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 JUNE 30, 2003

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 [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes [X] No [ ]

THE NUMBER OF SHARES OF CLASS A COMMON STOCK OUTSTANDING AS OF AUGUST 11, 2003: 18,726,539

THE NUMBER OF SHARES OF CLASS B COMMON STOCK OUTSTANDING AS OF AUGUST 11, 2003: 19,196,561

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

	June 30, 2003	December, 31 2002
ASSETS		
Current Assets:		
Cash	$ 41,530	$ 124,830
Trade accounts receivable, less allowances of $10,965 in 2003 and $8,498 in 2002	154,865	97,419
Due from officers and employees	909	617
Other receivables	6,538	7,144
Total receivables	162,312	105,180
Inventories	217,123	147,984
Prepaid expenses and other current assets	13,784	14,779
Deferred tax assets	703	703
Total current assets	435,452	393,476
Property and equipment, at cost, less accumulated depreciation and amortization	86,760	83,666
Intangible assets, at cost, less applicable amortization	2,299	356
Other assets	5,578	5,658
	$530,089	$ 483,156
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current installments of long-term borrowings	$ 3,046	$ 2,442
Accounts payable	127,360	88,578
Accrued expenses	12,815	15,696
Total current liabilities	143,221	106,716
4.50% convertible subordinated notes	90,000	90,000
Long-term borrowings, excluding current installments	27,659	27,204
Total long term debt	117,659	117,204
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; 18,575 and 18,369 shares issued and outstanding at June 30, 2003 and December 31, 2002, respectively	19	18
Class B Common Stock, $.001 par value; 60,000 shares authorized; 19,207 and 19,317 shares issued and outstanding at June 30, 2003 and December 31, 2002, respectively	19	19
Additional paid-in capital	103,731	102,109
Accumulated other comprehensive income	5,030	3,016
Retained earnings	160,410	154,074
Total stockholders' equity	269,209	259,236
	$530,089	$ 483,156

See accompanying notes to unaudited condensed consolidated financial statements.

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

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

	Three-Months Ended June 30, 2003	Three-Months Ended June 30, 2002
Net sales	$ 229,278	$ 256,652
Cost of sales	139,683	150,866
Gross profit	89,595	105,786
Royalty income, net	454	317
	90,049	106,103
Operating expenses:		
Selling	28,838	21,371
General and administrative	61,073	48,853
	89,911	70,224
Earnings from operations	138	35,879
Other income (expense):		
Interest, net	(2,438)	(2,565)
Other, net	(36)	483
	(2,474)	(2,082)
Earnings (loss) before income taxes	(2,336)	33,797
Income taxes (benefit)	(211)	12,539
Net earnings (loss)	$ (2,125)	$ 21,258
Net earnings (loss) per share:		
Basic	$ (0.06)	$ 0.57
Diluted	$ (0.06)	$ 0.52
Weighted average shares:		
Basic	37,782	37,119
Diluted	37,782	41,909

See accompanying notes to unaudited condensed consolidated financial statements.

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

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

	Six-Months Ended June 30,	
	2003	2002
Net sales	$437,871	$501,601
Cost of sales	257,958	293,291
Gross profit	179,913	208,310
Royalty income, net	725	425
	180,638	208,735
Operating expenses:		
Selling	46,458	40,062
General and administrative	118,159	98,485
	164,617	138,547
Earnings from operations	16,021	70,188
Other income (expense):		
Interest, net	(4,535)	(4,628)
Other, net	(350)	526
	(4,885)	(4,102)
Earnings before income taxes	11,136	66,086
Income taxes	4,800	24,550
Net earnings	$ 6,336	$ 41,536
Net earnings per share:		
Basic	$ 0.17	$ 1.12
Diluted	$ 0.17	$ 1.05
Weighted average shares:		
Basic	37,746	36,988
Diluted	38,042	40,187

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)

	Six-Months Ended June 30, 2003	Six-Months Ended June 30, 2002
Cash flows from operating activities:		
Net earnings	$ 6,336	$ 41,536
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization of property and equipment	10,375	8,569
Amortization of intangible assets	252	51
Provision for inventory	1,292	—
Provision for bad debts and returns	2,680	1,191
Amortization of convertible subordinated notes offering costs	383	159
(Gain) loss on disposal of equipment	(10)	6
Tax benefit of non-qualified stock options	21	2,540
(Increase) decrease in assets:		
Receivables	(59,259)	(67,787)
Inventories	(68,930)	18,677
Prepaid expenses and other current assets	1,047	6,006
Other assets	(254)	100
Increase in liabilities:		
Accounts payable	39,785	43,260
Accrued expenses	(3,025)	643
Net cash provided by (used in) operating activities	(69,307)	54,951
Cash flows used in investing activities-		
Acquisition of Canadian distributor	(2,344)	—
Purchase of intellectual property	(1,125)	—
Proceeds from the sale of fixed assets	16	—
Capital expenditures	(10,726)	(4,212)
Net cash used in investing activities	(14,179)	(4,212)
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	893	5,226
Net repayments of short-term borrowings	—	(84,175)
Repayments on long-term borrowings	(1,200)	(1,315)
Net cash provided by (used in) financing activities	(307)	5,911
Effects of exchange rates on cash	493	2,386
Net increase (decrease) in cash	(83,300)	59,036
Cash at beginning of period	124,830	15,554
Cash at end of period	$ 41,530	$ 74,590
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 4,425	$ 3,579
Income taxes	3,246	18,628

During the six months ended June 30, 2003, the Company issued 83,351 shares of Class A common stock to the Company’s 401k plan with a value of approximately $709,000. In addition, the Company acquired equipment aggregating $2,260,000 under capital lease obligations.

During the six months ended June 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, 2002 included in the Company's Annual Report on Form 10-K.

(2) BUSINESS SEGMENT INFORMATION

Business Segment Information

Skechers operations are organized along its distribution channels and consists of the following operating segments:

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 integrated retail formats. Our three distinct 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. The products offered in our concept stores are full price in season product and typically attract fashion conscious customers.

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. Our factory outlet stores are typically located in manufacturers direct outlet centers throughout the U.S.

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.

Detail segment information is provided in note 12.

(3) RECLASSIFICATIONS

Certain reclassifications have been made to prior year amounts to be consistent with the current year presentation.

(4) OTHER COMPREHENSIVE INCOME

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 USA Ltd., located in the United Kingdom, with a functional currency of the British Pound; Skechers USA Canada located in Canada, with a functional currency of the Canadian dollar; Skechers USA Iberia, SL located in Spain, Skechers USA Deutschland, GmbH located in Germany, Skechers USA France SAS located in France, Skechers EDC SPRL located in Belgium, Skechers USA Benelux BV located in the Netherlands, Skechers USA Italia srl, located in Italy, all with a functional currency of the Euro.

Total comprehensive income is as follows (in thousands):

	Three-Months Ended June 30,		Six-Months Ended June 30,	
	2003	2002	2003	2002
Net earnings (loss)	$ (2,125)	$ 21,258	$ 6,336	$ 41,536
Accumulated other comprehensive income (loss):				
Foreign currency translation adjustments	1,726	2,821	2,014	2,386
Total comprehensive income (loss)	$ (399)	$ 24,079	$ 8,350	$ 43,922

(5) EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share represents net earnings (loss) 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, the conversion of the Company's 4.50% Convertible Subordinated Notes for the period outstanding since their issuance in April 2002, if their effects are dilutive.

