UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 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 [ ]

THE NUMBER OF SHARES OF CLASS A COMMON STOCK OUTSTANDING AS OF NOVEMBER 12, 2003: 18,851,928

THE NUMBER OF SHARES OF CLASS B COMMON STOCK OUTSTANDING AS OF NOVEMBER 12, 2003: 19,086,561

TABLE OF CONTENTS

SKECHERS U.S.A., INC. AND SUBSIDIARIES
FORM 10-Q

INDEX

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

	September 30, 2003	December 31, 2002
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 80,719	$ 124,830
Trade accounts receivable, less allowances of $10,239 in 2003 and $8,498 in 2002	102,115	97,419
Due from officers and employees	1,024	617
Other receivables	8,667	7,144
Total receivables	111,806	105,180
Inventories	150,695	147,984
Prepaid expenses and other current assets	13,537	14,779
Deferred tax assets	703	703
Total current assets	357,460	393,476
Property and equipment, at cost, less accumulated depreciation and amortization	87,870	83,666
Intangible assets, at cost, less applicable amortization	2,217	356
Other assets	5,593	5,658
	$ 453,140	$ 483,156
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current installments of long-term borrowings	$ 3,475	$ 2,442
Accounts payable	56,045	88,578
Accrued expenses	13,074	15,696
Total current liabilities	72,594	106,716
4.50% convertible subordinated notes	90,000	90,000
Long-term borrowings, excluding current installments	26,758	27,204
Total long term debt	116,758	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; 18,743 and 18,369 shares issued and outstanding at September 30, 2003 and December 31, 2002, respectively	19	18
Class B Common Stock, $.001 par value; 60,000 shares authorized; 19,187 and 19,317 shares issued and outstanding at September 30, 2003 and December 31, 2002, respectively	19	19
Additional paid-in capital	103,938	102,109
Accumulated other comprehensive income	5,262	3,016
Retained earnings	154,550	154,074
Total stockholders' equity	263,788	259,236
	$ 453,140	$ 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 September 30, 2003	Three-Months Ended September 30, 2002
Net sales	$ 221,821	$ 261,147
Cost of sales	143,183	152,347
Gross profit	78,638	108,800
Royalty income, net	1,404	107
	80,042	108,907
Operating expenses:		
Selling	20,626	32,574
General and administrative	63,488	52,232
	84,114	84,806
Earnings (loss) from operations	(4,072)	24,101
Other expense:		
Interest, net	(2,136)	(2,004)
Other, net	(87)	(280)
	(2,223)	(2,284)
Earnings (loss) before income taxes	(6,295)	21,817
Income tax expense (benefit)	(435)	7,710
Net earnings (loss)	$ (5,860)	$ 14,107
Net earnings (loss) per share:		
Basic	$ (0.15)	$ 0.38
Diluted	$ (0.15)	$ 0.35
Weighted average shares:		
Basic	37,925	37,539
Diluted	37,925	41,962

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)

	Nine-Months Ended September 30,	
	2003	2002
Net sales	$ 659,692	$ 762,748
Cost of sales	401,141	445,638
Gross profit	258,551	317,110
Royalty income, net	2,129	532
	260,680	317,642
Operating expenses:		
Selling	67,084	72,636
General and administrative	181,647	150,717
	248,731	223,353
Earnings from operations	11,949	94,289
Other income (expense):		
Interest, net	(6,671)	(6,632)
Other, net	(437)	246
	(7,108)	(6,386)
Earnings before income taxes	4,841	87,903
Income taxes	4,365	32,260
Net earnings	$ 476	$ 55,643
Net earnings per share:		
Basic	$ 0.01	$ 1.50
Diluted	$ 0.01	$ 1.39
Weighted average shares:		
Basic	37,807	37,174
Diluted	38,114	41,004

See accompanying notes to unaudited condensed consolidated financial statements.

SKECHERS U.S.A., INC. AND SUBSIDIARIES
STATEMENTS OF CONDENSED CONSOLIDATED CASH FLOWS
(Unaudited)
(In thousands)

	Nine-Months Ended September 30, 2003	Nine-Months Ended September 30, 2002
Cash flows from operating activities:		
Net earnings	$ 476	$ 55,643
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization of property and equipment	16,505	12,762
Provision for loss on inventory	1,206	—
Amortization of intangible assets	334	76
Provision for (recoveries of) bad debts and returns	2,517	(434)
Amortization of debt offering costs	574	351
Loss on disposal of equipment	111	6
Tax benefit of non-qualified stock options	31	2,565
Compensation expense for non-employee stock option grant	123	—
(Increase) decrease in assets:		
Receivables	(8,611)	(2,099)
Inventories	(2,360)	28,128
Prepaid expenses and other current assets	1,289	8,579
Other assets	(446)	187
Increase (decrease) in liabilities:		
Accounts payable	(31,629)	(15,223)
Accrued expenses	(2,749)	3,161
Net cash provided by (used in) operating activities	(22,629)	93,702
Cash flows provided by (used in) investing activities:		
Capital expenditures	(17,955)	(7,418)
Acquisition of Canadian distributor	(2,344)	—
Purchase of intellectual property	(1,125)	—
Proceeds from the sale of fixed assets	16	—
Net cash used in investing activities	(21,408)	(7,418)
Cash flows from financing activities:		
Proceeds from the issuance of convertible subordinated notes, net of offering costs	—	86,175
Proceeds from the sales of stock through the employee stock purchase plan and the exercise of stock options	967	5,583
Net repayments of short-term borrowings	—	(84,175)
Repayments on long-term borrowings	(1,589)	(1,885)
Net cash provided by (used in) financing activities	(622)	5,698
Effects of exchange rates on cash and cash equivalents	548	544
Net increase (decrease) in cash and cash equivalents	(44,111)	92,526
Cash and cash equivalents at beginning of period	124,830	15,554
Cash and cash equivalents at end of period	$ 80,719	$ 108,080
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 5,538	$ 4,909
Income taxes	3,380	18,828

