In the last few years, the news and media have focused on the troubled worldwide economy, and consumers have been more modest in their spending, resulting in a difficult business environment.

During 2011, we too were impacted by challenges in the marketplace caused by a difficult domestic economy and the change in footwear trends, but we are facing these obstacles head-on and moving forward. We believe if you build stellar product, tell the world about it, and have the means to deliver it, then you can thrive even in uncertain times.

In 2011, we focused on several key initiatives: 1. Keeping our product and marketing fresh, including the clearing of old toning inventory; 2. Developing new forward-thinking products that would set us apart in the market; and 3. Building our infrastructure at home and abroad.

We are constantly developing product, but in 2011 we took a careful look at each of our product rooms as well as the marketplace and determined our focus for each division – and what we needed to do to keep the styles on trend. The result was the delivery of some key selling styles, including shoes that spin under the name Bella Ballerina and lightweight Sporty Shorty sneakers for girls, lighted Luminators for boys, Shape-ups, Liv by SKECHERS and Tone-ups sneakers for women, SKECHERS ProSpeed and new black and brown looks for men and women. We also launched BOBS from SKECHERS, a charity-based shoe line, and SKECHERS GoRun, our first high-performance running line.

Our buy a pair, give a pair philosophy with BOBS has resulted in the donation of a million pairs to children in need during the first year of sales. With this philanthropic line now for women, men and kids, and Dancing with the Stars host Brooke Burke in a television campaign to support it, we believe we will be able to make an even bigger impact on the millions of children worldwide in need of shoes.

In 2011 we also launched our first performance running line, SKECHERS GoRun, with Athens silver medalist and 2009 New York Marathon winner Meb Keflezighi as the spokesperson. Noted as one of the top U.S. marathon runners of all time, Meb placed first in the 2012 U.S. team marathon trials wearing SKECHERS GoRun racing flats, and we will represent the U.S. at the London games in SKECHERS GoRun. With the power of an elite athlete, a line embraced by running enthusiasts, and marketing support that included a 2012 Super Bowl campaign, we believe SKECHERS GoRun is the start of what will be a successful performance division.

Along with Meb, we had a large roster of celebrities in 2011. For SKECHERS GoRun and SKECHERS GoTrain, this includes New England Patriots running back Danny Woodhead, who will continue to represent SKECHERS GoRun in 2012. And for our other SKECHERS Fitness lines, the year started off with Kim Kardashian in a Super Bowl and print campaign, which was followed by Brooke Burke appearing in our Fitness campaigns.

Our star-studded campaigns for adults were accompanied by our animated stars in support of our SKECHERS Kids lines. These included television campaigns for the already well-known Twinkle Toes, Sporty Shorty and Super Z-Strip, and the new stars Bella Ballerina and Luminator. Also in the fall we took a unique approach to marketing to kids with a McDonald’s Twinkle Toes Happy Meal promotion nationwide. This promotion has now been expanded to international markets, and we are looking for other unique opportunities with our kids’ lines.

We continue to believe that targeted marketing is essential to our global growth and brand awareness. Our commercials are translated into multiple languages and our images appear on billboards in magazines and in stores around the world. We engage with consumers through social media and at events where we can speak directly about our technical performance footwear. Our roster of celebrities – be it athletes, TV hosts, or animated superheroes and characters – build brand awareness and credibility, and speak to their targeted market segments.

In addition to the development of new product categories like performance running, and the evolution of our product in each of our divisions, we are building our infrastructure to support our growth in the future at home and abroad. In 2011, we completed our new North American distribution center in Rancho Belago, California. The fully automated, energy-efficient, 1.82-million-square-foot facility consolidates our distribution under one roof, creating a more efficient operation and one that will meet our business needs for many years to come.

We have also expanded our retail footprint and now have more than 330 company-owned SKECHERS stores in the United States and other markets where we directly handle the distribution of our product, and over another 265 international distributor-owned or joint venture operated SKECHERS branded stores at year-end 2011. With a breadth of SKECHERS product for men, women and kids under one roof, we believe the SKECHERS stores are living catalogs and unparalleled branding tools.

As we look beyond the U.S., we are continuing to focus on growing our international business to become 35 to 40 percent of our total sales. With the new performance and lifestyle product that we now have, we are looking to expand our presence in all markets in which our brand is available. We are also focusing on several markets in which we see considerable potential.

We believe South America is a huge opportunity. We have refocused our efforts in this market, and we believe that with a fresh look at product and increased management involvement, we can take significant market share in this growing region.

With our joint venture businesses in Asia, we are seeing positive trends in China, where SKECHERS is positioned as an American lifestyle brand. We think our performance footwear’s opportunity for growth in this country could be strong as consumers in this region appear hungry for the next big thing from America.

This also seems to be the case in Japan, one of our first international markets and historically one of our biggest. In 2011, we began transitioning from a distributor-operated business to a wholly-owned Japanese subsidiary in order to maximize our potential. Our goal this year is to launch a full-scale product assortment, open more retail stores and target our distribution in Japan to ultimately double our business in the next 3 to 5 years.

There is no doubt that many international countries’ approach to doing business is different than in the U.S., but with our now 20 years of experience, we have been able to successfully position our brand in more than 10 countries around the world.

In just two decades, our modest company that started by the beach in Southern California has grown into one of the largest footwear brands in the world. We are proud of our many accomplishments over this time, including the launch of SKECHERS GoRun in 2011, our 2012 Super Bowl campaign – which was one of the highest rated spots – and our recent international expansion.

As we navigate these difficult times and deal with day-to-day challenges, we still see opportunities to grow our business and be a trusted footwear brand to many consumers. We remain committed to building SKECHERS around the world, and to returning our business back to profitability.

Sincerely,

Robert Greenberg
Chairman & CEO

Michael Greenberg
President
A BRAND IN DEMAND

• Leading lifestyle brand with heritage in casual shoes, boots, and sneakers.
• Leading kids’ footwear brand with a growing cast of characters, including Luminator and Bella Ballerina.
• Emerging performance brand with the launch of Skechers GOrun, a minimalist running shoe.
• Massive product range, diverse styling and technological advancements.
MARKETING TO THE WORLD

- Builds brand awareness globally through marketing campaigns across multiple platforms: television, print, outdoor, online, and in-store.

- Celebrity-driven campaigns have included Dancing with the Stars host Brooke Burke and reality star Kim Kardashian.

- Elite runner and medalist Meb Keflezighi has appeared in marketing campaigns in support of Skechers GOrun.

- Reaches kids with captivating commercials, starring our animated characters Twinkle Toes, Luminator, Kewl Breeze, Z-Strap, Bella Ballerina, and Sporty Shorty.
Diverse distribution network of leading department, specialty athletic, independent and family footwear stores, SKECHERS branded stores, and e-commerce.

International wholesale sales in 125+ countries via 11 subsidiaries, 4 joint ventures in Asia and 40+ distributors.

330+ company-owned SKECHERS stores showcase our extensive product offering in 13 countries.

265+ SKECHERS-branded stores owned and operated by third-party distributors and franchisees in 40+ countries.

SKECHERS total store count will approach 700 stores in 2012.
distribution facility in Rancho Belago, California, ships to our North American accounts and stores. In Europe, subsidiaries receive product from our 490,000-square-foot distribution facility in Liege, Belgium. Our vast network of distributors receive product directly from third-party manufacturers.

FORWARD-LOOKING STATEMENT

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 2012 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, success 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 otherwise state future results, performance or achievements of our company, and can be identified by the use of forward-looking language such as “believes,” “anticipate,” “expects,” “estimate,” “intend,” “plans,” “will,” “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 2011 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.