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

	Three-Months Ended June 30,		Six-Months Ended June 30,	
Basic earnings per share	2003	2002	2003	2002
Net earnings (loss)	$ (2,125)	$ 21,258	$ 6,336	$ 41,536
Weighted average common shares outstanding	37,782	37,119	37,746	36,988
Basic earnings (loss) per share	$ (0.06)	$ 0.57	$ 0.17	$ 1.12

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

	Three-Months Ended June 30,		Six-Months Ended June 30,	
Diluted earnings per share	2003	2002	2003	2002
Net earnings (loss)	$ (2,125)	$ 21,258	$ 6,336	$ 41,536
After-tax equivalent of interest expense on 4.50% convertible subordinated debt	—	554	—	554
Earnings (loss) for purposes of computing diluted earnings per share	$ (2,125)	$ 21,812	$ 6,336	$ 42,090
Weighted average common shares outstanding	37,782	37,119	37,746	36,988
Dilutive stock options	—	1,785	296	1,648
Weighted average assumed conversion of 4.50% convertible subordinated notes	—	3,005	—	1,551

Diluted earnings per share	Three-Months Ended June 30, 2003	2002	Six-Months Ended June 30, 2003	2002
Weighted average common shares outstanding	37,782	41,909	38,042	40,187
Diluted earnings (loss) per share	$ (0.06)	$ 0.52	$ 0.17	$ 1.05

There were 5,480,484 and 301,500 options outstanding that were not included in the computation of diluted earnings per share for the three-month period ended June 30, 2003 and 2002, respectively. There were 3,979,571 and 310,000 options outstanding that were not included in the computation of diluted earnings per share for the six-month period ended June 30, 2003 and 2002, 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. The effects of the 4.50% convertible notes were excluded from the calculation of earnings (loss) per share for the three and six months ended June 30, 2003, since they were anti-dilutive.

(6) STOCK COMPENSATION

Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," encourages, but does not require companies to record compensation cost for stock-based employee compensation plans at fair value. The Company has chosen to continue to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Accordingly, compensation cost for stock options is measured as the excess, if any, of the quoted market price of the Company's stock at the date of grant over the amount an employee must pay to acquire the stock. Had the Company's stock option and stock purchase plan been accounted for under SFAS No.123, net income (loss) and earnings (loss) per share would have been reduced to the following pre-forma amounts (in thousands, except per share data):

	Three-Months Ended June 30, 2003	2002	Six-Months Ended June 30, 2003	2002
Net earnings (loss), as reported	$ (2,125)	$ 21,258	$ 6,336	$ 41,536
Deduct total stock-based employee compensation expense under fair value- based method for all awards , net of tax	(247)	(639)	(1,604)	(2,110)
Pro forma net earnings (loss) for basic pro forma earnings per share	$ (2,372)	$ 20,619	$ 4,732	$ 39,426
Add back interest on 4.50% debentures, net of tax	—	554	—	554
Pro forma net earnings (loss) for diluted pro forma earnings (loss) per share	$ (2,372)	$ 21,173	$ 4,732	$ 39,980
Pro forma net earnings (loss) per share:				
Basic	$ (0.06)	$ 0.56	$ 0.13	$ 1.07
Diluted	$ (0.06)	0.51	0.12	0.99
Weighted shares				
Weighed average	37,782	37,119	37,746	36,988
Diluted	37,782	41,909	38,042	40,187

In connection with the exercise of options, the Company realized income tax benefits of $21,000 and $ 2,540,000 during the six months ended June 30, 2003 and 2002, respectively, which have been credited to additional paid-in capital.

(7) INTANGIBLE ASSETS

SFAS No. 142, "Goodwill and Other Intangible Assets," eliminates the requirement to amortize goodwill and indefinite-lived intangible assets, requiring instead that those assets be measured for impairment at least annually, and more often when events indicate that impairment exists. Intangible assets with finite lives will continue to be amortized over their useful lives. Intangible assets as of June 30, 2003 and December 31, 2002 are as follows (in thousands):

	June 30, 2003	December 31, 2002
Intellectual property	$ 1,125	$ —
Other intangibles	1,070	—
Trademarks	451	451
Less accumulated amortization	(347)	(95)
	$ 2,299	$ 356

(8) 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.

(9) 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 (4.0% at June 30, 2003) 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 June 30, 2003 were $8.7 million. Available borrowings under the line of credit at June 30, 2003 were $193.9 million and no amounts were outstanding at June 30, 2003. The Company pays an unused line of credit fee of 0.25% 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 June 30, 2003.

(10) LITIGATION

On November 7, 2002, Fortune Dynamic asserted counterclaims against Skechers in an action captioned SKECHERS USA, INC. et al. v. STEVEN MADDEN LTD., RSV SPORT INC. and FORTUNE DYNAMIC, INC. that Skechers had commenced in the United States District Court for the Central District of California (Case No. 02-07766 PA) asserting claims for, inter alia, patent infringement, dilution and unfair competition. Fortune Dynamics' counterclaims allege violations of the federal antitrust laws, breach of contract, interference with economic relations and unfair competition. The parties have settled all claims and counterclaims, settlement documents have been executed and the matters dismissed. The terms of the settlements are confidential. The terms will not have a material effect on Skechers' financial position or results of operations.

On December 2, 2002, a class action complaint entitled OMAR QUINONES v. SKECHERS USA, INC. et al. was filed in the Superior Court for the State of California for the County of Orange (Case No. 02CC00353). The complaint, as amended, alleges overtime and related violations of the California Labor Code on behalf of managers of Skechers' retail stores and seeks, inter alia, damages and restitution, as well as injunctive and declaratory relief. On February 25, 2003, another related class action complaint entitled MYRNA CORTEZ v. SKECHERS USA, INC. et al. was filed in the Superior Court for the State of California for the County of Los Angeles (Case No. BC290932) asserting similar claims and seeking similar relief on behalf of assistant managers. While it is too early in the litigation to predict the outcome of the claims against Skechers, Skechers believes that it has meritorious defenses to the claims asserted in both class actions and intends to defend against those claims vigorously. Further, Skechers is unable to determine the extent, if any, of any liability however, and does not believe that an adverse result would have a material effect on Skechers' financial position or results of operations.

On December 23, 2002, a complaint captioned BRITNEY BRANDS, INC. v. SKECHERS USA, INC. was filed against Skechers in the United States District Court for the Central District of California (Case No. 02-9774 AHM). The claims and counterclaims have been settled, the parties have documented the settlement and are circulating the final draft for execution. The terms are confidential and did not have a material effect on Skechers' financial position or results of operations.

On February 6, 2003, a complaint captioned ADIDAS AMERICA, INC. and ADIDAS-SALOMON AG v. SKECHERS USA, INC. et al. was filed against Skechers in the United States District Court for the District of Oregon (Case No. CV 03-170 KI). The complaint alleges claims for trademark infringement, trademark dilution, unfair competition and deceptive trade practices arising out of Skechers' alleged use of marks confusingly similar to Adidas' three stripe mark. The lawsuit seeks, inter alia, compensatory, treble and punitive damages, as well as injunctive relief. While it is too early in the litigation to predict the outcome of the claims against Skechers, Skechers believes that it has meritorious defenses to the claims asserted by Adidas and intends to defend against those claims vigorously. Further, Skechers does not believe that an adverse result would have a material effect on Skechers' financial position or results of operations.

