2010 was a milestone year for SKECHERS, a year of firsts.

We passed $2 billion in annual sales, a new record with year-over-year growth of 39.7 percent. We led the toning market with a 60 percent share for the year, and entered the technical running market with our introduction of the SKECHERS Resistance Runner (SRR). We launched a new store format for our fitness footwear, and opened our first SKECHERS stores in Mexico, Italy, Ireland and Austria.

This year of accomplishments is in part why SKECHERS was named 2010 Company of the Year by Footwear Plus, the fifth time in the last six years, and why we are the second largest athletic footwear brand in the United States.

Our success over our 19-year-history has been attributed to our ability to deliver fresh product, back it with aggressive marketing, and deliver it to a growing number of stores around the world — be it our own company-owned stores, or accounts through a network of department, independent, family and athletic specialty stores. 2010 was no exception. We introduced more new product categories and expanded our core base, signed several athletes and celebrities to represent our brand, and extended our reach with new accounts and new countries. A brand in demand. With more than 3,000 styles designed for men, women and kids of all ages, SKECHERS truly has a style for everyone. This may not have been our intention when we started designing logger boots in 1992, but over the years, we have created a diverse house of brands with styles to appeal to consumers around the globe and meet many of their footwear needs.

Now, with the addition of toning and technical performance footwear in 2010, we are reaching a segment of the population that may not have come to SKECHERS for footware, or came to us only for casual or lifestyle footwear. We are building on our customer base, and growing it. In 2010, we expanded our Shape-ups collection with specialized lines for training and hiking, and added a lower-profile and lightweight line. We also developed casual and slip-resistant styles with our Shape-ups technology, allowing consumers to get the same benefits on the job or at evening functions.

We also expanded our Tone-ups division with athletic sneakers, some with padded bottoms and others with lightweight outsoles. These naturally appeal to a younger consumer than Shape-ups as the looks are more fashion-forward and often have brighter pop colors.

A natural extension of our toning footwear was a more technical line of running shoes for men and women. Last summer, we introduced SRR — an innovative training and running shoe that utilizes a kinetic return system that we believe allows wearers to run less with more benefits. We are building upon our Resistance line with new product categories launching this year.

There isn’t a day that goes by that we are not designing or developing product at SKECHERS, be it an update to our successful Twinkle Toes line or a new venture such as Tone-ups Fitness.

And there isn’t a day that goes by that we are not looking at new ways to market our footwear. With a focus on marketing, we are delivering our message in every appropriate avenue — even creating marketing opportunities that didn’t exist before! We believe that marketing is paramount to our success and take an aggressive approach, regularly developing new print and TV campaigns for our adult and kids’ lines.

In 2010, we built our Shape-ups business with campaigns that introduced toning shoes for every activity, and then built on their success with the power of celebrities and athletes. We first signed fitness expert Denise Austin, an excellent spokesperson at media events and on our Shape-ups bus tour, and Hall of Fame quarterback Joe Montana, who brought recognition of Shape-ups to men. By year-end, we had built our roster to include TV personalities Brooke Burke; NBA Hall of Famer Karl Malone; and Kim Kardashian and Kris Jenner, whose Kardashian empire, press influence and Twitter followers are second to none.

We also created fun, youthful spots for Tone-ups and Tone-ups Fitness, capturing the attention of hard-to-grab teenagers and twenty-somethings.

As our SKECHERS Kids business grows, we continue to create captivating commercials that capitalize on the success of our animated characters, all of whom appear in their own television advertising campaigns on the leading children’s networks. Twinkle Toes, Luminator, Sporty Shorty, Pretty Tall, Kewl Breeze, Z-Strap and Elastika are recognizable — and have perpetuated the strong on-going demand for our kids’ footwear.

We believe the star power of these animated characters and celebrities who are representing our brands will build sales, drive purchase intent and further leverage our business around the world.

Our domestic and international growth is the result of the continued success of our core products. For the year, our domestic wholesale net sales improved by 48.3 percent and our international wholesale business grew by 32.9 percent, which were significant gains over 2009.

Our domestic and international company-owned retail sales also improved during the year with an increase of 27.6 percent. We added a new fitness format to our store plan, opening two Shape-ups stores — one in the newly renovated Santa Monica Place Mall and another on Hollywood Boulevard next to Grauman’s Chinese Theater. We also expanded into new countries — including Italy and Austria, growing our store base at year-end to 287 company-owned stores, including 44 international stores.

Along with our company-owned stores, at year-end we also had 143 distributor-owned or -licensed SKECHERS retail stores around the world — including our first stores in Mexico, India and Indonesia.

We view our retail stores as tremendous marketing centers, a place where consumers can shop the largest collection SKECHERS has to offer in a uniquely identifiable SKECHERS setting.

2010 was an incredible year for SKECHERS in regards to product initiatives, marketing, global growth and sales as we topped $2 billion in sales. We are extremely proud of our achievements and the strength of our brand globally…but we have so much more to accomplish.

Our new 1.8-million-square-foot distribution facility is planned to be operational in 2011, enabling us to deliver our product faster and more efficiently.

We are expanding our SKECHERS Fitness Division with new Shape-ups, Tone-ups and SKECHERS Resistance lines.

We are delivering new kids’ lines, including Bella Ballerina, Punkie Rose and Luminators Secret Lights.

We will be supporting our lines with more star power marketing from our roster of celebrities, athletes and animated characters.

And we will continue to seek out new locations to grow our profitable retail base with another 30 to 35 stores planned for 2011.

SKECHERS is an iconic American brand, a world famous brand, and a brand in demand. We are looking forward to 2011 and profitably growing our business in the coming years.

