter ended December 31, 2001.

Other Income, Net

Other income, net for the nine months ended September 30, 2002 was $246,000 compared to $1.5 million for the nine months ended September 30, 2001. The decrease was due to reduced rent revenue from the leasing of office space and reduced litigation settlements.

Income Taxes

Income taxes were computed using the effective tax rate estimated to be applicable for the full fiscal year. The effective tax rate for the nine-months ended September 30, 2002 was 36.7% compared to 37.8% for the nine months ended September 30, 2001. The decrease in the effective tax rate is due to changes in our projections of income in differing tax jurisdictions as a result of our international expansion.

LIQUIDITY AND CAPITAL RESOURCES

Our working capital at September 30, 2002 was $296.4 million, an increase of $156.4 million from $140.0 million at December 31, 2001. The increase in working capital was primarily due to the elimination of our short-term borrowings with a portion of the proceeds from the issuance of long term convertible subordinated notes in April 2002, and to a lesser extent increases in trade accounts receivable.

Net cash provided by operating activities for the nine months ended September 30, 2002 was approximately $93.7 million, compared to cash used in operating activities of $8.4 million for the nine months ended September 30, 2001. The increase in cash provided by operating activities was due to reduced inventory levels, increased net earnings, and reduced prepaid expenses and other current assets, offset by decreased accounts payable.

Net cash used in investing activities was $7.4 million for the nine months ended September 30, 2002, compared to $25.0 million for the nine months ended September 30, 2001. The decrease was due to reduced capital expenditures requirements resulting from fewer retail store openings in 2002 than in 2001, and prior year investing activities including the acquisition of real properties in Manhattan Beach, California.

Net cash provided by financing activities for the nine months ended September 30, 2002 was $5.7 million, compared to $39.6 million for the nine months ended September 30, 2001. The decrease in cash provided by financing activities was due the reduction of net financing derived from our short-term borrowings offset by the proceeds from the issuance of the convertible subordinated notes.

In April 2002, we issued $90.0 million aggregate principal amount of 4.50% Convertible Subordinated Notes due April 15, 2007. The notes are convertible into shares of our Class A common stock. Interest on the notes is paid semi-annually on April 15 and October 15 of each year, commencing October 15, 2002. The notes are convertible at the option of the holder into shares of Class A common stock at a conversion rate of 38.5089 shares of Class A common stock per $1,000 principal amount of notes, which is equivalent to a conversion price of approximately $25.968 per share. The conversion rate is subject to adjustment. The notes may be converted at any time on or before the close of business on the maturity date, unless the notes have been previously redeemed or repurchased; provided, however, that if a note is called for redemption or repurchase, the holder will be entitled to convert the notes at any time before the close of business on the date immediately preceding the date fixed for redemption or repurchase, as the case may be. The notes are unsecured and subordinated to our present and future Senior Debt, as defined in the indenture. The notes are also structurally subordinated in right of payment to all indebtedness and other liabilities of our subsidiaries. The indenture does not restrict our incurrence of indebtedness, including Senior Debt, or our subsidiaries' incurrence of indebtedness. Net proceeds from the sale of the notes were $86.2 million.

In July 2002, we renegotiated our line of credit facility, which now provides for borrowings of up to $200.0 million, with actual borrowings limited to available collateral and certain limitations on total indebtedness (approximately $118.6 million of availability as of September 30, 2002) with the CIT Group, as agents for the lenders. At September 30, 2002, no amounts were outstanding under the revolving line of credit. The revolving line of credit bears interest at prime rate (4.75% at September 30, 2002) minus .5%. Interest on the line of credit is payable monthly in arrears. The revolving line of credit expires on December 31, 2003. The revolving line of credit provides a sub-limit for letters of credit of up to $30.0 million to finance our foreign purchases of merchandise inventory. As of September 30, 2002, we had approximately $9.3 million of letters of credit under the revolving line of credit. The credit facility provides that stockholders' equity shall not decrease by more than 20% in any calendar quarter, contains a tangible net worth requirement, as defined in the agreement, and limits the payment of dividends if we are in default of any provision of the agreement. We were in compliance with these covenants as of September 30, 2002.

We believe that anticipated cash flows from operations, available borrowings under our revolving line of credit, cash on hand, proceeds from the issuance of the notes and our financing arrangements will be sufficient to provide us with the liquidity necessary to fund our anticipated working capital and capital requirements through fiscal 2002. However, in connection with our growth strategy, we will incur significant working capital requirements and capital expenditures. Our future capital requirements will depend on many factors, including, but not limited to, the levels at which we maintain inventory, the market acceptance of our footwear, the success of our international expansion, the levels of promotion and advertising required to promote our footwear, the extent to which we invest in new product design and improvements to our existing product design and the number and timing of new store openings. To the extent that available funds are insufficient to fund our future activities, we may need to raise additional funds through public or private financing. We cannot assure you that additional financing will be available or that, if available, it can be obtained on terms favorable to us and our stockholders. Failure to obtain such financing could delay or prevent our planned expansion, which could adversely affect our 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 our stockholders could occur.