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

See accompanying notes to unaudited condensed consolidated financial statements.

SKECHERS U.S.A., INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(1) GENERAL

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

As contemplated by the Securities and Exchange Commission (SEC) under Rule 10-01 of Regulation S-X, the accompanying condensed consolidated financial statements and related footnotes have been condensed and do not contain certain information that is included in the Company’s annual consolidated financial statements and footnotes thereto. For further information, refer to the consolidated financial statements and related footnotes for the year ended December 31, 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 into selected international markets.

DISTRIBUTORS. In those international markets that we do not sell our footwear directly to department stores and specialty retailers, we sell our footwear to foreign distributors. Our foreign distributors in turn distribute such footwear to department stores and specialty retail stores in Europe, Asia, Latin America, South America and numerous other countries and territories.

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 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.

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 (loss) is as follows (in thousands):

	Three-Months Ended September 30, 2003	2002	Nine-Months Ended September 30, 2003	2002
Net earnings (loss)	$ (5,860)	$ 14,107	$ 476	$ 55,643
Accumulated other comprehensive income (loss):				
Foreign currency translation adjustments	232	(74)	2,246	2,312
Total comprehensive income (loss)	$ (5,628)	$ 14,033	$ 2,722	$ 57,955

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):

Basic earnings (loss) per share	Three-Months Ended September 30, 2003	2002	Nine-Months Ended September 30, 2003	2002
Net earnings (loss)	$ (5,860)	$ 14,107	$ 476	$ 55,643
Weighted average common shares outstanding	37,925	37,539	37,807	37,174
Basic earnings (loss) per share	$ (0.15)	$ 0.38	$ 0.01	$ 1.50

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):

Diluted earnings (loss) per share	Three-Months Ended September 30, 2003	2002	Nine-Months Ended September 30, 2003	2002
Net earnings (loss)	$ (5,860)	$ 14,107	$ 476	$ 55,643
After-tax equivalent of interest expense on 4.50% convertible subordinated debt	—	655	—	1,218
Earnings (loss) for purposes of computing diluted earnings (loss) per share	$ (5,860)	$ 14,762	$ 476	$ 56,861
Weighted average common shares outstanding	37,925	37,539	37,807	37,174
Dilutive stock options	—	957	307	1,641
Weighted average assumed conversion of 4.50% convertible subordinated notes	—	3,466	—	2,189
Weighted average common shares outstanding	37,925	41,962	38,114	41,004
Diluted earnings (loss) per share	$ (0.15)	$ 0.35	$ 0.01	$ 1.39

There were 5,360,458 and 932,897 options outstanding that were not included in the computation of diluted earnings per share for the three-month periods ended September 30, 2003 and 2002, respectively. There were 3,599,912 and 330,000 options outstanding that were not included in the computation of diluted earnings per share for the nine-month periods ended September 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 nine months ended September 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 as amended by SFAS No. 148, net earnings (loss) and earnings (loss) per share would have been reduced to the following pro-forma amounts (in thousands, except per share data):

	Three-Months Ended September 30, 2003	Three-Months Ended September 30, 2002	Nine-Months Ended September 30, 2003	Nine-Months Ended September 30, 2002
Net earnings (loss), as reported	$ (5,860)	$ 14,107	$ 476	$ 55,643
Deduct total stock-based employee compensation expense under fair value-based method for all awards , net of tax	(975)	(1,793)	(2,788)	(3,459)
Pro forma net earnings (loss) for basic pro forma earnings per share	$ (6,835)	$ 12,314	$ (2,312)	$ 52,184
Add back interest on 4.50% debentures, net of tax	—	655	—	1,218
Pro forma net earnings (loss) for diluted pro forma earnings (loss) per share	$ (6,835)	$ 12,969	$ (2,312)	$ 53,402
Pro forma net earnings (loss) per share:				
Basic	$ (0.18)	$ 0.33	$ (0.06)	$ 1.40
Diluted	$ (0.18)	$ 0.31	$ (0.06)	$ 1.30

In connection with the exercise of options, the Company realized income tax benefits of $ 31,000 and $ 2,565,000 during the nine months ended September 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 September 30, 2003 and December 31, 2002 are as follows (in thousands):

	September 30, 2003	December 31, 2002
Intellectual property	$ 1,125	$ —
Other intangibles	1,070	—
Trademarks	451	451
Less accumulated amortization	(429)	(95)
	$ 2,217	$ 356

(8) INCOME TAXES

Income taxes for the interim periods were computed using the effective tax rates estimated to be applicable to our domestic and international operations for the full fiscal year, which is subject to ongoing review and evaluation by management. The tax rates for each taxable jurisdiction are determined separately for purposes of calculating the consolidated effective tax rate.