Sincerely,

Robert Greenberg
Chairman & CEO

Michael Greenberg
President

No one company or brand does it like SKECHERS. We have the depth and diversity in our product offering to meet the footwear needs of nearly every person around the globe. We started with logger boots for guys, added women's and kids' casuals, launched sport and active footwear, and took our signature look to the work place – from construction sites to offices. All under the SKECHERS brand. Then we extended our reach with urban and skate shoes under the iconic Marc Ecko and Zoo York monikers, and also with a high-end men's line known as Mark Nason.

Now, with the 2010 addition of SKECHERS Resistance and Tone-ups sneakers, and the growth of Shape-ups, we are a global leader in maximum performance footwear. We made inroads into the running market, and took the majority of sales in the toning business for the year.

With quality, style and a keen sense of what consumers want, we believe we are a brand for everyone.
Building brand awareness on street corners and TV networks, and in malls, magazines, stores and stadiums, we take an aggressive approach to marketing to create a globally recognized brand.

SKECHERS’ compelling marketing campaigns drive consumers to seek out our footwear in their favorite stores: catalogs or online, creating an in-demand brand.

In 2010, we capitalized on the power of celebrities by developing a varied roster of athletes, fitness experts and TV personalities – each promoting our footwear to a unique demographic. These super talents include: fitness guru Denise Austin, Hall of Famers quarterback Joe Montana and NBA basketball player Karl Malone, TV host Brooke Burke, and reality stars Kim Kardashian and Kris Jenner – all for Shape-ups.

While we capitalize on these stars in every marketing medium – including a 200-foot billboard overlooking one of the most trafficked freeways in the country, we also have our own animated stars thanks to clever kids’ commercials that air on the most popular children’s networks. Younger kids now seek out Twinkle Toes, Luminator, Kewl Breeze, Super-Z and Sporty Shorty as much as their favorite superheroes.

From adults to kids, SKECHERS continually aims to build its marketing message to impress, impact and resonate in the mind of every consumer.
Windows, lease lines, homepages, catalogs and table tops across America prominently feature SKECHERS.

Leading department, specialty athletic, independent and family footwear stores highlight our product through our compelling branded in-store presentations, creating focal points. This connection is made with our online accounts by utilizing our marketing campaigns for their websites.

In 2010, our reach extended and our floor space share grew with the expansion of our SKECHERS Fitness Division. We now have window displays and extensive dedicated floor and wall space within key athletic stores, along with our more traditional retail partners.

Thanks to our diverse and growing product offering, we have become an iconic American brand with broad distribution and appeal.
SKECHERS footwear is now available in the five most populated countries in the world and most of the top 20 countries as well.

Our reach is broad and our brand is easily recognized in the world’s biggest cities – from Shanghai to Mumbai, from Sao Paulo to Moscow. Our extensive network of more than 30 distributors market and sell SKECHERS in more than 100 countries. The brand has become well established in both department and specialty stores, as well as in the 143 SKECHERS stores owned and operated by distributors. These stores span 33 countries, and include new locations in Mexico City, Johannesburg, Seoul, Jakarta and Manila.

Our subsidiaries now include 12 countries in Europe, two in Latin America, and one in Canada. Through this direct control of our business, we can efficiently grow our operations and build our brand.

We have also established joint ventures across Asia, specifically China and Hong Kong, to mimic the opportunities that we see in neighboring Asian countries as well as in the United States. Through our joint ventures, we have established 44 SKECHERS stores and more than 375 points of sale. Through our direct sales and business with joint ventures and distributors, we have established SKECHERS as a world famous brand.
From our first SKECHERS store, which opened in 1995 in downtown Manhattan Beach, to one of our more recent stores on Hollywood Boulevard next to Grauman’s Chinese Theater, SKECHERS stores are in desirable tourist or shopping destinations.

At the close of 2010, we had 287 SKECHERS retail stores, including 44 international locations and two Shape-ups stores, a new store format. Over the year, we opened 25 domestic stores and 17 international stores, including our first airport store in Orlando; a store in Las Vegas’ Miracle Mile; our largest store, a 15,000-square-foot warehouse outlet in Las Vegas; a Shape-ups store at the newly renovated Santa Monica Place Mall; our first destination in Vancouver; and our first stores in Austria, Italy and Portugal.

SKECHERS stores, and now Shape-ups stores, are ideal destinations for consumers to see the most complete offering of our products. As profitable branding centers, we plan to open another 30 to 35 stores in 2011, including our first international Shape-ups store in Greater London, and a warehouse store at our new 1.8-million-square-foot distribution center in Rancho Belago, California, pending its completion.
This annual report contains forward-looking statements that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, including statements with regards to future revenue, projected 2011 results, earnings, spending, margins, cash flow, orders, expected timing of shipment of products, inventory levels, future growth or success in specific countries, categories or market sectors, continued or expected distribution to specific retailers, liquidity, capital resources and market risk, strategies and objectives. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or simply state future results, performance or achievements of our company, and can be identified by the use of forward-looking language such as “believe,” “anticipate,” “expect,” “estimate,” “intend,” “plan,” “project,” “will be,” “will continue,” “will result,” “could,” “may,” “might,” or any variations of such words with similar meanings. Any such statements are subject to risks and uncertainties that could cause our actual results to differ materially from those which are management’s current expectations or forecasts. Such information is subject to the risk that such expectations or forecasts, or the assumptions underlying such expectations or forecasts, become inaccurate. Please see “Special Note on Forward-Looking Statements” on page one of our 2010 annual report on Form 10-K for a discussion of some of the risk factors that could cause actual results to materially differ. The risks included there are not exhaustive. We operate in a very competitive and rapidly changing environment. New risks 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 the 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, you should not place undue reliance on forward-looking statements as a prediction of actual results. Moreover, reported results should not be considered an indication of our future performance.