CRITICAL ACCOUNTING POLICIES

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Specifically, management must make estimates in the following areas:

Allowance for bad debts, returns, and customer chargebacks. We insure selected customer account balances that are both greater than $200,000 and accepted by the insurance company should our customer not pay. We also provide a reserve against our receivables for estimated losses that may result from our customers' inability to pay, and disputed and returned items. We determine the amount of the reserve by analyzing known uncollectible accounts, aged receivables, economic conditions in the customers' country or industry, historical losses and our customers' credit-worthiness. Amounts later determined and specifically identified to be uncollectible are charged or written off against this reserve. To minimize the likelihood of uncollectibility, customers' credit-worthiness is reviewed periodically based on external credit reporting services and our experience with the account and adjusted accordingly. Should a customer's account become past due, we generally place a hold on the account and discontinue further shipments to that customer, minimizing further risk of loss. The likelihood of a material loss on an uncollectible account would be mainly dependent on deterioration in the overall economic conditions in a particular country or environment. Reserves are fully provided for all probable losses of this nature. Gross trade accounts receivable balance was $130.6 million and total allowances for bad debts, returns, and chargebacks were $7.8 million September 30, 2002.

Inventory adjustments. Inventories are stated at lower of cost or market. We review our inventory on a regular basis for excess and slow moving inventory based on prior sales and net realizable value. The likelihood of any material inventory write-down is dependent primarily on consumer demand and competitor product offerings. Inventories were stated at $129.7 million at September 30, 2002.

Valuation of intangible and other long-lived assets. When circumstances warrant, we assess the impairment of intangible and other long-lived assets that require us to make assumptions and judgments regarding the carrying value of these assets. The assets are considered to be impaired if we determine that the carrying value may not be recoverable based upon our assessment of the following events or changes in circumstances:

- the asset's ability to continue to generate income;
- loss of legal ownership or title to the asset;
- significant changes in our strategic business objectives and utilization of the asset(s); or
- the impact of significant negative industry or economic trends.

If the assets are considered to be impaired, the impairment we recognize is the amount by which the carrying value of the assets exceeds the fair value of the assets. In addition, we base the useful lives and related amortization or depreciation expense on our estimate of the period that the assets will generate revenues or otherwise be used by us. If a change were to occur in any of the above-mentioned factors or estimates, the likelihood of a material change in our reported results would increase.

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

Valuation of deferred income taxes. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. The likelihood of a material change in our expected realization of these assets depends on future taxable income, and the effectiveness of our tax planning and strategies among the various tax jurisdictions in which we operate.

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, we believe that changes in our product offerings have somewhat mitigated the effect of this seasonality and, consequently, our sales are not necessarily as subjected to seasonal trends as that of our past or our competitors in the footwear industry.

We have experienced, and expect to continue to experience, variability in our net sales and operating results on a quarterly basis. Our domestic customers generally assume responsibility for scheduling pickup and delivery of purchased products. Any delay in scheduling or pickup which is beyond our control could materially negatively impact our net sales and results of operations for any given quarter. We believe the factors which influence this variability include (i) the timing of our 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 our new 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

We do not believe that the relatively moderate rates of inflation experienced in the United States of America over the last three years has had a significant effect on our net sales or profitability. However, we 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 our products are manufactured, we do not believe that inflation has had a material effect on our net sales or profitability. In the past, we have been able to offset our foreign product cost increases by increasing prices or changing suppliers, although no assurance can be given that we will be able to continue to make such increases or changes in the future.

EXCHANGE RATES

We receive U.S. dollars for substantially all of our product sales and our royalty income. Inventory purchases from offshore contract manufacturers are primarily denominated in U.S. dollars; however, purchase prices for our 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 our cost of goods in the future. During the nine months ending September 30, 2002, exchange rate fluctuations did not have a material impact on our inventory costs. We do not engage in hedging activities with respect to such exchange rate risk.

RISK FACTORS

In addition to other information in this Form 10-Q, the following factors should be considered in evaluating us and our business risk.

Our future success depends on our ability to respond to changing consumer demands, identify and interpret fashion trends and successfully market new products.

