SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

F O R M 10 - Q

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

For the quarterly period ended May 1, 2004

Commission file no. 1-10299

FOOT LOCKER, INC.

(Exact name of registrant as specified in its charter)

New York	**13-3513936**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
112 W. 34th Street, New York, New York	**10120**
(Address of principal executive offices)	**(Zip Code)**

Registrant’s telephone number: (212) 720-3700

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 o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). YES x NO o

Number of shares of Common Stock outstanding at May 28, 2004: 145,418,788

FOOT LOCKER, INC.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

FOOT LOCKER, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions, except shares)

	May 1, 2004	May 3, 2003	January 31, 2004
	(Unaudited)	(Unaudited)	*
ASSETS			
Current assets			
Cash and cash equivalents	$ 392	$ 306	$ 448
Merchandise inventories	1,051	941	920
Assets of discontinued operations	2	2	2
Other current assets	151	90	149
	1,596	1,339	1,519
Property and equipment, net	640	626	644
Deferred taxes	191	233	194
Goodwill and intangible assets	232	222	232
Other assets	101	111	100
	$ 2,760	$ 2,531	$ 2,689
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable	$ 370	$ 344	$ 234
Accrued liabilities	279	254	300
Current portion of repositioning and restructuring reserves	1	3	1
Current portion of reserve for discontinued operations	7	15	8
Liabilities of discontinued operations	1	3	2
Current portion of long-term debt and obligations under capital leases	150	—	—
	808	619	545
Long-term debt and obligations under capital leases	182	358	335
Other liabilities	355	401	434
	1,345	1,378	1,314
Shareholders' equity			
Common stock and paid-in capital: 145,602,460, 141,986,116 and 144,008,667 shares, respectively	431	381	411
Retained earnings	1,171	980	1,132
Accumulated other comprehensive loss	(183)	(206)	(167)
Less: Treasury stock at cost: 178,922, 185,220 and 56,587 shares, respectively	(4)	(2)	(1)
Total shareholders' equity	1,415	1,153	1,375
	$ 2,760	$ 2,531	$ 2,689

See Accompanying Notes to Condensed Consolidated Financial Statements.

* The balance sheet at January 31, 2004 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended January 31, 2004.

FOOT LOCKER, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(in millions, except per share amounts)

	Thirteen weeks ended	
	May 1, 2004	May 3, 2003
Sales	$ 1,186	$ 1,128
Costs and Expenses		
Cost of sales	826	783
Selling, general and administrative expenses	248	241
Depreciation and amortization	34	37
Interest expense, net	4	5
	1,112	1,066
Income from continuing operations before income taxes	74	62
Income tax expense	27	23
Income from continuing operations	47	39
Income from disposal of discontinued operations	1	—
Cumulative effect of accounting change, net of income tax benefit of $-	—	(1)
Net income	$ 48	$ 38
Basic earnings per share:		
Income from continuing operations	$ 0.33	$ 0.28
Income from discontinued operations	—	—
Cumulative effect of accounting change	—	(0.01)
Net income	$ 0.33	$ 0.27
Weighted-average common shares outstanding	143.6	141.1
Diluted earnings per share:		
Income from continuing operations	$ 0.31	$ 0.27
Income from discontinued operations	—	—
Cumulative effect of accounting change	—	(0.01)
Net income	$ 0.31	$ 0.26
Weighted-average common shares assuming dilution	156.2	151.3

See Accompanying Notes to Condensed Consolidated Financial Statements.

FOOT LOCKER, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(in millions)

	Thirteen weeks ended	
	May 1, 2004	**May 3, 2003**
Net income	$ 48	$ 38
Other comprehensive (expense) income		
Foreign currency translation adjustments arising during the period	(16)	5
Change in fair value of derivatives / reclassification adjustments, net of tax of $-	—	2
Comprehensive income	$ 32	$ 45

See Accompanying Notes to Condensed Consolidated Financial Statements.