On March 25, 2003, a class action complaint captioned HARVEY SOLOMON v. SKECHERS USA, INC. et al. was filed against Skechers and certain of its officers and directors in the United States District Court for the Central District of California (Case No. 03-2094 DDP). The complaint alleges violations of the federal securities laws and breach of fiduciary duty on behalf of persons who purchased publicly traded securities of Skechers between April 3, 2002 and December 9, 2002. The complaint seeks compensatory damages, interest, attorneys' fees, and injunctive and equitable relief. While it is too early to predict the outcome of the litigation, the Company believes the suit is without merit and intends to vigorously defend against the claims.

On April 2, 2003, a class action complaint captioned CHARLES ZIMMER v. SKECHERS USA, INC. et al. was filed against Skechers and certain of its officers and directors in the United States District Court for the Central District of California (Case No. 03-2296 PA). The complaint alleges violations of the federal securities laws on behalf of persons who purchased publicly traded securities of Skechers between April 3, 2002 and December 9, 2002. The complaint seeks compensatory damages, interest, costs, and injunctive and equitable relief. While it is too early to predict the outcome of the litigation, the Company believes the suit is without merit and intends to vigorously defend against the claims.

On April 15, 2003, a class action complaint captioned MARTIN H. SIEGEL v. SKECHERS USA, INC. et al. was filed against Skechers and certain of its officers and directors in the United States District Court for the Central District of California (Case No 03-2645 RMT). The complaint alleges violations of the federal securities laws and breach of fiduciary duty on behalf of persons who purchased publicly traded securities of SKECHERS between April 3, 2002 and December 9, 2002. The complaint seeks compensatory damages, interest, attorneys' fees, and injunctive and equitable relief. While it is too early to predict the outcome of the litigation, the Company believes the suit is without merit and intends to vigorously defend against the claims.

On May 6, 2003, a class action complaint captioned ADAM D. SAPHIER v. SKECHERS USA, INC. et al. was served on Skechers and certain of its officers and directors in the United States District Court for the Central District of California (Case No. 03-3011 FMC). The complaint alleges violations of the federal securities laws on behalf of persons who purchased publicly traded securities of SKECHERS between April 3, 2002 and December 9, 2002. The complaint seeks compensatory damages, interest, attorneys' fees and injunctive and equitable relief. While it is too early to predict the outcome of the litigation, the Company believes the suit is without merit and intends to vigorously defend the suit.

On May 9, 2003, a class action complaint captioned LARRY L. ERICKSON v. SKECHERS USA, INC. et al. was served on Skechers and certain of its officers and directors in the United States District Court for the Central District of California (Case No. 03-3101 SJO). The complaint alleges violations of the federal securities laws and breach of fiduciary duty on behalf of persons who purchased publicly traded securities of SKECHERS between April 3, 2002 and December 9, 2002. The complaint seeks compensatory damages, interest, attorneys' fees and injunctive and equitable relief. While it is too early to predict the outcome of the litigation, the Company believes the suit is without merit and intends to vigorously defend the suit.

In July 2003, the court in the five federal securities class actions above, all pending in the United States District Court for the Central District of California, has ordered the case consolidated and a consolidated complaint to be filed and served within sixty days, by on or about September 16, 2003.

On April 3, 2003, a shareholder derivative complaint captioned BRADFORD MITCHELL v. JEFFREY GREENBERG et al. was filed against Skechers and certain of its officers in the Superior Court of the State of California, Los Angeles County (Case No. BC 293317). The complaint alleges violations of California Corporation Code § 25402 and breach of fiduciary duty. The complaint seeks treble damages, imposition of a constructive trust, and costs. While it is too early to predict the outcome of the litigation, the Company believes the suit is without merit and intends to vigorously defend against the claims.

On April 3, 2003, a shareholder derivative complaint captioned GEORGIA MANOLAS v. JEFFREY GREENBERG et al. was filed against Skechers and certain of its officers in the Superior Court of the State of California, Los Angeles County (Case No. BC293388). The complaint alleges violations of California Corporation Code § 25402 and breach of fiduciary duty. The complaint seeks treble damages, imposition of a constructive trust, and costs. While it is too early to predict the outcome of the litigation, the Company believes the suit is without merit and intends to vigorously defend against the claims.

On April 8, 2003, a shareholder derivative complaint captioned JEFF GRAVITTER v. ROBERT Y. GREENBERG was filed against Skechers and certain of its officers in the Superior Court of the State of California, Los Angeles County (Case No. BC293561). The complaint alleges violations of California Corporation Code § 25402, breach of fiduciary duty, abuse of control, gross mismanagement, waste of corporate assets and unjust enrichment. The complaint seeks compensatory damages, treble damages, disgorgement of profits, imposition of a constructive trust, equitable and injunctive relief, and costs. While it is too early to predict the outcome of the litigation, the Company believes the suit is without merit and intends to vigorously defend against the claims.

On July 11, 2003 MG Footwear Inc., commenced a lawsuit against Skechers in the United States District Court for the District of New Jersey, MG FOOTWEAR, LLC v. SKECHERS USA, INC., Case No. 03-3252 (DMC), alleging inducement of breach of contract and interference with contractual relations between MG Footwear and Yakira, LLC. The suit seeks fifty million dollars in punitive damages. The matter was just served and the Company has not yet answered. The Company plans on defending the allegations vigorously and believes the claims are totally without merit. Nonetheless, it is way too early to predict the outcome and predict whether the outcome will have an adverse impact on the results of Company operations or financial results.

We occasionally become involved in litigation arising from the normal course of business, with respect to the above cases, we are unable to determine the extent of any liability that may arise. Other than the foregoing, we have no reason to believe that any liability with respect to pending legal actions, individually or in the aggregate, will have a material adverse effect on our business, financial condition or results of operation.

(11) STOCKHOLDERS' EQUITY

During the three and six months ended June 30, 2003, certain Class B stockholders converted 0 and 111,056 shares of Class B common stock into an equivalent number of Class A common stock, respectively.

(12) SEGMENT INFORMATION

In accordance with the requirement of SFAS 131, "Disclosures about Segments of an Enterprise and Related Information," the Company's reportable business segments and respective accounting policies of the segments are the same as described in Note 2. The only reportable segment in which the total assets or total net sales exceeds the quantitative thresholds established by SFAS No. 131 is the domestic wholesale segment. Accordingly, all other segments have been combined for this presentation. Management evaluates segment performance based primarily on revenue and gross margins.

All costs and expenses of the Company are analyzed on an aggregate basis and these costs are not allocated to the Company's segments. The vast majority of the Company's capital expenditures related to the retail operations both domestically and internationally. Net sales and gross margins for the domestic wholesale segment and the other segments on a combined basis were as follows (in thousands).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Net sales				
Domestic wholesale	$ 158,772	$ 188,542	$306,069	$373,391
All other	70,506	68,110	131,802	128,210
	$ 229,278	$ 256,652	$437,871	$501,601
Gross profit				
Domestic wholesale	$ 55,018	$ 73,382	$113,459	$146,470
All other	34,577	32,404	66,454	61,840
	$ 89,595	$ 105,786	$179,913	$208,310

	June 30, 2003	December 31, 2002
Assets		
Domestic wholesale	$412,349	$ 328,080
All other	117,740	155,076
	$530,089	$ 483,156

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

This quarterly report on 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, 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 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.