(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 September 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 September 30, 2003 were $2.8 million. Available borrowings under the line of credit at September 30, 2003 were $183.9 million and no amounts were outstanding at September 30, 2003 and December 31, 2002. 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 September 30, 2003. Management is currently negotiating a renewal to our line of credit agreement and currently anticipate that a renewal agreement will be in effect by December 31, 2003.

(10) LITIGATION

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, and the final draft of the settlement has been executed. 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. On October 15, 2003, the parties settled the matter in principle and are documenting the settlement for execution. The terms of the settlement are confidential and did not have a material effect on Skechers' financial position or results of operations.

On March 25, 2003, a shareholder securities 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). On April 2, 2003, a shareholder securities 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). On April 15, 2003, a shareholder securities 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). On May 6, 2003, a shareholder securities 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). On May 9, 2003, a shareholders securities 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). Each of these class action complaints alleged 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. In July 2003, the court in these federal securities class actions, all pending in the United States District Court for the Central District of California, ordered the cases consolidated and a consolidated complaint to be filed and served. On September 25, 2003, the plaintiffs filed a consolidated complaint entitled In re SKECHERS USA, Inc. Securities Litigation, Case No. CV-03-2094-PA in the United States District Court for the Central District of California, consolidating all of the federal securities actions above. The complaint names as defendants the Company and certain officers and directors and 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.

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). 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). 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). Each of these class action complaints included allegations of violations of California Corporation Code § 25402 and breach of fiduciary duty. On August 29, 2003, the plaintiffs in these state derivative actions filed a consolidated complaint entitled In re SKECHERS USA, Inc. Derivative Litigation, Case No. BC-293317, in the Superior Court of the State of California, Los Angeles County, consolidating all of the state derivative actions above. The complaint alleges violations of California Corporation Code § 25402, breaches of fiduciary duty, 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 $50 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 without merit. Nonetheless, it is 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 nine months ended September 30, 2003, certain Class B stockholders converted 20,000 and 131,056 shares, respectively, of Class B common stock into an equivalent number of Class A common stock.

(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 September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Net sales				
Domestic wholesale	$ 150,874	$ 191,192	$ 456,943	$ 564,583
All other	70,947	69,955	202,749	198,165
	$ 221,821	$ 261,147	$ 659,692	$ 762,748
Gross profit				
Domestic wholesale	$ 43,646	$ 76,105	$ 157,105	$ 222,575
All other	34,992	32,695	101,446	94,535
	$ 78,638	$ 108,800	$ 258,551	$ 317,110

	9/30/03	12/31/02
Assets		
Domestic wholesale	$333,295	$328,080
All other	119,845	155,076
	$453,140	$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 the Company's Condensed Consolidated Financial Statements and Notes thereto appearing elsewhere in this document.

This Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements with regards to 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 our 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 us 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 into selected international markets.

DISTRIBUTORS. In those international markets that we do not sell our footwear directly to department stores and specialty retailers, we sell our footwear to foreign distributors. Our foreign distributors in turn distribute such footwear to department stores and specialty retail stores in Europe, Asia, Latin America, South America and numerous other countries and territories.

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.

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 nine months ended September 30, 2003 or 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:

	Three-Months Ended September 30,				Nine-Months Ended September 30,			
	2003		2002		2003		2002	
Net sales	$221,821	100.0%	$261,147	100.0%	$659,692	100.0%	$762,748	100.0%
Cost of sales	143,183	64.5	152,347	58.3	401,141	60.8	445,638	58.4
Gross profit	78,638	35.5	108,800	41.7	258,551	39.2	317,110	41.6
Royalty income, net	1,404	0.6	107	0.0	2,129	0.3	532	0.1
	80,042	36.1	108,907	41.7	260,680	39.5	317,642	41.7
Operating expenses:								
Selling	20,626	9.3	32,574	12.5	67,084	10.2	72,636	9.5
General and administrative	63,488	28.6	52,232	20.0	181,647	27.5	150,717	19.8
	84,114	37.9	84,806	32.5	248,731	37.7	223,353	29.3
Earnings (loss) from operations	(4,072)	(1.8)	24,101	9.2	11,949	1.8	94,289	12.4
Interest expense, net	(2,136)	(1.0)	(2,004)	(0.8)	(6,671)	(1.0)	(6,632)	(0.9)
Other, net	(87)	(0.0)	(280)	(0.1)	(437)	—	246	0.0
Earnings (loss) before income taxes	(6,295)	(2.8)	21,817	8.3	4,841	0.8	87,903	11.5
Income taxes	(435)	(0.2)	7,710	3.0	4,365	0.7	32,260	4.2
Net earnings (loss)	$ (5,860)	(2.6)%	$ 14,107	5.3%	$ 476	0.1%	$ 55,643	7.3%

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

Net Sales

Net sales for three months ended September 30, 2003 were $221.8 million, compared to $261.1 million for the three months ended September 30, 2002. The decrease in net sales was due to reduced sales within our domestic wholesale segment. Domestic wholesale segment sales declined 21.1% to $150.9 million compared to $191.2 million for the three months ended September 30, 2002. The decline in domestic wholesale sales for the three months ended September 30, 2003 was driven by an 18.6% decrease in the average price per pair, to $16.90 from $20.75 for the three months ended September 30, 2002, while unit sales volume declined only 3.1% to 8.9 million pairs. The decrease in average price per pair was due to our aggressive pricing initiatives that focused on inventory reduction and an increased volume of close-out product, when compared to last year.