The footwear industry is subject to rapidly changing consumer demands and fashion trends. Accordingly, we must identify and interpret fashion trends and respond in a timely manner. Demand for and market acceptance of new products are uncertain and achieving market acceptance for new products generally requires substantial product development and marketing efforts and expenditures. If we do not continue to meet changing consumer demands and develop successful styles in the future, our growth and profitability will be negatively impacted. We frequently make decisions about product designs and marketing expenditures several months in advance of the time when consumer acceptance can be determined. If we fail to anticipate, identify or react appropriately to changes in styles and trends or are not successful in marketing new products, we could experience excess inventories, higher than normal markdowns or an inability to profitably sell our products. Because of these risks, a number of companies in the footwear industry specifically, and the fashion and apparel industry in general, have experienced periods of rapid growth in revenues and earnings and thereafter periods of declining sales and losses, which in some cases have resulted in companies in these industries ceasing to do business. Similarly, these risks could have a severe negative effect on our results of operations or financial condition.

Our business and the success of our products could be harmed if we are unable to maintain our brand image.

Our success to date has been due in large part to the strength of our brand. If we are unable to timely and appropriately respond to changing consumer demand, our brand name and brand image may be impaired. Even if we react appropriately to changes in consumer preferences, consumers may consider our brand image to be outmoded or associate our brand with styles of footwear that are no longer popular. In the past, several footwear companies have experienced periods of rapid growth in revenues and earnings followed by periods of declining sales and losses. Our business may be similarly affected in the future.

Our business could be harmed if we fail to maintain proper inventory levels.

We place orders with our manufacturers for some of our products prior to the time we receive all of our customers' orders. We do this to minimize purchasing costs, the time necessary to fill customer orders and the risk of non-delivery. We also maintain an inventory of certain products that we anticipate will be in greater demand. However, we may be unable to sell the products we have ordered in advance from manufacturers or that we have in our inventory. Inventory levels in excess of customer demand may result in inventory write-downs, and the sale of excess inventory at discounted prices could significantly impair our brand image and have a material adverse effect on our operating results and financial condition. Conversely, if we underestimate consumer demand for our products or if our manufacturers fail to supply the quality products that we require at the time we need them, we may experience inventory shortages. Inventory shortages might delay shipments to customers, negatively impact retailer and distributor relationships, and diminish brand loyalty.

We may be unable to successfully execute our growth strategy or manage or sustain our growth.

We have grown quickly since we started our business. Our ability to grow in the future depends upon, among other things, the continued success of our efforts to expand our footwear offerings and distribution channels. However, our rate of growth may decline or we may not be profitable in future quarters or fiscal years. Furthermore, as our business becomes larger, we may not be able to maintain our historical growth rate or effectively manage our growth. We anticipate that as our business grows, we will have to improve and enhance our overall financial and managerial controls, reporting systems and procedures. We may be unable to successfully implement our current growth strategy or other growth strategies or effectively manage our growth, any of which would negatively impair our net sales and earnings.

Our business may be negatively impacted as a result of changes in the economy.

Our business depends on the general economic environment and levels of consumer spending that affect not only the ultimate consumer, but also retailers, our primary direct customers. Purchases of footwear tend to decline in periods of recession or uncertainty regarding future economic prospects, when consumer spending, particularly on discretionary items, declines. During periods of recession or economic uncertainty, we may not be able to maintain or increase our sales to existing customers, make sales to new customers, open and operate new retail stores, maintain sales levels at our existing stores, maintain or increase our international operations on a profitable basis, or maintain or improve our earnings from operations as a percentage of net sales. As a result, our operating results may be adversely and materially affected by downward trends in the economy or the occurrence of events that adversely affect the economy in general. Furthermore, in anticipation of continued increases in net sales, we have significantly expanded our infrastructure and workforce to achieve economies of scale. Because these expenses are fixed in the short term, our operating results and margins will be adversely impacted if we do not continue to grow as anticipated. For example, due in large part to the slowdown in the global economy and in particular retail spending, our net sales for 2001 were lower than anticipated. This lower level of sales adversely affected our operating results for 2001 and could continue to do so in 2002 and beyond.

Economic, political, military or other events in a country where we make significant sales or have significant operations could interfere with our success or operations there and harm our business.

We market and sell our products and services throughout the world. The September 11, 2001 attacks disrupted commerce throughout the United States and other parts of the world. The continued threat of similar attacks throughout the world and military action taken or contemplated by the United States and other nations may cause significant disruption to commerce throughout the world. To the extent that such disruptions further slow the global economy or, more particularly, result in delays or cancellations of purchase orders for our products, our business and results of operations could be materially adversely affected. We are unable to predict whether the threat of new attacks or the responses thereto will result in any long-term commercial disruptions or if such activities or responses will have a long-term material adverse effect on our business, results of operations or financial condition.