Risks and uncertainties that could affect our actual results and could cause such results to differ materially from those forward-looking statements made by or on behalf of Skechers 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 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 months or six months ended June 30, 2003 and 2002.

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 (in thousands):

	Three-Months Ended June 30,				Six-Months Ended June 30,			
	2003		2002		2003		2002	
Net sales	$229,278	100.0%	$256,652	100.0%	$437,871	100.0%	$501,601	100.0%
Cost of sales	139,683	60.9	150,866	58.8	257,958	58.9	293,291	58.5
Gross profit	89,595	39.1	105,786	41.2	179,913	41.1	208,310	41.5
Royalty income, net	454	0.2	317	0.1	725	0.1	425	0.1
	90,049	39.3	106,103	41.3	180,638	41.2	208,735	41.6
Operating expenses:								
Selling	28,838	12.6	21,371	8.3	46,458	10.6	40,062	8.0
General and administrative	61,073	26.6	48,853	19.0	118,159	27.0	98,485	19.6
	89,911	39.2	70,224	27.3	164,617	37.6	138,547	27.6
Earnings from operations	138	0.1	35,879	14.0	16,021	3.6	70,188	14.0
Interest expense, net	(2,438)	(1.1)	(2,565)	(1.0)	(4,535)	(1.0)	(4,628)	(0.9)
Other, net	(36)	—	483	0.2	(350)	—	526	0.1
Earnings (loss) before income taxes	(2,336)	(1.0)	33,797	13.2	11,136	2.6	66,086	13.2
Income taxes	(211)	(0.1)	12,539	4.9	4,800	1.1	24,550	4.9
Net earnings (loss)	$ (2,125)	(0.9)%	$ 21,258	8.3%	$ 6,336	1.5%	$ 41,536	8.3%

THREE MONTHS ENDED JUNE 30, 2003 COMPARED TO THREE MONTHS ENDED JUNE 30, 2002

Net Sales

Net sales for the three months ended June 30, 2003 were $229.3 million, a decrease of 10.7% when compared to $256.7 million for the three months ended June 30, 2002. The decrease in net sales was due to reduced domestic wholesale segment sales, which decreased 15.8% to $158.8 million for the three months ended June 30, 2003, from $188.5 million during the three months ended June 30, 2002. Domestic wholesale sales volume decreased 1.5% to 9.36 million pairs during the three months ended June 30, 2003 when compared to 9.50 million pairs during the same three months in 2002. The average price per pair for the domestic wholesale sales segment for the three months ended June 30, 2003 decreased 14.5% to $16.97 from $19.85 per pair during the three months ended June 30, 2002. Sales reductions during the three months ended June 30, 2003 were noted in Women's Sport, Kids, and Men's USA, partially offset by increases in Men's Sport, Somethin' Else from Skechers, our junior women's line, and the new Work line launched in the third quarter of 2002.

Our other segment sales consist of international wholesale sales, distributor sales, international and domestic retail sales, and e-commerce sales. Our direct international wholesale sales increased 13.5% primarily from the expansion of our direct selling efforts into Canada, Spain, and the Benelux region since June 30, 2002. Our distributor sales decreased 10.3% during the three months ended June 30, 2003, compared to the three months ended June 30, 2002, the decrease was primarily related to reduced sales into Japan, Taiwan, and South America offset by smaller increases into various other smaller countries. Our international retail sales increased 66.5% during the three months ended June 30, 2003 compared to the same three months in 2002, due to the addition of two stores, in Spain and Canada. To date we have opened two international retail stores, and we currently anticipate opening four additional international retail stores during the remainder of our fiscal year ending December 31, 2003.

Our domestic retail sales increased 8.2% due to the addition of 18 stores since July 1, 2002. The store additions consist of eight concept, four outlet, and six warehouse. Through the six months ended June 30, 2003, we have opened ten domestic retail stores. We currently estimate that we will open an additional 10-15 stores during the remainder of our fiscal year ending December 31, 2003.

The ongoing political and economic environment coupled with a difficult retail environment in which consumers are spending less, or are pursuing discounted or sale priced items, has adversely impacted our sales during 2003. As such, we currently anticipate that sales for the third quarter ended September 30, 2003 to be approximately $205 to $215 million compared to $261.1 million for the three months ended September 30, 2002.

Gross Profit

Gross profit for the three months ended June 30, 2003 was $89.6 million compared to $105.8 million for the three months ended June 30, 2002. Gross margin was 39.1% for the three months ended June 30, 2003 compared to 41.2% for the same period in 2002. The decrease in gross margin was primarily due to reduced margins in our domestic wholesale segment, which were 34.7% for the three months ended June 30, 2003 compared to 37.1% in the same period of 2002. The decrease in domestic wholesale margin was due to a 14.5% reduction in the average price per pair sold, a higher level of clearance product sold, aggressive pricing strategies to reduce our inventory levels, and a higher overall level of discounts and allowances to increase sell throughs at the retail level, when compared to the same period in 2002. Offsetting the margin decrease from the domestic wholesale segment were increased margins in our international wholesale and retail distribution channels and domestic retail, which has higher gross margins than the domestic wholesale segment, becoming a larger part of total net sales.

During the fourth quarter of 2002 and continuing through the second quarter of 2003, we significantly increased our commitment to inventory to take advantage of our anticipated level of at once orders during 2003. However, our at once orders have not achieved the levels that we had anticipated resulting in higher than expected inventory levels. In order to reduce our inventory, we will continue our aggressive pricing strategy and accommodative stance with our wholesale accounts in order to increase retail sell-throughs, this coupled with a recent increase in cargo costs, will put continued pressure on our domestic wholesale segment margins during the three months ended September 30, 2003, and possibly the fourth quarter ended December 31, 2003, from those realized during the second quarter ended June 30, 2003 of 34.7%.

Selling Expenses

Selling expenses for the three months ended June 30, 2003 were $28.8 million compared to $21.4 million for the same three-month period in 2002. Selling expenses as a percentage of net sales was 12.6% for the three months ended June 30, 2003 compared to 8.3% for the three months ended June 30, 2002. The increase in selling expenses was primarily due to increased advertising and promotional costs offset by lower sales commissions and trade show expenses. Advertising expense as a percentage of net sales for the three months ended June 30, 2003 was 10.5% compared to 6.6% for the three months ended June 30, 2002. The increase in advertising expenses was due to Easter taking place in April in 2003 as compared to March in the prior year, and the increase in the number of international and domestic media print ads and the development of a new kids television commercial that aired on both regular and cable television to drive demand at the retail level in order to reduce our inventory levels. The increase in advertising expenses during the three months ended June 30, 2003 was approximately $7.1 million over the spending levels during the three months ended June 30, 2002.

Advertising expense as a percent of net sales was 10.5% for the three months ended June 30, 2003 compared to 6.6% for the same three-month period in 2002. Advertising expense of 10.5% of net sales is at the higher end of our usual spend of approximately 8%-10% of net sales. We currently anticipate that our advertising expenses for the three months ended September 30, 2003 will be approximately 6%-8% of net sales, although, actual advertising percent of net sales may differ if our currently anticipated sales levels are not achieved.