Our other segment sales consist of international wholesale sales, distributor sales, international and domestic retail sales, and e-commerce sales. Our international wholesale sales increased 8.0% during the three months ended September 30, 2003, compared to the three months ended September 30, 2002. The increase in international sales was due to our expansion into Canada, the Benelux region, and Italy over the last year. Our distributor sales decreased 24.2% during the three months ended September 30, 2003, when compared to the same three month period in 2002. The decrease in our distributor sales was primarily due to reduced sales into South America and Japan due to a soft retail market and our distributors having higher inventory levels. Our international retail sales increased 77.1% during the three months ended September 30, 2003 compared to the same three months in 2002. The increase was due to additional stores being added in Frankfurt and Dusseldorf, Germany; and Manchester, Birmingham, and Chesire in the United Kingdom, and additional stores in Canada and Spain. In October 2003, we opened our newest international concept store in Amsterdam, Holland.

Our domestic retail sales increased 11.9% percent during the three months ended September 30, 2003 compared to the three months ended September 30, 2002. The increase in sales was due to the addition of 21 stores since September 30, 2002. We currently anticipate opening six stores during the fourth quarter, two of which have already opened. For fiscal year ending December 31, 2003, we currently anticipate opening 23 domestic retail stores, bringing the total to 114 stores, which is a significant increase over the 13 domestic retail stores added during our fiscal year ended December 31, 2002.

During the three months ended September 30, 2003, we realized our second consecutive quarter in which we generated a net loss. We also currently anticipate that sales during the fourth quarter 2003 will be between $155 and $165 million, compared to $180.8 million in the fourth quarter of 2002. The expected decrease in net sales is the result of an expected continuing difficult retail environment where consumers are looking for discounted or sales items, the continuation of our aggressive pricing strategy to move sales at retail and to relieve inventory, and the currently expected reduction in sales volume. As such, we currently anticipate generating a net loss during the fourth quarter and for the fiscal year ending December 31, 2003. As a result of our recent operating results, we currently do not anticipate opening any additional international retail stores in 2004 and currently have plans for only four domestic stores in 2004.

In addition, since 2001 when we initiated our international expansion by selling directly to department stores and specialty retailers in Germany, we have undertaken a rapid expansion into various international markets. We currently have offices and showrooms in Switzerland, United Kingdom, Germany, France, Spain, Holland, and most recently, in Italy. We also established a distribution center in

Belgium to provide necessary order fulfillment services to our international customers. We currently do not anticipate entering any new international markets; instead we will focus on increasing our international customer base, increasing the styles offered to the international marketplace, and increasing the number of styles within our customer base.

Due to our reduced expansion plans into new international regions and the limited number of new retail stores expected to be added in 2004, future sales growth, if any, will come from increased sales into our current distribution channels and/or from the effect of our recently opened stores or established subsidiaries being opened for a full year when compared to 2003. We are currently unable to determine the future effect on sales as a result of these reduced expansion plans.

Gross Profit

Gross profit for the three months ended September 30, 2003 was $78.6 million compared to $108.8 million for the three months ended September 30, 2002. Gross margin was 35.5% for the three months ended September 30, 2003, compared to 41.7% for the three months ended September 30, 2002. The decrease in gross margin was primarily due to reduced margins within our domestic wholesale segment. Gross margin for the domestic wholesale segment for the three months ended September 30, 2003 was 28.9% compared to 39.8% for the same three months in 2002. The decrease in domestic wholesale margins, which is our largest sales channel comprising 68% of consolidated sales, was due to our aggressive pricing strategy to reduce our inventory levels and an increased volume of close-out product when compared to last year. Our aggressive pricing strategy was successful from an inventory reduction standpoint, as inventory was reduced $66.4 million from June 30, 2003. However, the 18.6% decrease in average selling price, the 3.1% decrease in sales volume, increased sales of close-out product, and, to a lesser extent, increased freight costs all contributed to our lower margins in the three months ended September 30, 2003 when compared to the three months ended September 30, 2002.

Gross margins within our international stores decreased during the three months ended September 30, 2003, when compared to the same three months in 2002. Offsetting the overall margin decline were increased margin contributions from our domestic retail operations, as those higher margin sales have become a higher percentage of consolidated net sales. International wholesale margins were consistent with those earned in the three months ended September 30, 2002.