We depend upon a relatively small group of customers for a large portion of our sales.

For the year ended December 31, 2001 net sales to our five largest customers accounted for approximately 25.7% of total net sales. No one customer accounted for 10.0% or more of our net sales during 2001. As of December 31, 2001, one customer accounted for 10.2% of our net trade accounts receivable. Although we have long-term relationships with many of our customers, our customers do not have a contractual obligation to purchase our products and we cannot be certain that we will be able to retain our existing major customers. Furthermore, the retail industry regularly experiences consolidation, contractions and closings. If there are further consolidations, contractions or closings in the future, we may lose customers or be unable to collect accounts receivables of major customers in excess of amounts that we have insured. If we lose a major customer, experience a significant decrease in sales to a major customer, or are unable to collect the accounts receivable of a major customer in excess of amounts insured, our business could be harmed.

Our operating results could be negatively impacted if our sales are concentrated in any one style or group of styles.

If any one style or group of similar styles of our footwear were to represent a substantial portion of our net sales, we could be exposed to risk should consumer demand for such style or group of styles decrease in subsequent periods. We attempt to hedge this risk by offering a broad range of products, and no style comprised over 5.0% of our gross wholesale sales for the years ended either December 31, 2000 or 2001. However, this may change in the future and fluctuations in sales of any given style that represents a significant portion of our future net sales could have a negative impact on our operating results.

We rely on independent contract manufacturers and, as a result, are exposed to potential disruptions in product supply.

Our footwear products are currently manufactured by independent contract manufacturers. For the year ended December 31, 2001, the top four manufacturers of our manufactured products produced approximately 51.9% of our total purchases but none individually accounted for more than 20.0%. We do not have long-term contracts with manufacturers and we compete with other footwear companies for production facilities. We could experience difficulties with these manufacturers, including reductions in the availability of production capacity, failure to meet our quality control standards, failure to meet production deadlines or increased manufacturing costs. This could result in our customers canceling orders, refusing to accept deliveries or demanding reductions in purchase prices, any of which could have a negative impact on our cash flow and harm our business.

If our current manufacturers cease doing business with us, we could experience an interruption in the manufacture of our products. Although we believe that we could find alternative manufacturers, we may be unable to establish relationships with alternative manufacturers that will be as favorable as the relationships we have now. For example, new manufacturers may have higher prices, less favorable payment terms, lower manufacturing capacity, lower quality standards or higher lead times for delivery. If we are unable to provide products consistent with our standards or the manufacture of our footwear is delayed or becomes more expensive, our business would be harmed.

Our international sales and manufacturing operations are subject to the risks of doing business abroad, which could affect our ability to sell or manufacture our products in international markets, obtain products from foreign suppliers or control the costs of our products.

Substantially all of our net sales for the year ended December 31, 2001 were derived from sales of footwear manufactured in foreign countries, with most manufactured in China and, to a lesser extent, in Italy, the Philippines and Brazil. We also sell our footwear in several foreign countries and plan to increase our international sales efforts as part of our growth strategy. Foreign manufacturing and sales are subject to a number of risks, including:

- political and social unrest;

- changing economic conditions;
- international political tension and terrorism;
- work stoppages;
- transportation delays;
- loss or damage to products in transit;
- expropriation;
- nationalization;
- the imposition of tariffs and trade duties both international and domestically;
- import and export controls and other nontariff barriers;
- exposure to different legal standards (particularly with respect to intellectual property);
- compliance with foreign laws; and
- changes in domestic and foreign governmental policies.

In particular, because substantially all of our products are manufactured in China, adverse change in trade or political relations with China or political instability in China would severely interfere with the manufacture of our products and would materially adversely affect our operations.

In addition, if we, or our foreign manufacturers, violate United States or foreign laws or regulations, we may be subjected to extra duties, significant monetary penalties, the seizure and the forfeiture of the products we are attempting to import or the loss of our import privileges. Possible violations of United States or foreign laws or regulations could include inadequate record keeping of our imported product, misstatements or errors as to the origin, quota category, classification, marketing or valuation of our imported products, fraudulent visas, or labor violations. The effects of these factors could render our conduct of business in a particular country undesirable or impractical and have a negative impact on our operating results.

Our business could be harmed if our contract manufacturers, suppliers or licensees violate labor or other laws.