FOOT LOCKER, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in millions)

	Thirteen weeks ended	
	May 1, 2004	May 3, 2003
From Operating Activities:		
Net income	$ 48	$ 38
Adjustments to reconcile net income to net cash used in operating activities of continuing operations:		
Income from disposal of discontinued operations, net of tax	(1)	—
Cumulative effect of accounting change, net of tax	—	1
Depreciation and amortization	34	37
Deferred income taxes	6	10
Change in assets and liabilities:		
Merchandise inventories	(140)	(101)
Accounts payable and other accruals	124	58
Pension contribution	(50)	(50)
Other, net	(29)	(4)
Net cash used in operating activities of continuing operations	(8)	(11)
From Investing Activities:		
Lease acquisition costs	(8)	(6)
Escrow payments to acquire Footaction stores	(8)	—
Capital expenditures	(38)	(25)
Net cash used in investing activities of continuing operations	(54)	(31)
From Financing Activities:		
Issuance of common stock, net	15	1
Dividends paid	(9)	(4)
Net cash provided by (used in) financing activities of continuing operations	6	(3)
Net Cash used in Discontinued Operations	—	(2)
Effect of exchange rate fluctuations on Cash and Cash Equivalents	—	(4)
Net change in Cash and Cash Equivalents	(56)	(51)
Cash and Cash Equivalents at beginning of year	448	357
Cash and Cash Equivalents at end of interim period	$ 392	$ 306
Cash paid during the period:		
Interest	$ —	$ —
Income taxes	$ 30	$ 17

See Accompanying Notes to Condensed Consolidated Financial Statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the Notes to Consolidated Financial Statements contained in the Company's Form 10-K for the year ended January 31, 2004, as filed with the Securities and Exchange Commission (the "SEC") on April 5, 2004. Certain items included in these statements are based on management's estimates. In the opinion of management, all material adjustments, which are of a normal recurring nature, necessary for a fair presentation of the results for the interim periods have been included. The results for the thirteen weeks ended May 1, 2004 are not necessarily indicative of the results expected for the year.

2. Stock-Based Compensation

The Company accounts for stock-based compensation by applying APB No. 25, "Accounting for Stock Issued to Employees" ("APB No. 25"), as permitted by SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"). In accordance with APB No. 25, compensation expense is not recorded for options granted if the option price is not less than the quoted market price at the date of grant. Compensation expense is also not recorded for employee purchases of stock under the 2003 and 1994 Stock Purchase Plans. The plans, which are compensatory as defined in SFAS No. 123, are non-compensatory as defined in APB No. 25. SFAS No. 123 requires disclosure of the impact on earnings per share if the fair value method of accounting for stock-based compensation is applied for companies electing to continue to account for stock-based plans under APB No. 25. Accounting for the Company's stock-based compensation in accordance with the fair value method provisions of SFAS No. 123 would have resulted in the following:

	May 1, 2004	May 3, 2003
(in millions, except per share amounts)		
Net income		
As reported:	$ 48	$ 38
Compensation expense included in reported net income, net of income tax benefit	1	—
Total compensation exposure under fair value method for all awards, net of income tax benefit	(3)	(1)
Pro forma net income	$ 46	$ 37
Basic earnings per share:		
As reported	$ 0.33	$ 0.27
Pro forma	$ 0.32	$ 0.27
Diluted earnings per share:		
As reported	$ 0.31	$ 0.26
Pro forma	$ 0.30	$ 0.26

3. Goodwill and Intangible Assets

The Company accounts for goodwill and other intangibles in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets," which requires that goodwill and intangible assets with indefinite lives no longer be amortized but reviewed for impairment if impairment indicators arise and, at a minimum, annually. During the first quarters of 2004 and 2003, the Company completed its annual reviews of goodwill, which did not result in an impairment charge.

Goodwill (in millions)	**May 1, 2004**	**May 3, 2003**	**January 31, 2004**
Athletic Stores	$ 56	$ 56	$ 56
Direct-to-Customers	80	80	80
	$ 136	$ 136	$ 136

Intangible Assets (in millions)	**May 1, 2004**	**May 3, 2003**	**January 31, 2004**
Intangible assets not subject to amortization	$ 2	$ 2	$ 2
Intangible assets subject to amortization, net of accumulated amortization of $52 million, $39 million and $51 million, respectively	94	84	94
	$ 96	$ 86	$ 96
Total	$ 232	$ 222	$ 232

Intangible assets not subject to amortization relate to the Company's U.S. defined benefit retirement plan.