General and Administrative Expenses

General and administrative expenses were $61.1 million during the three months ended June 30, 2003 compared to $48.9 million for the three months ended June 30, 2002. General and administrative expenses for the three months ended June 30, 2003 were 26.6% of net sales compared to 19.0% for the same three-month period in 2002. The increase in general and administrative expenses were due to additional salaries, wages, benefits and related taxes of $4.8 million, rent of $2.5 million, depreciation of $1.2 million, and insurance of $1.0 million, all of which increased due to the addition of 18 domestic and four international retail stores, establishment of subsidiaries in Canada, the Benelux Region, Italy and our distribution center in Belgium.

Since fiscal 2001 through the recently completed quarter with our investment in Italy, we have invested in our international expansion with the establishment of international subsidiaries, and showrooms to present our products to prospective accounts, sales and administrative staff to support our international sales, and most significantly with our distribution center in Belgium, to distribute product to our international customers. Given the level of investment in our infrastructure, many of our costs are fixed in the short term, hence when sales decline we realize a deleveraging of our expenses. We realized a deleveraging of our cost structure during the three months ended June 30, 2003, and based on current estimates, we expect a certain level of deleveraging during the third quarter ending September 30, 2003, as we currently expect sales to be $205 to $215 million compared to $261.1 million during the three months ended September 30, 2002. Management continually reviews our expense structure in order to achieve cost savings and efficiency in our operations.

Interest Expense

Interest expense for the three months ended June 30, 2003 was $2.4 million consistent with interest expense for the three months ended June 30, 2002 of $2.6 million.

Other Income, Net

Other income, net was an expense of $36,000 compared to income of $483,000 for the three months ended June 30, 2002, the decrease was due to decreased rent revenue earned from leasing office space at one of our corporate headquarters and reduced legal settlements.

Income Taxes

The income tax provision for the three months ended June 30, 2003 was a benefit of $211,000. The benefit was adversely affected by approximately $800,000 to adjust the tax provision to the current projected annual tax rate of 43.1%, which is higher than the rate projected for the three months ended March 31, 2003. The increase in the effective tax rate is due to a reduction in the tax benefits provided by our international structure as a result of current lower estimated annual profits from our international operations.

SIX MONTHS ENDED JUNE 30, 2003 COMPARED TO SIX MONTHS ENDED JUNE 30, 2002

Net Sales

Net sales for the six months ended June 30, 2003 were $437.9 million compared to $501.6 million for the six months ended June 30, 2002. The decrease in net sales was due to the decrease in domestic wholesale segment sales, which decreased 18.0% to $306.1 million from $373.4 million for the six months ended June 30, 2002. The decrease was the result of both reduced sales volume and a reduction in the average price per pair. Domestic wholesale segment volume decreased 8.6% to 17.98 million pairs from 19.68 million pairs during the three months ended June 30, 2002, while the average sales per pair deceased 10.3% to $17.02 from $18.97 during the six months ended June 30, 2002. The decrease in sales came from reductions in the Sport and USA lines, offset by increases in Somethin' Else from Skechers and sales generated from our new Work Line launched in the third quarter 2002.

Our other segment sales consist of international wholesale sales, distributor sales, and international and domestic retail sales, and e-commerce sales. Our direct international wholesale sales increased 12.6% during the six months ended June 30, 2003 compared to the same six-month period in 2002, due to increased demand in Germany and France, and the expansion of our direct sales into Spain, Canada, and the Benelux Region. Our distributor sales decreased 12.5% during the six months ended June 30, 2003, when compared to the six months ended June 30, 2002, due primarily to decreases in Japan and various South American countries. Our international retail store sales increased 57.6% during the six months ended June 30, 2003 compared to the same period in 2002, due to additional stores added in Canada, Spain and the United Kingdom. Our domestic retail sales increased 7.5% during the six months ended June 30, 2003, when compared to the comparable period in 2002, due to the addition of 18 stores since the July 1, 2002.

Gross Profit

Gross profit for the six months ended June 30, 2003 was $179.9 million compared to $208.3 million for the six months ended June 30, 2002. Gross margin was 41.1% for the six months ended June 30, 2003, compared to 41.5% for the same period in 2002. The decrease in gross margin was due to reduced margins in the domestic wholesale segment, which were to 37.1% during the six months ended June 30, 2003, compared to 39.2% for the six months ended June 30, 2002. The decrease was due to discounts and allowances provided to our wholesale accounts to increase demand at the retail level and to an increased level of closeout product sales, primarily in the second quarter ended June 30, 2003. Offsetting the decrease in domestic wholesale margins were increased margins from our international wholesale and retail operations and domestic retail operations, which make up a larger portion of total net sales during the six months ended June 30, 2003 when compared to the six months ended June 30, 2002.

Selling Expenses

Selling expenses for the six months ended June 30, 2003 were $46.5 million compared to $40.1 million for the six months ended June 30, 2002. Selling expense as a percentage of sales was 10.6% during the six months ended June 30, 2003 compared to 8.0% during the six months ended June 30, 2002. The increase in selling expenses was due to increased advertising and promotional costs, increased tradeshow expenses, both of which were offset by reduced sales commissions. Advertising expense as a percentage of net sales was 8.5% for the six months ended June 30, 2003 compared to 6.1%, which represents an increase of $6.5 million. The increase in advertising expense was spread amongst the various international, wholesale and retail operations in order to drive consumer demand for our product and relieve inventory levels.

General and Administrative Expenses

General and administrative expenses for the six months ended June 30, 2003 were $118.2 million compared to $98.5 million for the six months ended June 30, 2002. As a percentage of net sales, general and administrative expenses were 27.0% for the six months ended June 30, 2003, compared to 19.6% for the six months ended June 30, 2002. The increase in general and administrative expenses was due to increased salaries, wages, benefits and related taxes of $7.4 million, increased rent of $4.3 million, additional depreciation of $1.8 million and additional insurance of $1.3 million. These increases were the result of the addition of 18 domestic retail and four international retail stores, establishing our international subsidiaries in Canada, Spain, Italy, and our European distribution center in Belgium. As a result of our expansion efforts, many of our operating expenses are fixed in the short term, and unless we achieve a high enough level of sales, our general and administrative expenses deleverage and have an impact on our operating margins. We have realized a certain level of deleveraging of our expenses during the six months ended June 30, 2003.

Interest Expense

Interest expense was $4.5 million for the six months ended June 30, 2003 comparable to $4.6 million of interest expenses during the six months ended June 30, 2002. Interest expense is derived from our 4.50% convertible notes and our capital lease obligations.

Other Income, Net

Other income, net was a net expense of $351,000 for the six months ended June 30, 2003 compared to income of $526,000 for the six months ended June 30, 2002. The decrease was primarily due to a reduction of rent revenue from the leasing of office space at one of our corporate offices. We anticipate that rent revenue will decrease as tenant leases expire.

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 six months ended June 30, 2003 was 43.1% compared to 37.1% for the six months ended June 30, 2002. The increase in the effective tax rate is due to a reduction in the tax benefits provided by our international structure as a result of current lower estimated annual profits from our international operations.

LIQUIDITY AND CAPITAL RESOURCES

Our working capital at June 30, 2003 was $292.2 million, an increase of $5.4 million from working capital of $286.8 million at December 31, 2002. Our cash and cash equivalents at June 30, 2003 were $41.5 million compared to $124.8 million at December 31, 2002. During the six months ended June 30, 2003, we used $69.3 million in cash for our operating activities compared to cash provided by operating activities of $55.0 million for the six months ended June 30, 2002. The net use of cash from operating activities during the six months ended June 30, 2003, compared to the same period in 2002, was due to our continued investment in inventory, of $67.6 million, resulting from our at once orders not achieving the levels we anticipated during the second quarter ended June 30, 2003, and from the timing of product shipped from our manufacturers increasing our in-transit inventory, and increased receivables of $59.3 million reflecting the normal seasonality of our business in which June reflects the highest sales volume during the second quarter. The other factors impacting operating cash flows were reduced earnings of $35.2 million and the reduction of our accrued expenses.