We require our independent contract manufacturers, suppliers and licensees to operate in compliance with applicable United States and foreign laws and regulations. Manufacturers are required to certify that neither convicted, forced or indentured labor (as defined under United States law) nor child labor (as defined by the manufacturer’s country) is used in the production process, that compensation is paid in accordance with local law and that their factories are in compliance with local safety regulations. Although we promote ethical business practices and our sourcing personnel periodically visit and monitor the operations of our independent contract manufacturers, suppliers and licensees, we do not control them or their labor practices. If one of our independent contract manufacturers, suppliers or licensees violates labor or other laws or diverges from those labor practices generally accepted as ethical in the United States, it could result in adverse publicity for us, damage our reputation in the United States, or render our conduct of business in a particular foreign country undesirable or impractical, any of which could harm our business.

Our planned expansion involves a number of risks that could prevent or delay the successful opening of new stores as well as impact the performance of our existing stores.

Our ability to open and operate new stores successfully depends on many factors, including, among others, our ability to:

- identify suitable store locations, the availability of which is outside of our control;
- negotiate acceptable lease terms, including desired tenant improvement allowances;
- source sufficient levels of inventory to meet the needs of new stores;

- hire, train and retain store personnel;
- successfully integrate new stores into our existing operations; and
- satisfy the fashion preferences in new geographic areas.

In addition, many of our new stores will be opened in regions of the United States in which we currently have few or no stores. The expansion into new markets may present competitive, merchandising and distribution challenges that are different from those currently encountered in our existing markets. Any of these challenges could adversely affect our business and results of operations. In addition, to the extent our new store openings are in existing markets, we may experience reduced net sales volumes in existing stores in those markets.

Many of our retail stores depend heavily on the customer traffic generated by shopping and factory outlet malls or by tourism.

Many of our concept stores are located in shopping malls and some of our factory outlet stores are located in manufacturers' outlet malls where we depend on obtaining prominent locations in the malls and the overall success of the malls to generate customer traffic. We cannot control the development of new malls, the availability or cost of appropriate locations within existing or new malls or the success of individual malls. Some of our concept stores occupy street locations which are heavily dependent on customer traffic generated by tourism. Any substantial decrease in tourism resulting from the September 11, 2001 attacks, a downturn in the economy or otherwise, is likely to adversely affect sales in our existing stores, particularly those with street locations. The effects of these factors could hinder our ability to open retail stores in new markets or reduce sales of particular existing stores, which could negatively affect our operating results.

Our ability to ship footwear to our customers in the fourth quarter of 2002 could be delayed by a labor lockout that has impaired, and may continue to impair, the delivery of footwear from manufacturers to our distribution center, which may impact our quarterly revenues and operating results in 2002 and 2003.

On September 30, 2002, 29 west coast ports were shut down abruptly and remained closed for ten days as contract negotiations between dockworkers and shipping companies broke off due to managements' lock out of the dockworkers. On October 9, 2002, the President of the United States signed an order under the Taft-Hartley Act to reopen the ports and put a moratorium on the labor dispute for 60 days. Certain of the containers that were to be received at our distribution center in Ontario, California remained either at ports or on shipping vessels in the Pacific Ocean. By the middle of October 2002, our inventory began to be released for delivery to our Ontario distribution center. As a result of the ten-day shut down and subsequent shipping delays, we initiated alternatives to ensure the timely arrival of certain of our products, including the routing of footwear through east coast ports and the port in Vancouver, Canada, and, when warranted, the shipment of footwear via air freight from our manufacturers. Our operating results for the fourth quarter of 2002 will be adversely affected by the shut down and shipping delays that led to increased freight costs which we expect to result in lower gross margins for the quarter ended December 31, 2002 when compared to the quarter ended September 30, 2002. The anticipated decline in gross margins for the fourth quarter of 2002 does not factor in additional work stoppages or shipping delays that may arise if the labor dispute between dockworkers and shipping companies has not been settled when the 60-day moratorium ends, which could also have an adverse impact on our operating results for 2003.

Our quarterly revenues and operating results fluctuate as a result of a variety of factors, including seasonal fluctuations in demand for footwear and delivery date delays, which may result in volatility of our stock price.

Our quarterly revenues and operating results have varied significantly in the past and can be expected to fluctuate in the future due to a number of factors, many of which are beyond our control. For example, sales of footwear products have historically been somewhat seasonal in nature with the strongest sales generally occurring in the third and fourth quarters. Also, delays in scheduling or pickup of purchased products by our domestic customers could negatively impact our net sales and results of operations for any given quarter. As a result of these specific and other general factors, our operating results will likely vary from quarter to quarter and the results for any particular quarter may not be necessarily indicative of results for the full year. Any shortfall in revenues or net income from levels expected by securities analysts and investors could cause a decrease in the trading price of our Class A common stock.

We face intense competition, including competition from companies with significantly greater resources than ours, and if we are unable to compete effectively with these companies, our market share may decline and our business could be harmed.