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 did not achieve the levels that we had anticipated resulting in higher than expected inventory levels at June 30, 2003. As such, during the third quarter ended September 30, 2003, we initiated an aggressive pricing strategy to stimulate sales at retail and hence bring down our inventory levels. During the three months ended September 30, 2003, we reduced our inventory $66.4 million from June 30, 2003 and reduced our commitment to inventory. Our commitment to inventory includes inventory on hand, inventory in transit from the factory (both of which are included in our inventory balances) and work in process at the factory (which is not included in our inventory balances). Notwithstanding our inventory reduction during the three months ended September 30, 2003, we currently plan on continuing our aggressive pricing strategy through the fourth quarter ended December 31, 2003. As a result, we anticipate that margins during the fourth quarter will be consistent with those realized during the three months ended September 30, 2003 of 35.5%. Our current inventory values have been adjusted to reflect our current sell through strategy.

Selling Expenses

Selling expenses for the three months ended September 30, 2003 were $20.6 million, a reduction of $11.9 million or 36.7% from selling expenses of $32.6 million for the three months ended September 30, 2002. Selling expenses as a percent of net sales decreased to 9.3% from 12.5% for the three months ended September 30, 2002. The decrease in selling expenses was due to reduced advertising and promotion costs, trade shows, and sales commissions.

Our advertising expenses during the three months ended September 30, 2003 were 6.9% of net sales compared to 10.5% during the same three months of 2002. Advertising expense of 6.9% is below our normal spend of 8%-10% of net sales. We currently anticipate that during the fourth quarter ended December 31, 2003, advertising expense will be within our normal spend range of 8%-10% of net sales. However, the actual percent of net sales may vary if our currently anticipated sales levels are not achieved.

General and Administrative Expenses

General and administrative expenses were $63.5 million for the three months ended September 30, 2003, compared to $52.2 million for the three months ended September 30, 2002. General and administrative expenses were 28.6% of net sales for the three months ended September 30, 2003, compared to 20% for the same three months of 2002. The increase in general and administrative expenses were due to increased salaries, wages and related taxes and benefits of $5.5 million, rent of $2.0 million, and depreciation of $1.8 million. The increase in general and administrative expenses were due to increased infrastructure related costs associated with the addition of twenty one domestic retail stores, seven international retail stores, additional subsidiaries and showrooms in Spain, Canada, Italy, Holland, and the addition of our European distribution center located in Belgium in December 2002.

During 2003, we continued our international expansion into new marketplaces, including Canada, Italy and Holland. In addition to our international expansion, we anticipate that we will open approximately twenty-three domestic retail stores, and six international retail stores by the end of our fiscal year ending December 31, 2003. Through September 30, 2003, we have opened seventeen domestic retail stores and 5 international retail stores. Notwithstanding our investment in our international expansion and retail store additions, we realized a 15.1% decrease in our net sales for the three months ended September 30, 2003. In addition, we also currently anticipate that our sales for the fourth quarter ended December 31, 2003, will be 9%-14% below those levels achieved during the fourth quarter ended December 31, 2002 of $180.8 million. As a result of our declining sales and our additional infrastructure costs, we have realized a deleveraging of expenses as our general and administrative expenses increased to 28.6% of sales compared to 20% for the three months ended September 30, 2002. We also anticipate further deleveraging during the three months ended December 31, 2003. Therefore, we currently do not anticipate entering any new international markets and we currently have plans to add only four domestic retail stores in fiscal 2004. We also are in the initial stages of reducing our general and administrative expenses, which we believe will begin to generate saving beginning in the first quarter of 2004, although at this time it is to early to indicate the amount of saving projected.

Interest Expense

Interest expense for the three months ended September 30, 2003 was $2.1 million comparable to the $2.0 million during the three months ended September 30, 2002.

Other Net

Other, net expense for the three months ended September 30, 2003 was $87,000 compared to an expense of $280,000 for the three months ended September 30, 2002. The decrease in other expense, net from the three months ended September 30, 2002, was primarily due to foreign exchange rate gains realized during the three months ended September 30, 2003.

Income Taxes

The income tax benefit for the three months ended September 30, 2003 was $435,000 compared to income tax expense of $7.7 million during the three months ended September 30, 2002. The effective tax benefit for the three months ended September 30, 2003 was 6.9% compared to an effective tax rate of 35.3% for the three months ended September 30, 2002. The tax benefit recorded for the three months ended September 30, 2003 was computed using the effective tax rates estimated to be applicable to each of our domestic and international taxable jurisdictions for the full fiscal year, which is based on projected earnings and losses of our domestic and international operations. The projected earnings and losses are subject to ongoing review and evaluation by us.