The net intangible asset activity during the first quarter of 2004 is primarily a result of additional lease acquisition costs of $8 million offset by the effect of foreign exchange rates of $5 million, resulting from the decline in the euro as compared with the U.S. dollar, and amortization expense of $3 million.

Finite life intangible assets comprise lease acquisition costs, which are required to secure prime lease locations and other lease rights, primarily in Europe. The weighted-average amortization period as of May 1, 2004 was approximately 12.3 years. Amortization expense for lease acquisition costs was approximately $3 million and $2 million for the first quarters of 2004 and 2003, respectively. Annual estimated amortization expense for lease acquisition costs is expected to be approximately $12 million for 2004 and 2005, approximately $11 million for 2006 and 2007 and approximately $10 million for 2008.

4. Derivative Financial Instruments

Net changes in the fair value of derivatives financial instruments designated as hedges and losses recognized in the income statement related to settled contracts amounted to $1 million, net of tax, during the quarter ended May 1, 2003. These changes were not material for the quarter ended May 1, 2004.

The impact of cash flow hedges that were classified as ineffective during the quarters ended May 1, 2004 and May 3, 2003 was not material. The changes in fair value of derivative instruments not designated as hedges were substantially offset by the changes in value of the underlying transactions, which were recorded in selling, general and administrative expenses, in both periods.

The fair value of derivative contracts outstanding at May 1, 2004 comprised non-current assets of $4 million, current liabilities of $1 million and non-current liabilities of $5 million.

5. Asset Retirement Obligations

The Company adopted SFAS No. 143, “Accounting for Asset Retirement Obligations” (“SFAS No. 143”) as of February 2, 2003. The statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate can be made. The carrying amount of the related long-lived asset shall be increased by the same amount as the liability and that amount will be amortized over the useful life of the underlying long-lived asset. The difference between the fair value and the value of the ultimate liability will be accreted over time using the credit-adjusted risk-free interest rate in effect when the liability is initially recognized. Asset retirement obligations of the Company may at any time include structural alterations to store locations and equipment removal costs from distribution centers required by certain leases. On February 2, 2003, the Company recorded a liability of $2 million for the expected present value of future retirement obligations, increased property and equipment by $1 million and recognized a $1 million after tax charge for the cumulative effect of the accounting change. Accretion and amortization expense recorded during the first quarters of 2004 and 2003 were not material. The liability at May 1, 2004 and May 3, 2003 was $3 million and $2 million, respectively.

6. Discontinued Operations

On January 23, 2001, the Company announced that it was exiting its 694 store Northern Group segment. During the second quarter of 2001, the Company completed the liquidation of the 324 stores in the United States. On September 28, 2001, the Company completed the stock transfer of the 370 Northern Group stores in Canada, through one of its wholly-owned subsidiaries for approximately CAD$59 million (approximately US$38 million), which was paid in the form of a note (the “Note”). Another wholly-owned subsidiary of the Company was the assignor of the store leases involved in the transaction and therefore retains potential liability for such leases. The net amount of the assets and liabilities of the former operations was written down to the estimated fair value of the Note. The transaction was accounted for pursuant to SEC Staff Accounting Bulletin Topic 5:E “Accounting for Divestiture of a Subsidiary or Other Business Operation,” as a “transfer of assets and liabilities under contractual arrangement” as no cash proceeds were received and the consideration comprised the Note, the repayment of which is dependent on the future successful operations of the business.

An agreement in principle had been reached during December 2002 to receive CAD$5 million (approximately US$3 million) cash consideration in partial prepayment of the Note and accrued interest, and further, the Company agreed to reduce the face value of the Note to CAD$17.5 million (approximately US$12 million). During the fourth quarter of 2002, circumstances had changed sufficiently such that it became appropriate to recognize the transaction as an accounting divestiture. Accordingly, the Note was recorded in the financial statements at its estimated fair value of CAD$16 million (approximately US$10 million).