We face intense competition in the footwear industry from other established companies. A number of our competitors have significantly greater financial, technological, engineering, manufacturing, marketing and distribution resources than we do. Their greater capabilities in these areas may enable them to better withstand periodic downturns in the footwear industry, compete more effectively on the basis of price and production and more quickly develop new products. In addition, new companies may enter the markets in which we compete, further increasing competition in the footwear industry.

We believe that our ability to compete successfully depends on a number of factors, including the style and quality of our products and the strength of our brand name, as well as many factors beyond our control. We may not be able to compete successfully in the future, and increased competition may result in price reductions, reduced profit margins, loss of market share, and inability to generate cash flows that are sufficient to maintain or expand our development and marketing of new products, which would adversely impact the trading price of our Class A common stock.

Obtaining additional capital to fund our operations and finance our growth could make it difficult for us to service our debt obligations.

If our working capital needs exceed our current expectations, we may need to raise additional capital through public or private equity offerings or debt financings. If we cannot raise needed funds on acceptable terms, we may not be able to successfully execute our growth strategy, take advantage of future opportunities or respond to competitive pressures or unanticipated requirements. To the extent we raise additional capital by issuing debt, it may become difficult for us to meet debt service obligations. To the extent we raise additional capital by issuing equity securities, our stockholders may experience substantial dilution. Also, any new equity securities may have greater rights, preferences or privileges than our existing Class A common stock.

We depend on key personnel to manage our business effectively in a rapidly changing market, and if we are unable to retain existing personnel, our business could be harmed.

Our future success depends upon the continued services of Robert Greenberg, Chairman of the Board and Chief Executive Officer, Michael Greenberg, President, and David Weinberg, Executive Vice President and Chief Financial Officer. The loss of the services of any of these individuals or any other key employee could harm us. Our future success also depends on our ability to identify, attract and retain additional qualified personnel. Competition for employees in our industry is intense and we may not be successful in attracting and retaining such personnel.

Our trademarks, design patents and other intellectual property rights may not be adequately protected outside the United States.

We believe that our trademarks, design patents and other proprietary rights are important to our success and our competitive position. We devote substantial resources to the establishment and protection of our trademarks and design patents on a worldwide basis. In the course of our international expansion, we have, however, experienced conflicts with various third parties that have acquired or claimed ownership rights in certain trademarks similar to ours or have otherwise contested our rights to our trademarks. We have in the past successfully resolved these conflicts through both legal action and negotiated settlements, none of which we believe has had a material impact on our financial condition and results of operations. Nevertheless, we cannot assure you that the actions we have taken to establish and protect our trademarks and other proprietary rights outside the United States will be adequate to prevent imitation of our products by others or to prevent others from seeking to block sales of our products as a violation of the trademarks and proprietary rights of others. Also, we cannot assure you that others will not assert rights in, or ownership of, trademarks, designs and other proprietary rights of ours or that we will be able to successfully resolve these types of conflicts to our satisfaction. In addition, the laws of certain foreign countries may not protect proprietary rights to the same extent as do the laws of the United States. We may face significant expenses and liability in connection with the protection of our intellectual property rights outside the United States and if we are unable to successfully protect our rights or resolve intellectual property conflicts with others, our business or financial condition may be adversely affected.

Our ability to compete could be jeopardized if we are unable to protect our intellectual property rights or if we are sued for intellectual property infringement.

We use trademarks on nearly all of our products and believe that having distinctive marks that are readily identifiable is an important factor in creating a market for our goods, in identifying us, and in distinguishing our goods from the goods of others. We consider our Skechers® and S Design® trademarks to be among our most valuable assets and we have registered these trademarks in many countries. In addition, we own many other trademarks, which we utilize in marketing our products. We continue to vigorously protect our trademarks against infringement. We also have a number of design patents covering components and features used in various shoes. We believe that our success depends primarily upon skills in design, research and development, production and marketing rather than upon our patent position. However, we have followed a policy of filing applications for United States and foreign patents on designs that we deem valuable.

We believe that our patents and trademarks are generally sufficient to permit us to carry on our business as presently conducted. We cannot, however, know whether we will be able to secure patents or trademark protection for our intellectual property in the future or that protection will be adequate for future products. Further, we face the risk of ineffective protection of intellectual property rights in the countries where we source and distribute our products. We have been sued for patent and trademark infringement and cannot be sure that our activities do not and will not infringe on the proprietary rights of others. If we are compelled to prosecute infringing parties, defend our intellectual property, or defend ourselves from intellectual property claims made by others, we may face significant expenses and liability which could negatively impact our business or financial condition.