NINE MONTHS ENDED SEPTEMBER 30, 2003 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2002

Net Sales

Net sales for the nine months ended September 30, 2003 were $659.7 million compared to $762.7 million for the nine months ended September 30, 2002. The decrease in sales was primarily due to reduced sales within the domestic wholesale segment. Sales in the domestic wholesale segment were $456.9 million for the nine months ended September 30, 2003, compared to $564.6 million for the nine months ended September 30, 2002. Sales within the domestic wholesale segment declined due to (i) a 13.1% reduction in the average selling price per pair, from $19.54 to $16.98, and (ii) a 6.9% reduction in unit sales volume, to 26.9 million pairs from 28.9 million pairs for the nine months ended September 30, 2002, and (iii) to lesser extent increased freight costs which went into effect during the second quarter 2003. The decline in average selling price was due to our planned sales strategy to reduce our inventory levels by stimulating sales at the retail level and by taking a more accommodative stance with our wholesale accounts, primarily during the three months ended September 30, 2003, and due to a higher level of close-out sales, when compared to the nine months ended September 30, 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 11.1% during the nine months ended September 30, 2003 compared to the nine months ended September 30, 2002. The increase was due to our expansion into Holland, Canada, and Italy, which were established in 2003, and to a lesser extent, increased sales into Germany. Our distributor sales declined 16.5% during the nine months ended September 30, 2003 compared to the same nine-month period in 2002. The decline in distributor sales was due to reduced sales into South America, Australia, and Taiwan a result of a soft retail environment and our distributors having higher inventory levels. Our international retail sales increased 65.1% due to the addition of seven retail stores since September 30, 2002.

Our domestic retail sales increased 9.1% during the nine months ended September 30, 2003 compared the same period in 2002. The increase in domestic retail sales was due to the addition of twenty-one retail stores since September 30, 2002. Fiscal year to date, we have opened seventeen domestic retail stores and we currently anticipate opening a total of twenty three domestic retail stores by December 31, 2003.

Gross Profit

Gross profit for the nine months ended September 30, 2003 was $258.6 million compared to $317.1 million for the nine months ended September 30, 2002. Gross profit as a percent of sales was 39.2% for the nine months ended September 30, 2003 compared to 41.6% for the nine months ended September 30, 2002. The decrease in margin for the nine months ended September 30, 2003 compared to the nine months ended September 30, 2002 was due to reduced margins within the domestic wholesale segment. Margins in the domestic wholesale segment were 34.4% compared to 39.4% for the nine months ended September 30, 2002. The decrease in margin within the domestic wholesale segment was due to a 13.1% reduction in the average sales price per pair, which was the result of our aggressive pricing in order to reduce our inventory levels, from a high of $217.1 million at June 30, 2003 to $150.7 million at September 30, 2003, and to drive demand at the retail level in a continued difficult retail environment. Offsetting the reduced margins from the wholesale segment were increased margin contribution from the domestic retail channel as those sales have become a larger portion of consolidated net sales, and slightly increased margins within the international wholesale and retail distribution channels.

Selling Expenses

Selling expenses for the nine months ended September 30, 2003 were $67.1 million compared to $72.6 million for the nine months ended September 30, 2002. Selling expenses as a percent of net sales were 10.2% for the nine months ended September 30, 2003 compared to 9.5% for the same nine-month period in 2002. The increase in selling expenses as a percent of sales from 2002 was due to the decline in net sales as actual selling expenses decreased $5.6 million or 7.6%. The decline in selling expenses was due to reduced advertising and promotions, tradeshows, and sales commissions. Advertising costs as a percent of net sales were 8.0% for the nine months ended September 30, 2003 compared to 7.6% for the nine months ended September 30, 2002. The decline in spending was due to reduced spending on domestic advertising partially offset by increased international advertising expenses, including an international marketing agreement with pop singer Christina Aguilera for our women's footwear lines, which was launched in international trade publications during the three months ended September 30, 2003.

General and Administrative Expenses

General and administrative expenses for the nine months ended September 30, 2003 were $181.6 million compared to $150.7 million for the nine months ended September 30, 2002. General and administrative expenses as a percentage of net sales were 27.5% compared to 19.8% for the nine months ended September 30, 2002. The increase in general and administrative expenses was due to increased salaries, wages and related taxes and benefits of $14.6 million, increased rent of $6.3 and depreciation of $3.7 million, which were primarily related to the addition of twenty one domestic retail stores, seven international retail stores, establishing international subsidiaries and showrooms in Holland, Canada, and Italy, and our European distribution center in Belgium, and increased insurance costs of $1.8 million.

During the first nine months of 2003, we increased our general and administrative expenses by establishing subsidiaries and showrooms, in Canada, Holland and Italy, and by increasing the number of domestic retail stores by seventeen and international stores by 5. As a result of our decrease in sales for the nine months ended September 30, 2003, when compared to the same period in 2002, our added infrastructure related expenses have had an adverse effect on our operating results. Moreover, as we currently anticipate a 9%-14% decline in fourth quarter 2003 sales, when compared to the fourth quarter 2002 net sales of $180.8 million, we expect to realize a continued deleveraging of our expenses during the fourth quarter 2003. As a result, we currently do not anticipate entering any new international markets and we currently have plans for the opening of four domestic retail stores during fiscal 2004.

Interest Expense

Interest expense for the nine months ended September 30, 2003 was $6.7 million and comparable to interest expense of $6.6 million during the nine months ended September 30, 2002.

Other Income, Net

Other, net was an expense of $437,000 for the nine months ended September 30, 2003 compared to income of $246,000 for the nine months ended September 30, 2002. The reduction in other net was due to reduced rental income from the leasing of office space in one of our administrative offices and reduced legal settlements.