Net cash used in investing activities was $14.2 million for the three months ended June 30, 2003, compared to $4.2 million during the six months ended June 30, 2002. Capital expenditures incurred to date consist primarily of domestic retail store additions of $6.5 million, and equipment and leasehold improvements at our international subsidiaries and retail stores and Belgium distribution center of $2.8 million. To date, we have opened 15 domestic and 3 international retail stores, and currently anticipate opening 30-35 stores in total during fiscal 2003. We currently expect our total company capital expenditures for the year ending December 31, 2003 to be approximately $25-$30 million. In addition, we spent $2.3 million related to the acquisition of our Canadian distributor, of which $1.3 million related to the repurchase of inventory. We initiated our direct selling efforts in Canada during the three months ended March 31, 2003.

Net cash used in financing activities was $307,000 during the six months ended June 30, 2003, compared to net cash provided by financing activities of $5.9 million during the six months ended June 30, 2002. The net cash used by financing activities was due to reduced short-term borrowings, which were repaid in April 2002 with a portion of the proceeds from the issuance of our convertible notes, and, to lesser extent, reduced cash provided from the exercise of stock options.

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, and commenced on 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.

Our line of credit facility, as amended on July 12, 2002, provides for borrowings of up to $200.0 million based upon eligible accounts receivable and inventories. Borrowings bear interest at the prime rate (4.00% at June 30, 2003) 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 June 30, 2003 were $8.7 million. Available borrowings under the line of credit at June 30, 2003 were $193.9 million and no amounts were outstanding at June 30, 2003. We pay an unused line of credit fee of 0.25% 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. We were in compliance with these covenants at June 30, 2003.

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 2003. 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.

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 three months ending June 30, 2003, 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 the other information in this quarterly report on Form 10-Q, the following factors should be considered in evaluating us and our business.

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, our net sales for 2002 and the first quarter of 2003 were lower than anticipated. This lower level of sales adversely affected our operating results for 2002 and first quarter 2003 and could continue to do so for the remainder of 2003 and beyond.

ECONOMIC, POLITICAL, MILITARY OR OTHER EVENTS IN THE UNITED STATES OR 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 terrorist attacks disrupted commerce throughout the United States and other parts of the world. The continued threat of similar attacks throughout the world and the military action, or possible military action, taken by the United States and other nations, in Iraq or other countries 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 or delays in shipping, 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.

During 2002, our net sales to our five largest customers accounted for approximately 25.4% of total net sales. No one customer accounted for 10.0% or more of our net sales during 2002. As of December 31, 2002, no one customer accounted for more than 10% 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

December 31, 2001 or 2002. 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. During 2002, the top four manufacturers of our manufactured products produced approximately 53.8% of our total purchases. One manufacturer accounted for 22.7% of total purchases for the year ended December 31, 2002 and no one manufacturer accounted for more than 20% of total purchases for the year ended December 31, 2001. 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 during 2002 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 non-tariff 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. Uncertainty regarding the short-term and long-term effects of the severe acute respiratory syndrome ("SARS") crisis, specifically in China, and throughout the Far East, could severely interfere with the manufacture of our products, which 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 ANY 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, some or a substantial number of new stores could be opened in regions of the United States in which we currently have few or no stores. Any 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 that any 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 terrorist attacks, the anticipated war with Iraq, 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 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 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 shares.

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 shares.

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 shares.

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 U.S.

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 U.S. 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 U.S. We may face significant expenses and liability in connection with the protection of our intellectual property rights outside the U.S. 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 and a limited number of utility 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 and technologies 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.

ENERGY SHORTAGES, NATURAL DISASTERS OR A DECLINE IN ECONOMIC CONDITIONS IN CALIFORNIA COULD INCREASE OUR OPERATING EXPENSES OR ADVERSELY AFFECT OUR SALES REVENUE.

A substantial portion of our operations are located in California, including 40 of our retail stores, our headquarters in Manhattan Beach and our domestic distribution center in Ontario. Because California has and may in the future experience energy and electricity shortages, we may be subject to increased operating costs as a result of higher electricity and energy rates and may be subject to rolling blackouts which could interrupt our business. Any such impact could be material and adversely affect our profitability. In addition, 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 August 12, 2003, Robert Greenberg, Chairman of the Board and Chief Executive Officer, beneficially owned 77.2% of our outstanding Class B common shares and members of Mr. Greenberg's immediate family beneficially owned the remainder of our outstanding Class B common shares. The holders of Class A common shares and Class B common shares have identical rights except that holders of Class A common shares are entitled to one vote per share while holders of Class B common shares are entitled to ten votes per share on all matters submitted to a vote of our stockholders. As a result, as of August 12, 2003, Mr. Greenberg held approximately 70.3% 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 91.1% 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 shares. The differential in the voting rights may adversely affect the value of our Class A common shares to the extent that investors or any potential future purchaser view the superior voting rights of our Class B common shares 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 the Class A common shares and Class B common shares, 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 shares at a premium over the market price of the Class A common shares and may adversely affect the market price of the Class A common shares.

SPECIAL NOTE ON FORWARD LOOKING STATEMENTS AND REPORTS PREPARED BY ANALYSTS

This quarterly report on 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, 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 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 June 30, 2003, 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. No amounts are currently outstanding.

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 foreign 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

In June 2001, the FASB issued Statement of Financial Accounting Standards No. 143, ("SFAS 143"), *"Accounting for Asset Retirement Obligations"*. SFAS No. 143 requires the Company to record the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or the normal operation of a long-lived asset, except for certain obligations of leases. The adoption of SFAS 143 did not have a material impact on the Company's financial statements.

In July 2002, the FASB issued Statement of Financial Accounting Standards No. 146, ("SFAS 146"), "*Accounting for Costs Associated with Exit or Disposal Activities"*. SFAS No. 146 addresses the accounting and reporting for costs associated with exit disposal activities and nullifies Emerging Issues Task Force (EITF) Issue 94-3, "*Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity"*. It also substantially nullifies EITF Issue No. 88-10, "*Costs Associated with Lease Modification or Termination*." The provisions of this Statement are effective for exit or disposal activities that are initiated after December 31, 2002, with early application encouraged. The adoption of SFAS 146 did not have a material impact on the Company's financial statements.

In November 2002, the FASB issued FASB Interpretation No. 45 ("FIN"), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Other". This interpretation clarifies the requirements of a guarantor in accounting for and disclosing certain guarantees issued and outstanding. This interpretation is effective for fiscal years ending after December 15, 2002. The adoption of FIN 45 did not have a material impact on the Company's financial statements.

In November 2002, the EITF published Issue No. 02-16, "*Accounting by a Customer (including a Reseller) for Certain Consideration Received from a Vendor*". EITF No. 02-16 addresses how a reseller of a vendor's products should account for cash consideration received from a vendor. Rebates, reimbursements, incentives or the like received from suppliers should be accounted for under EITF 02-16. Rebates or refunds of a specified amount of cash consideration that is exchanged pursuant to a binding arrangement, only if the reseller completes a specified cumulative level of purchases or remains a reseller of the vendor's products for a specified time period, should be recognized as a reduction of the cost of sales. Recognition should be based on a systematic and rational allocation of the cash consideration offered to each of the underlying transactions that results in progress by the reseller toward earning the rebate or refund provided the amounts are probable and reasonably estimate. The guidance in this Issue is effective for incentives entered into after December 31, 2002. The adoption of EITF 02-16 did not have a material impact on the Company's financial statements.