A decline in economic conditions or a natural disaster in California could increase our operating expenses or adversely affect our sales revenue.

A substantial portion of our operations are located in California, including 39 of our retail stores, our headquarters in Manhattan Beach and our domestic distribution center in Ontario. Because a significant portion of our net sales is derived from sales in California, a decline in the economic conditions in California, whether or not such decline spreads beyond California, could materially adversely affect our business. Furthermore, a natural disaster or other catastrophic event, such as an earthquake affecting California, could significantly disrupt our business. We may be more susceptible to these issues than our competitors whose operations are not as concentrated in California.

One principal stockholder is able to control substantially all matters requiring a vote of our stockholders and his interests may differ from the interests of our other stockholders.

As of November 11, 2002, Robert Greenberg, Chairman of the Board and Chief Executive Officer, beneficially owned 77.3% of the outstanding shares of our Class B common stock and members of Mr. Greenberg’s immediate family beneficially owned the remainder of the outstanding shares of our Class B common stock. The holders of shares of our Class A common stock and Class B common stock have identical rights except that holders of Class A common stock are entitled to one vote per share while holders of Class B common stock are entitled to ten votes per share on all matters submitted to a vote of our stockholders. As a result, as of November 11, 2002, Mr. Greenberg held approximately 70.6% of the aggregate number of votes eligible to be cast by our stockholders and together with shares held by other members of his immediate family held approximately 91.4% of the aggregate number of votes eligible to be cast by our stockholders. Therefore, Mr. Greenberg is able to control substantially all matters requiring approval by our stockholders. Matters that require the approval of our stockholders include the election of directors and the approval of mergers or other business combination transactions. Mr. Greenberg also has control over our management and affairs. As a result of such control, certain transactions are not possible without the approval of Mr. Greenberg, including, proxy contests, tender offers, open market purchase programs, or other transactions that can give our stockholders the opportunity to realize a premium over the then-prevailing market prices for their shares of our Class A common stock. The differential in the voting rights may adversely affect the value of our Class A common stock to the extent that investors or any potential future purchaser view the superior voting rights of our Class B common stock to have value.

Our charter documents and Delaware law may inhibit a takeover, which may cause a decline in the value of our stock.

Provisions of Delaware law, our certificate of incorporation, or our bylaws could make it more difficult for a third party to acquire us, even if closing such a transaction would be beneficial to our stockholders. Mr. Greenberg’s substantial beneficial ownership position, together with the authorization of preferred stock, the disparate voting rights between Class A common stock and Class B common stock, the classification of the Board of Directors and the lack of cumulative voting in our certificate of incorporation and bylaws, may have the effect of delaying, deferring or preventing a change in control, may discourage bids for our Class A common stock at a premium over the market price of the Class A common stock and may adversely affect the market price of the Class A common stock.

SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS AND REPORTS PREPARED

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 our revenues, earning, 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 would cause our 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. In addition, the risks included here are not exhaustive. Other sections of this report may include additional factors which could adversely impact our business and financial performance. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and we cannot predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Investors should also be aware that while we do, from time to time, communicate with securities analysts, we do not disclose any material non-public information or other confidential commercial information to them. Accordingly, individuals should not assume that we agree with any statement or report issued by any analyst, regardless of the content of the report. Thus, to the extent that reports issued by securities analysts contain any projections, forecasts or opinions, such reports are not our responsibility.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the potential loss arising from the adverse changes in market rates and prices, such as interest rates and foreign currency exchange rates. Changes in interest rates and, in the future, changes in foreign currency exchange rates have and will have an impact on our results of operations.

Interest rate fluctuations. At September 30, 2002, no amounts were outstanding that were subject to changes in interest rates, however, the interest rate charged on our line of credit facility is based on the prime rate of interest and changes in the prime rate of interest will have an effect on the interest charged on outstanding balances.

Foreign exchange rate fluctuations. We face market risk to the extent that changes in foreign currency exchange rates affect our non-U.S. dollar functional currency subsidiary's assets and liabilities. In addition, changes in foreign exchange rates may affect the value of our inventory commitments. Also, inventory purchases of our products may be impacted by fluctuations in the exchange rates between the U.S. dollar and the local currencies of the contract manufacturers, which could have the effect of increasing cost of goods sold in the future. The company manages these risks by primarily denominating these purchases and commitments in U.S. dollars. The company does not engage in hedging activities with respect to such exchange rate risks.