On May 6, 2003, the amendments to the Note were executed and a cash payment of CAD$5.2 million (approximately US$3.5 million) was received representing principal and interest through the date of the amendment. At May 1, 2004 and May 1, 2003, US$2 million and US$4 million, respectively, are classified as a current receivable, with the remainder classified as long term within other assets in the accompanying Condensed Consolidated Balance Sheet. All principal and interest payments have been received timely and in accordance with the terms of the Note.

As indicated above, as the assignor of the Northern Canada leases, the Company remained secondarily liable under those leases. As of May 1, 2004, the Company estimates that its gross contingent lease liability is between CAD$45 to $49 million (approximately US$33 to $35 million). The Company currently estimates the expected value of the lease liability to be approximately US$1 million. The Company believes that it is unlikely that it would be required to make such contingent payments.

The remaining reserve balance of $1 million at May 1, 2004 is expected to be utilized within twelve months.

The major components of the pre-tax losses (gains) on disposal and disposition activity related to the reserves are presented below:

Northern Group (in millions)

	Balance 1/31/2004	Net Usage *	Charge/ (Income)	Balance 5/1/2004
Other costs	$ 2	$ (1)	$ —	$ 1

* Net usage includes effect of foreign exchange translation adjustments

In 1998, the Company exited both its International General Merchandise and Specialty Footwear segments. During the first quarter of 2004, the Company recorded income of $1 million, after-tax, related to a refund of Canadian customs duties related to certain of the businesses that comprised the Specialty Footwear segment.

In 1997, the Company exited its Domestic General Merchandise segment. In 2002, the successor-assignee of the leases of a former business included in the Domestic General Merchandise segment has filed a petition in bankruptcy, and rejected in the bankruptcy proceeding 15 leases it originally acquired from a subsidiary of the Company. There are currently several actions pending against this subsidiary by former landlords for the lease obligations. The Company recorded charges totaling $3 million, after-tax, related to certain of these actions. The Company estimates the gross contingent lease liability related to the remaining actions as approximately $4 million. The Company believes that it may have valid defenses; however, the outcome of these actions cannot be predicted with any degree of certainty.

The remaining reserve balances for these three discontinued segments totaled $17 million as of May 1, 2004, $6 million of which is expected to be utilized within twelve months and the remaining $11 million thereafter.

Disposition activities related to the reserves are presented below:

(in millions)
International General Merchandise

	Balance 1/31/2004	Net Usage	Charge/ (Income)	Balance 5/1/2004
The Bargain! Shop – Real estate & lease liabilities	$ 5	$ —	$ —	$ 5

Specialty Footwear

	Balance 1/31/2004	Net Usage	Charge/ (Income)	Balance 5/1/2004
Real estate & lease liabilities	$ 2	$ —	$ —	$ 2

Domestic General Merchandise

	Balance 1/31/2004	Net Usage	Charge/ (Income)	Balance 5/1/2004
Real estate & lease liabilities	$ 6	$ —	$ —	$ 6
Legal and other costs	4	—	—	4
Total	$ 10	$ —	$ —	$ 10

The following is a summary of the assets and liabilities of discontinued operations:

(in millions)	Northern Group	Specialty Footwear	Domestic General Merchandise	Total
5/1/2004				
Assets	$ —	$ —	$ 2	$ 2
Liabilities	1	—	—	1
Net liabilities of discontinued operations	$ (1)	$ —	$ 2	$ 1
5/3/2003				
Assets	$ —	$ —	$ 2	$ 2
Liabilities	1	—	2	3
Net liabilities of discontinued operations	$ (1)	$ —	$ —	$ (1)
1/31/2004				
Assets	$ —	$ —	$ 2	$ 2
Liabilities	1	—	1	2
Net liabilities of discontinued operations	$ (1)	$ —	$ 1	$ —

The Northern Group assets and liabilities of discontinued operations primarily comprised the Northern Group stores in the U.S. The net assets of the Specialty Footwear and Domestic General Merchandise segments consist primarily of fixed assets and accrued liabilities.