Income Taxes

The effective tax rate for the nine months ended September 30, 2003 was 90.2% compared to 36.7% for the nine months ended September 30, 2002. The effective tax rate for the nine months ended September 30, 2003 was computed using the effective tax rates estimated to be applicable to each of our domestic and international taxable jurisdictions for the full fiscal year, and is based on projected earnings and losses of our domestic and international operations. The annual effective tax rate currently estimated for our international and domestic operations was applied to the nine months operating results, which derived the current effective tax rate. The projected earnings and losses are subject to ongoing review and evaluation by us.

LIQUIDITY AND CAPITAL RESOURCES

Our working capital at September 30, 2003 was $284.9 million, a decrease of $1.9 million from working capital of $286.8 million at December 31, 2002. Our cash and cash equivalents at September 30, 2003 were $80.7 million compared to $124.8 million at December 31, 2002.

During the nine months ended September 30, 2003, we used $22.6 million of net cash in our operating activities, compared to cash provided by operating activities of $93.7 million for the nine months ended September 30, 2002. The significant decrease in cash provided from our operating activities during the nine months ended September 30, 2003, when compared to the same nine month period in 2002, was due to the significant decrease in cash flows from inventory of $29.6 million, notwithstanding our reduction in inventory of $66.4 million during the three months ended September 30, 2003, reduction of accounts payable of $31.6 million, and a reduction in net earning of $55.2 million. The decrease in cash and cash equivalents of $44.1 million from December 31, 2002, is due primarily to a reduction in accounts payable of $32.5 million and payments for capital expenditures and acquisition of our Canadian distributor of $21.4 million. These cash uses were partially offset by operating cash flows.

Net cash used in investing activities was $21.4 million for the nine months ended September 30, 2003, compared to $7.4 million during the nine months ended September 30, 2002. The increase in capital expenditures for the nine months ended September 30, 2003, compared to the same period in 2002, was due to the addition of seventeen domestic retail stores which totaled $10.8 million, and equipment and leasehold improvements at our international subsidiaries and retail stores, including the Belgium distribution center of $5.4 million. 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 in the first quarter of 2003.

For our fiscal year ending December 31, 2003, we currently anticipate that we will open 23 domestic retail stores and six international retail stores. The investment in our retail stores in 2003 is significantly greater than our investment in fiscal 2002, when we opened 13 domestic and two international retail stores. We currently anticipate that the number of new store additions in 2004 will decline substantially, as we are currently planning on only four new stores in 2004. In addition, we currently anticipate that we will not add to our overhead by entering any new international markets during 2004. As a result, we expect that our capital expenditure requirements will decrease in 2004 when compared to capital expenditures in 2003.

Net cash used in financing activities was $622,000 during the nine months ended September 30, 2003, compared to net cash provided by financing activities of $5.7 million during the nine months ended September 30, 2002. The decrease in net cash provided by financing activities was primarily due to the reduction in cash provided by the exercise of stock options, and prior year including the proceeds from the issuance of our 4.50% notes, offset by the repayment of our short-term borrowings.

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 September 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 September 30, 2003 were $2.8 million. Available borrowings under the line of credit at September 30, 2003 were $183.9 million and no amounts were outstanding at September 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 September 30, 2003. We are currently negotiating a renewal to our line of credit agreement and currently anticipate that a renewal agreement will be in effect by December 31, 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.

CRITICAL ACCOUNTING POLICIES

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

Allowance for bad debts, returns, and customer chargebacks. We insure selected customer account balances that are both greater than $200,000 and accepted by the insurance company should our customer not pay. We also provide a reserve against our receivables for estimated losses that may result from our customers' inability to pay, and disputed and returned items. We determine the amount of the reserve by analyzing known uncollectible accounts, aged receivables, economic conditions in the customers' country or industry, historical losses and our customers' credit-worthiness. Amounts later determined and specifically identified to be uncollectible are charged or written off against this reserve. To minimize the likelihood of uncollectibility, customers' credit-worthiness is reviewed periodically based on external credit reporting services and our experience with the account and adjusted accordingly. Should a customer's account become past due, we generally place a hold on the account and discontinue further shipments to that customer, minimizing further risk of loss. The likelihood of a material loss on an uncollectible account would be mainly dependent on deterioration in the overall economic conditions in a particular country or environment. Reserves are provided for estimated losses of this nature. Gross trade accounts receivable balance was $112.3 million and total. Allowances for bad debts, returns, and chargebacks were $10.2 million September 30, 2003.

Inventory adjustments. Inventories are stated at lower of cost or market. We review our inventory on a regular basis for excess and slow moving inventory based on prior sales and net realizable value. The likelihood of any material inventory write-down is dependent primarily on consumer demand and competitor product offerings. Inventories were stated at $150.7 million at September 30, 2003.