In December 2002, the FASB issued Statement of Financial Accounting Standards No.148 ("SFAS 148"), "*Accounting for Stock-Based Compensation — Transition and Disclosure, an amendment of FASB Statement No. 123"*. This Statement amends FASB Statement No. 123, *Accounting for Stock-Based Compensation,* to provide alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of Statement No. 123 to require prominent disclosures in both annual and interim financial statements. The disclosure requirements apply to all companies for fiscal years ending after December 15, 2002 and for interim periods beginning after December 15, 2002. The Company has adopted the disclosure provisions of SFAS No. 148. (See Note 5 "Stock Compensation").

In January 2003, the FASB issued Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51." FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 is effective immediately for all new variable interest entities created or acquired after January 31, 2003. For variable interest entities created or acquired prior to February 1, 2003, the provisions of FIN 46 must be applied for the first interim or annual period beginning after June 15, 2003. The adoption of FIN 46 is not expected to have a material impact on the Company's financial statements.

In April 2003, the FASB issued FAS No. 149, Amendments of Statement 133 on Derivative Instruments and Hedging Activities. FAS 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under FAS No. 133, FAS 149 is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. The Company does not expect the provisions of FAS 149 to have a material on its financial statements.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Instruments with Characteristics of Both Liabilities and Equity, which establishes standards for how an issuer classified and measures certain financial instruments with characteristics of both liabilities and equity. This statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Company does not believe that the adoption of SFAS No. 150 on July 1, 2003 will have a material impact on its financial statements.

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

On November 7, 2002, Fortune Dynamic asserted counterclaims against Skechers in an action captioned SKECHERS USA, INC. et al. v. STEVEN MADDEN LTD., RSV SPORT INC. and FORTUNE DYNAMIC, INC. that Skechers had commenced in the United States District Court for the Central District of California (Case No. 02-07766 PA) asserting claims for, inter alia, patent infringement, dilution and unfair competition. Fortune Dynamics’ counterclaims allege violations of the federal antitrust laws, breach of contract, interference with economic relations and unfair competition. The parties have settled all claims and counterclaims, settlement documents have been executed and the matters dismissed. The terms of the settlements are confidential. The terms will not have a material effect on Skechers’ financial position or results of operations.

On December 2, 2002, a class action complaint entitled OMAR QUINONES v. SKECHERS USA, INC. et al. was filed in the Superior Court for the State of California for the County of Orange (Case No. 02CC00353). The complaint, as amended, alleges overtime and related violations of the California Labor Code on behalf of managers of Skechers’ retail stores and seeks, inter alia, damages and restitution, as well as injunctive and declaratory relief. On February 25, 2003, another related class action complaint entitled MYRNA CORTEZ v. SKECHERS USA, INC. et al. was filed in the Superior Court for the State of California for the County of Los Angeles (Case No. BC290932) asserting similar claims and seeking similar relief on behalf of assistant managers. While it is too early in the litigation to predict the outcome of the claims against Skechers, Skechers believes that it has meritorious defenses to the claims asserted in both class actions and intends to defend against those claims vigorously. Further, Skechers is unable to determine the extent, if any, of any liability however, and does not believe that an adverse result would have a material effect on Skechers’ financial position or results of operations.

On December 23, 2002, a complaint captioned BRITNEY BRANDS, INC. v. SKECHERS USA, INC. was filed against Skechers in the United States District Court for the Central District of California (Case No. 02-9774 AHM). The claims and counterclaims have been settled, the parties have documented the settlement and are circulating the final draft for execution. The terms are confidential and will not have a material effect on Skechers’ financial position or results of operations.

On February 6, 2003, a complaint captioned ADIDAS AMERICA, INC. and ADIDAS-SALOMON AG v. SKECHERS USA, INC. et al. was filed against Skechers in the United States District Court for the District of Oregon (Case No. CV 03-170 KI). The complaint alleges claims for trademark infringement, trademark dilution, unfair competition and deceptive trade practices arising out of Skechers’ alleged use of marks confusingly similar to Adidas’ three stripe mark. The lawsuit seeks, inter alia, compensatory, treble and punitive damages, as well as injunctive relief. While it is too early in the litigation to predict the outcome of the claims against Skechers, Skechers believes that it has meritorious defenses to the claims asserted by Adidas and intends to defend against those claims vigorously. Further, Skechers does not believe that an adverse result would have a material effect on Skechers’ financial position or results of operations.

On March 25, 2003, a class action complaint captioned HARVEY SOLOMON v. SKECHERS USA, INC. et al. was filed against Skechers and certain of its officers and directors in the United States District Court for the Central District of California (Case No. 03-2094 DDP). The complaint alleges violations of the federal securities laws and breach of fiduciary duty on behalf of persons who purchased publicly traded securities of Skechers between April 3, 2002 and December 9, 2002. The complaint seeks compensatory damages, interest, attorneys’ fees, and injunctive and equitable relief. While it is too early to predict the outcome of the litigation, the Company believes the suit is without merit and intends to vigorously defend against the claims.

On April 2, 2003, a class action complaint captioned CHARLES ZIMMER v. SKECHERS USA, INC. et al. was filed against Skechers and certain of its officers and directors in the United States District Court for the Central District of California (Case No. 03-2296 PA). The complaint alleges violations of the federal securities laws on behalf of persons who purchased publicly traded securities of Skechers between April 3, 2002 and December 9, 2002. The complaint seeks compensatory damages, interest, costs, and injunctive and equitable relief. While it is too early to predict the outcome of the litigation, the Company believes the suit is without merit and intends to vigorously defend against the claims.

On April 15, 2003, a class action complaint captioned MARTIN H. SIEGEL v. SKECHERS USA, INC. et al. was filed against Skechers and certain of its officers and directors in the United States District Court for the Central District of California (Case No 03-2645 RMT). The complaint alleges violations of the federal securities laws and breach of fiduciary duty on behalf of persons who purchased publicly traded securities of SKECHERS between April 3, 2002 and December 9, 2002. The complaint seeks compensatory damages, interest, attorneys' fees, and injunctive and equitable relief. While it is too early to predict the outcome of the litigation, the Company believes the suit is without merit and intends to vigorously defend against the claims.

On May 6, 2003, a class action complaint captioned ADAM D. SAPHIER v. SKECHERS USA, INC. et al. was served on Skechers and certain of its officers and directors in the United States District Court for the Central District of California (Case No. 03-3011 FMC). The complaint alleges violations of the federal securities laws on behalf of persons who purchased publicly traded securities of SKECHERS between April 3, 2002 and December 9, 2002. The complaint seeks compensatory damages, interest, attorneys' fees and injunctive and equitable relief. While it is too early to predict the outcome of the litigation, the Company believes the suit is without merit and intends to vigorously defend the suit.