7. Repositioning and Restructuring Programs

1999 Restructuring

Total restructuring charges of $96 million before-tax were recorded in 1999 for the Company's restructuring program to sell or liquidate eight non-core businesses. The restructuring plan also included an accelerated store-closing program in North America and Asia, corporate headcount reduction and a distribution center shutdown. The dispositions of Randy River Canada, Foot Locker Outlets, Colorado, Going to the Game!, Weekend Edition and the store-closing program were essentially completed in 2000. Of the original 1,400 planned terminations associated with the store-closing program, approximately 200 positions were retained as a result of the continued operation of 32 of the stores. In 2001, the Company completed the sales of The San Francisco Music Box Company ("SFMB") and the assets related to its Burger King and Popeye's franchises. The termination of the Maumelle distribution center lease was completed in 2002.

In connection with the sale of SFMB, the Company remained as an assignor or guarantor of leases of SFMB related to a distribution center and five store locations. In May 2003, SFMB filed a voluntary petition under Chapter 11 of the Bankruptcy Code in the U.S. Bankruptcy Court for the District of Delaware. During July and August 2003, SFMB rejected five of the leases and assumed one of the store leases in the bankruptcy proceedings. During the second quarter of 2003, the Company recorded a charge of $1 million, primarily related to the distribution center lease. The lease for the distribution center expires January 31, 2010, while the remaining store leases expired on January 31, 2004. As of May 1, 2004, the Company estimates its gross contingent lease liability for the distribution center lease to be approximately $4 million.

1993 Repositioning and 1991 Restructuring

The Company recorded charges of $558 million in 1993 and $390 million in 1991 to reflect the anticipated costs to sell or close under-performing specialty and general merchandise stores in the United States and Canada. Under the 1993 repositioning program, approximately 970 stores were identified for closing. Approximately 900 stores were closed under the 1991 restructuring program.

Disposition activity related to the reserves within the restructuring programs is presented below.

1999 Restructurings
(in millions)

	Balance 1/31/2004	Net Usage	Charge/ (Income)	Balance 5/1/2004
Real estate	$ 1	$ —	$ —	$ 1

1993 Repositioning and 1991 Restructuring
(in millions)

	Balance 1/31/2004	Net Usage	Charge/ (Income)	Balance 5/1/2004
Real estate	$ 1	$ —	$ —	$ 1
Other disposition costs	1	—	—	1
Total	$ 2	$ —	$ —	$ 2

Total Restructuring Reserves
(in millions)

	Balance 1/31/2004	Net Usage	Charge/ (Income)	Balance 5/1/2004
Real estate	$ 2	$ —	$ —	$ 2
Other disposition costs	1	—	—	1
Total	$ 3	$ —	$ —	$ 3

The remaining reserve balances totaled $3 million at May 1, 2004, of which, $1 million is expected to be utilized within the next twelve months and the remaining $2 million thereafter.

8. Earnings Per Share

Basic earnings per share is computed as net earnings divided by the weighted-average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur from common shares issuable through stock-based compensation including stock options and the conversion of convertible long-term debt. The following table reconciles the numerator and denominator used to compute basic and diluted earnings per share for continuing operations.

	Thirteen weeks ended	
(in millions)	May 1, 2004	May 3, 2003
Numerator:		
Income from continuing operations	$ 47	$ 39
Effect of Dilution:		
Convertible debt	1	1
Income from continuing operations assuming dilution	$ 48	$ 40
Denominator:		
Weighted-average common shares outstanding	143.6	141.1
Effect of Dilution:		
Stock options and awards	3.1	0.7
Convertible debt	9.5	9.5
Weighted-average common shares assuming dilution	156.2	151.3

Options to purchase 1.0 million and 6.8 million shares of common stock were not included in the computation for the thirteen weeks ended May 1, 2004 and May 3, 2003, respectively, because the exercise prices of the options were greater than the average market price of the common shares and, therefore, the effect would be antidilutive.

9. Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss was comprised of the following:

(in millions)	May 1, 2004	May 3, 2003	January 31, 2004
Foreign currency translation adjustments	$ —	$ (10)	$ 16
Minimum pension liability adjustment	(182)	(198)	(182)
Fair value of derivatives designated as hedges	(1)	2	(1)
	$ (183)	$ (206)	$ (167)

10. Segment Information

Sales and division results for the Company's reportable segments for the thirteen weeks ended May 1, 2004 and May 3, 2003, respectively, are presented below. Division profit reflects income from continuing operations before income taxes, corporate expense, non-operating income and net interest expense.

Sales:

(in millions)	Thirteen weeks ended	
	May 1, 2004	May 3, 2003
Athletic Stores	$ 1,100	$ 1,041
Direct-to-Customers	86	87
Total sales	$ 1,186	$ 1,128

Operating Results:

(in millions)	Thirteen weeks ended	
	May 1, 2004	May 3, 2003
Athletic Stores	$ 82	$ 75
Direct-to-Customers	11	9
Division profit	93	84
Corporate expense, net	15	17
Operating profit	78	67
Interest expense, net	4	5
Income from continuing operations before income taxes	$ 74	$ 62

11. Retirement Plans and Other Benefits

Pension and Other Postretirement Plans

The Company has defined benefit pension plans covering most of its North American employees, which are funded in accordance with the provisions of the laws where the plans are in effect. In addition to providing pension benefits, the Company sponsors postretirement medical and life insurance plans, which are available to most of its retired U.S. employees. These plans are contributory and are not funded.

The following are the components of net periodic pension benefit cost for the thirteen weeks ended May 1, 2004 and May 3, 2003:

(in millions)	May 1, 2004	May 3, 2003
Service cost	$ 2	$ 2
Interest cost	10	11
Expected return on assets	(11)	(12)
Net amortization:		
Unrecognized prior service benefit	—	—
Unrecognized net loss	3	3
Net periodic pension benefit cost	$ 4	$ 4

The following are the components of the net postretirement benefit income for the thirteen weeks ended May 1, 2004 and May 3, 2003:

(in millions)	May 1, 2004	May 3, 2003
Service cost	$ —	$ —
Interest cost	—	—
Net amortization of unrecognized prior service benefit	—	—
Amortization of net gain	(3)	(3)
Net postretirement benefit income	$ (3)	$ (3)

The Company previously disclosed in its financial statements for the year ended January 31, 2004, that it expected to contribute $50 million to its pension plans during 2004, to the extent that the contributions were tax deductible. As of May 1, 2004, $50 million of contributions have been made.

In December 2003, the United States enacted into law the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the “Act”). The Act establishes a prescription drug benefit under Medicare, known as “Medicare Part D,” and a Federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. Detailed regulations necessary to implement the Act have not yet been issued, including those that would specify the manner in which actuarial equivalency must be determined. However, management believes that the health care benefits it provides to retirees will not be considered actuarially equivalent to Medicare Part D and therefore, the Company would not be eligible to receive the Federal subsidy.

12. Convertible Subordinated Notes

On April 20, 2004, the Company notified The Bank of New York, as Trustee under the indenture, that it intended to redeem all of its $150 million outstanding 5.5 percent convertible subordinated notes, effective June 4, 2004, as provided by the terms of the notes. As a result of this redemption notification, the Company expects that most holders will convert their notes into shares of Foot Locker, Inc. common stock, on or before June 3, 2004 at a conversion price of $15.806 per share. This expectation is based on Foot Locker, Inc.’s common stock continuing to trade at a price greater than $16.30 per share, equal to the conversion price of $15.806 multiplied by the redemption price of 103.1 percent of the principal amount of the notes. The redemption price on June 4, 2004 is equal to 103.1 percent of the principal amount of the note, together with accrued interest to, but excluding, the date fixed for redemption.

13. Subsequent Events

a) Acquisition

The Company closed its purchase of approximately 350 Footaction stores from Footstar, Inc. on May 7, 2004. Footstar, Inc. had filed for Chapter 11 bankruptcy protection on March 2, 2004; consequently, the disposition of its Footaction stores was conducted under a Bankruptcy Code Section 363 sale process. The U.S. Bankruptcy Court approved the sale on April 21, 2004 and the waiting period required under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 expired on May 4, 2004.