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

- the asset's ability to continue to generate income;

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

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

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

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

QUARTERLY RESULTS AND SEASONALITY

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

We have experienced, and expect to continue to experience, variability in our net sales and operating results on a quarterly basis. Our domestic customers generally assume responsibility for scheduling pickup and delivery of purchased products. Any delay in scheduling or pickup which is beyond our control could materially negatively impact our net sales and results of operations for any given quarter. We believe the factors which influence this variability include (i) the timing of our introduction of new footwear products, (ii) the level of consumer acceptance of new and existing products, (iii) general economic and industry conditions that affect consumer spending and retail purchasing, (iv) the timing of the placement, cancellation or pickup of customer orders, (v) increases in the number of employees and overhead to support growth, (vi) the timing of expenditures in anticipation of increased sales and customer delivery requirements, (vii) the number and timing of our new retail store openings and (viii) actions by competitors. Due to these and other factors, the operating results for any particular quarter are not necessarily indicative of the results for the full year.

INFLATION

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

EXCHANGE RATES

We receive U.S. dollars for substantially all of our product sales and our royalty income. Inventory purchases from offshore contract manufacturers are primarily denominated in U.S. dollars; however, purchase prices for our products may be impacted by fluctuations in the exchange rate between the U.S. dollar and the local currencies of the contract manufacturers, which may have the effect of increasing our cost of goods in the future. During the three months ending September 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 nine months of 2003 were lower than anticipated. This lower level of sales adversely affected our operating results for 2002 and the first nine months 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, 2002 or 2001. However, this may change in the future and fluctuations in sales of any given style that represents a significant portion of our future net sales could have a negative impact on our operating results.

WE RELY ON INDEPENDENT CONTRACT MANUFACTURERS AND, AS A RESULT, ARE EXPOSED TO POTENTIAL DISRUPTIONS IN PRODUCT SUPPLY.

Our footwear products are currently manufactured by independent contract manufacturers. 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. 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 41 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 November 12, 2003, Robert Greenberg, Chairman of the Board and Chief Executive Officer, beneficially owned 67.6% 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 November 12, 2003, Mr. Greenberg held approximately 61.5% 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 91.0% 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 our current expectations or forecasts. Such information is subject to the risk that such expectations or forecasts, or the assumptions underlying such exceptions or forecasts, become inaccurate. In addition, the risks included here are not exhaustive. Other sections of this report may include additional factors which could adversely impact our business and financial performance. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and we cannot predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Investors should also be aware that while we do, from time to time, communicate with securities analysts, we do not disclose any material non-public information or other confidential commercial information to them. Accordingly, individuals should not assume that we agree with any statement or report issued by any analyst, regardless of the content of the report. Thus, to the extent that reports issued by securities analysts contain any projections, forecasts or opinions, such reports are not our responsibility.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Interest rate fluctuations. At September 30, 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 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 Others". 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 6 “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 December 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 impact 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 adoption of SFAS No. 150 on July 1, 2003 did not have a material impact on our 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. As of the end of the period covered by this quarterly report on Form 10-Q (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 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, and the final draft of the settlement has been executed. 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. On October 15, 2003, the parties settled the matter in principle and are documenting the settlement for execution. The terms of the settlement are confidential and did not have a material effect on Skechers' financial position or results of operations.

On March 25, 2003, a shareholder securities 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). On April 2, 2003, a shareholder securities 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). On April 15, 2003, a shareholder securities 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). On May 6, 2003, a shareholder securities 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). On May 9, 2003, a shareholders securities 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). Each of these class action complaints alleged 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. In July 2003, the court in these federal securities class actions, all pending in the United States District Court for the Central District of California, ordered the cases consolidated and a consolidated complaint to be filed and served. On September 25, 2003, the plaintiffs filed a consolidated complaint entitled In re SKECHERS USA, Inc. Securities Litigation, Case No. CV-03-2094-PA in the United States District Court for the Central District of California, consolidating all of the federal securities actions above. The complaint names as defendants the Company and certain officers and directors and 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.

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). 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). 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). Each of these class action complaints included allegations of violations of California Corporation Code § 25402 and breach of fiduciary duty. On August 29, 2003, the plaintiffs in these state derivative actions filed a consolidated complaint entitled In re SKECHERS USA, Inc. Derivative Litigation, Case No. BC-293317, in the Superior Court of the State of California, Los Angeles County, consolidating all of the state derivative actions above. The complaint alleges violations of California Corporation Code § 25402, breaches of fiduciary duty, 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 $50 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 without merit. Nonetheless, it is 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 — None

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 two current reports on Form 8-K during the three month ended September 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.

The registrant also filed one current report on Form 8-K subsequent to September 30, 2003.

On October 28, 2003, under Item 12 — Results of Operations and Financial Condition. Regarding the registrant’s announcement on October 23, 2003 of its financial results for the third quarter and nine months ended September 30, 2003. A copy of the press release was furnished as Exhibit 99.1 to the current report. Further, regarding the registrant’s conference call and audio web cast held on October 23, 2003 regarding its financial results for the third quarter and nine months ended September 30, 2003. A transcript of the call and audio web cast was furnished as Exhibit 99.2 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.

SKECHERS U.S.A, INC.

Dated: November 13, 2003

/s/ David Weinberg

David Weinberg
Executive Vice President and
Chief Financial 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 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 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: November 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 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 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: November 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 September 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)
November 13, 2003

/s/ David Weinberg

David Weinberg
Chief Financial Officer
(Principal Financial and Accounting Officer)
November 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.