On May 9, 2003, a class action complaint captioned LARRY L. ERICKSON v. SKECHERS USA, INC. et al. was served on Skechers and certain of its officers and directors in the United States District Court for the Central District of California (Case No. 03-3101 SJO). The complaint alleges violations of the federal securities laws and breach of fiduciary duty on behalf of persons who purchased publicly traded securities of SKECHERS between April 3, 2002 and December 9, 2002. The complaint seeks compensatory damages, interest, attorneys' fees and injunctive and equitable relief. While it is too early to predict the outcome of the litigation, the Company believes the suit is without merit and intends to vigorously defend the suit.

In July 2003, the court in the five federal securities class actions above, all pending in the United States District Court for the Central District of California, has ordered the case consolidated and a consolidated complaint to be filed and served within sixty days, by on or about September 16, 2003.

On April 3, 2003, a shareholder derivative complaint captioned BRADFORD MITCHELL v. JEFFREY GREENBERG et al. was filed against Skechers and certain of its officers in the Superior Court of the State of California, Los Angeles County (Case No. BC 293317). The complaint alleges violations of California Corporation Code § 25402 and breach of fiduciary duty. The complaint seeks treble damages, imposition of a constructive trust, and costs. While it is too early to predict the outcome of the litigation, the Company believes the suit is without merit and intends to vigorously defend against the claims.

On April 3, 2003, a shareholder derivative complaint captioned GEORGIA MANOLAS v. JEFFREY GREENBERG et al. was filed against Skechers and certain of its officers in the Superior Court of the State of California, Los Angeles County (Case No. BC293388). The complaint alleges violations of California Corporation Code § 25402 and breach of fiduciary duty. The complaint seeks treble damages, imposition of a constructive trust, and costs. While it is too early to predict the outcome of the litigation, the Company believes the suit is without merit and intends to vigorously defend against the claims.

On April 8, 2003, a shareholder derivative complaint captioned JEFF GRAVITTER v. ROBERT Y. GREENBERG was filed against Skechers and certain of its officers in the Superior Court of the State of California, Los Angeles County (Case No. BC293561). The complaint alleges violations of California Corporation Code § 25402, breach of fiduciary duty, abuse of control, gross mismanagement, waste of corporate assets and unjust enrichment. The complaint seeks compensatory damages, treble damages, disgorgement of profits, imposition of a constructive trust, equitable and injunctive relief, and costs. While it is too early to predict the outcome of the litigation, the Company believes the suit is without merit and intends to vigorously defend against the claims.

On July 11, 2003 MG Footwear Inc., commenced a lawsuit against Skechers in the United States District Court for the District of New Jersey, MG FOOTWEAR, LLC v. SKECHERS USA, INC., Case No. 03-3252 (DMC), alleging inducement of breach of contract and interference with contractual relations between MG Footwear and Yakira, LLC. The suit seeks fifty million dollars in punitive damages. The matter was just served and the Company has not yet answered. The Company plans on defending the allegations vigorously and believes the claims are totally without merit. Nonetheless, it is way too early to predict the outcome and predict whether the outcome will have an adverse impact on the results of Company operations or financial results.

We occasionally become involved in litigation arising from the normal course of business, with respect to the above cases, we are unable to determine the extent of any liability that may arise. Other than the foregoing, we have no reason to believe that any liability with respect to pending legal actions, individually or in the aggregate, will have a material adverse effect on our business, financial condition or results of operation.

ITEM 2. CHANGE IN SECURITIES AND USE OF PROCEEDS — Not applicable

ITEM 3. DEFAULT UPON SENIOR SECURITIES — Not applicable

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

On May 30, 2003, the registrant held its Annual Meeting of Stockholders. Of 210,636,743 votes eligible to be cast, 210,492,916 votes were returned, or 99%, formulating a quorum. The following matters were voted on at the meeting: Proposal No. 1 — Election of two members to the registrant's Board of Directors; Proposal No. 2 — Amendment to the registrant's 1998 Stock Option, Deferred Stock and Restricted Stock Plan increasing the number of shares of its Class A Common Stock authorized for issuance under the Stock Option Plan, by an additional 3,000,000 shares; and Proposal No. 3 — Ratification of appointment of KPMG LLP as the registrant's independent auditors for fiscal 2003.

The results of the voting on these matters are set forth below:

Proposal	Votes For	Against/Withheld	Elected
Proposal No. 1 -			
Election of Director Nominees			
Robert Greenberg	206,421,448	4,071,468	Yes
Thomas J. Poletti	206,578,386	3,914,530	Yes

The following directors were not standing for election and are continuing as directors of the registrant: Michael Greenberg, Jeffrey Greenberg, David Weinberg, Richard Siskind, Geyer Kosinski.

Proposal No. 2 was approved with 194,400,144 votes for, 5,348,180 votes against, 56,298 abstained from voting and 10,688,294 broker non-votes, thereby approving the amendment to the registrant's 1998 Stock Option, Deferred Stock, and Restricted Stock Plan increasing the shares of Class A Common Stock authorized for issuance under the Stock Option Plan by 3,000,000 shares.

Proposal No. 3 was approved with 206,939,024 votes for, 3,542,565 votes against and 11,327 abstained from voting, thereby approving the ratification of appointment of KPMG LLP as independent accountants to provide audit services to the registrant and its subsidiaries for the fiscal year ending December 31, 2003.

ITEM 5. OTHER INFORMATION — Not applicable

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

(a) Exhibits

31.1 Certification of Chief Executive Officer, pursuant to Securities Exchange Act Rule 13a-14(a).

31.2 Certification of Chief Financial Officer, pursuant to Securities Exchange Act Rule 13a-14(a).

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

(b) Reports on Form 8-K

The registrant filed one current report on Form 8-K during the three months ended June 30, 2003.

On April 25, 2003, under Item 12 — Results of Operation and Financial Condition. Regarding the registrant's announcement on April 24, 2003 of its financial results for the first quarter ended March 31, 2003. A copy of the press release was furnished as Exhibit 99.1 to the current report. Further, on April 24, 2003, the registrant held a conference call and audio web cast regarding its financial results for the first quarter ended March 31, 2003. A transcript of the call and audio web cast was furnished as Exhibit 99.2 to the current report.

The registrant also filed two current reports on Form 8-K subsequent to June 30, 2003.

On July 24, 2003, under Item 12 — Results of Operations and Financial Condition. Regarding the registrant's announcement on July 24, 2003 of its financial results for the second quarter and six months ended June 30, 2003. A copy of the press release was furnished as Exhibit 99.1 to the current report.

On July 29, 2003, under Item 12 — Results of Operations and Financial Condition. Regarding the registrant's conference call and audio web cast held on July 24, 2003 regarding its financial results for the second quarter and six months ended June 30, 2003. A transcript of the call and audio web cast was furnished as Exhibit 99.1 to the current report.

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.

Dated: August 13, 2003

SKECHERS U.S.A., INC.

/s/ David Weinberg

David Weinberg
Executive Vice President and
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

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 report.

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

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

b) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any changes in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrants fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting.

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent function):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Dated: August 13, 2003

/s/ ROBERT GREENBERG

Robert Greenberg
Chief Executive Officer

Exhibit 31.2

CERTIFICATION UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

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 report.

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

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

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

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

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 13, 2003

/s/ DAVID WEINBERG

David Weinberg
Chief Financial Officer

Exhibit 32

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 ended June 30, 2003, as filed with the Securities and Exchange Commission, 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)
August 13, 2003

/s/ DAVID WEINBERG

David Weinberg
Chief Financial Officer
(Principal Financial and Accounting Officer)
August 13, 2003

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