New Accounting Pronouncements

During July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 141, Business Combinations, and Statement No. 142, Goodwill and Other Intangible Assets. SFAS No. 141 requires that the purchase method be used for all business combinations initiated after June 30, 2001. SFAS No. 142 requires that goodwill no longer be amortized to earnings, but instead reviewed for impairment. The amortization of goodwill ceases upon adoption of SFAS No. 142. SFAS No. 142 is effective for fiscal years starting after December 15, 2001. The adoption of SFAS 141 and 142 did not have a material impact on our financial position or results of operations.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which addresses financial accounting and reporting for the impairment or disposal of long lived assets. While SFAS 144 supersedes SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," it retains many of the fundamental provisions of that statement. The standard is effective for fiscal years beginning after December 15, 2001. The adoption of the provisions of SFAS 144 did not have a material impact on our financial position or results of operations.

In December 2001, the EITF issued EITF No. 01-09, "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)." This EITF prescribes guidance regarding the timing of recognition and income classification of costs incurred for certain sales incentive programs to retailers and end consumers. The adoption of EITF No. 01-09 did not have a material impact on our financial position or results of operations.

On July 30, 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 146, Accounting for Costs Associated with Exit or Disposal Activities." SFAS 146 nullifies EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." It requires that a liability be recognized for those costs only when the liability is incurred, that is, when it meets the definition of a liability in the FASB's conceptual framework. SFAS No. 146 also establishes fair value as the objective for initial measurement of liabilities related to exit or disposal activities. SFAS 146 is effective for exit or disposal activities that are initiated after December 31, 2002, with earlier adoption encouraged. The Company does not expect that the adoption of SFAS 146 will have a material impact on its financial position or results from operations.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures

The term “disclosure controls and procedures” refers to the controls and procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Securities Exchange Act of 1934 (the “Exchange Act”) is recorded, processed, summarized and reported within required time periods. Within 90 days prior to the date of filing of this report (the “Evaluation Date”), we carried out an evaluation under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer of the effectiveness of our disclosure controls and procedures. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the Evaluation Date, such controls and procedures were effective in ensuring that required information will be disclosed on a timely basis in our periodic reports filed under the Exchange Act.

(b) Changes in internal controls

There were no significant changes to our internal controls or in other factors that could significantly affect our internal controls subsequent to the Evaluation Date.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS — Not Applicable

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS —

(c) In April 2002, the Company sold $90,000,000 principal amount of 4.50 percent convertible subordinated notes due April 15, 2007 (the “Notes”) in a 144A private placement to a qualified institutional investor (the “Initial Purchaser”) at 100% of their principal amount, less a selling discount to the Initial Purchaser of 4.25 percent of the principal amount.

Exemption from registration requirements is claimed under the Securities Act of 1933 (the “Securities Act”) in reliance on Section 4(2) of the Securities Act or Rule 506 of Regulation D promulgated thereunder. The Initial Purchaser had adequate access to information about the Company and represented to the Company that it was a qualified institutional investors within the meaning of Rule 144A under the Securities Act and that it offered the Notes, and will offer and sell the Notes, inside the United States only to persons whom it reasonably believes are “qualified institutional buyers” in accordance with Rule 144A. Appropriate legends were affixed to the certificates evidencing the Notes in such transaction.

The notes have a five-year term and are not callable for the first three years. At any time prior to maturity or redemption, the Notes are convertible into Class A common stock of the Company at a conversion price of $25.9680 per share (equivalent to a conversion rate of approximately 38.5089 shares per $1,000 principal amount of Notes), representing an initial conversion premium of 20 percent, for a total of 3,465,804 shares of Class A common stock of the Company.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES — Not Applicable

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS — None

ITEM 5. OTHER INFORMATION — Not Applicable

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

(a) Exhibits —

Exhibit 99.1 — Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K — The Company did not file any reports on Form 8-K during the quarterly period ended September 30, 2002.

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 13, 2002

/s/ David Weinberg

David Weinberg
Executive Vice President and
Chief Financial Officer

CERTIFICATIONS

I, Robert Greenberg, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Skechers U.S.A., Inc.

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 13, 2002

/s/ Robert Greenberg

Robert Greenberg
Chief Executive Officer

CERTIFICATIONS

I, David Weinberg, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Skechers U.S.A., Inc.

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

d) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

e) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

f) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

c) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

d) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 13, 2002

/s/ David Weinberg

David Weinberg
Executive Vice President
and Chief Financial Officer

Exhibit 99.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Skechers U.S.A, Inc. (the “Company”) on Form 10-Q for the quarter ending September 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned, in the capacities and on the date indicated below, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Robert Greenberg

Robert Greenberg
Chief Executive Officer
(Principal Executive Officer)
November 13, 2002

/s/ David Weinberg

David Weinberg
Chief Financial Officer
(Principal Financial and Accounting Officer)
November 13, 2002