As of May 1, 2004, $8 million was deposited into escrow, pending the closing of the purchase. The Company intends to integrate the Footaction business into the Athletic Stores segment and operate the majority of the stores under the Footaction name. The Company will subsequently allocate the purchase price of approximately $225 million based upon an independent appraisal report, which is anticipated to be received within the next few months. The purchase price is subject to certain closing adjustments in accordance with the purchase agreement and will increase for direct costs related to the acquisition.

The agreement to acquire the Footaction stores is in line with the Company's strategic priorities, including the acquisition of compatible athletic footwear and apparel retail companies.

b) Term Loan and Amended Revolving Credit Facility

The Company elected to finance a portion of the Footaction stores' purchase price and on May 19, 2004 obtained a 5-year, $175 million amortizing term loan with the bank group participating in its existing revolving credit facility. The initial interest rate on the LIBOR-based, floating-rate loan is 2.625 percent. The Company also amended and extended its revolving credit agreement to 2009 to coincide with the final maturity of the term loan. Closing and upfront fees totaling approximately $2 million were paid for the term loan and the amendment to the revolver. These fees, as well as the remaining unamortized fees on the existing revolver, will be amortized over the five-year period.

c) Convertible Subordinated Notes

The Company notified The Bank of New York, as Trustee under the indenture, that it intended to redeem its entire $150 million outstanding 5.5 percent convertible subordinated notes, effective June 4, 2004. By June 3, 2004, The Bank of New York had received notice from 100 percent of the holders of the notes of their election to convert their securities into shares of the Company's common stock. As of June 3, 2004, all of the convertible subordinated notes were cancelled and approximately 9.5 million new shares of the Company's common stock were issued.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

BUSINESS OVERVIEW

Foot Locker, Inc., through its subsidiaries, operates in two reportable segments – Athletic Stores and Direct-to-Customers. The Athletic Stores segment is one of the largest athletic footwear and apparel retailers in the world, whose formats include Foot Locker, Lady Foot Locker, Kids Foot Locker and Champs Sports. The Direct-to-Customers segment reflects Footlocker.com, Inc., which sells, through its affiliates, including Eastbay, Inc., to customers through catalogs and Internet websites.

SALES AND GROSS MARGIN

All references to comparable-store sales for a given period relate to sales of stores that are open at the period-end and that have been open for more than one year. Accordingly, stores opened and closed during the period are not included. All comparable-store sales increases and decreases exclude the impact of foreign currency fluctuations.

Sales of $1,186 million for the first quarter of 2004 increased 5.1 percent from sales of $1,128 million for the first quarter of 2003. The sales increase was primarily driven by the performance of Foot Locker Europe, which benefited from new store openings and a favorable euro currency exchange rate. Sales in the U.S. Foot Locker formats contributed a moderate increase. Excluding the impact of foreign currency fluctuations, sales increased 1.9 percent as compared with the corresponding prior-year period. Comparable-store sales increased by 0.3 percent.

Gross margin, as a percentage of sales, of 30.4 percent in the first quarter of 2004 declined by 20 basis points, as compared with 30.6 percent in the corresponding prior-year period. This decrease was primarily driven by an increase in markdowns, as a percentage of sales, to help maintain current inventories and an increased promotional environment in certain European countries.

STORE COUNT

At May 1, 2004, the Company operated 3,587 stores, as compared with 3,610 at January 31, 2004. During the quarter ended May 1, 2004, the Company opened 21 stores, closed 44 stores and remodeled/relocated 119 stores.

SEGMENT INFORMATION

Sales

The following table summarizes sales by segment:

	Thirteen weeks ended	
	May 1, 2004	**May 3, 2003**
(in millions)		
Athletic Stores	$ 1,100	$ 1,041
Direct-to-Customers	86	87
Total sales	$ 1,186	$ 1,128

Athletic Stores sales increased by 5.7 percent primarily due to the additional stores in Europe and the strength of the euro's performance against the U.S. dollar in the first quarter of 2004 as compared with the first quarter of 2003. Excluding the effect of foreign currency fluctuations, sales increased 2.1 percent. Comparable-store sales increased 0.3 percent. The sale of classic footwear continued to be the key driver during the first quarter of 2004 while the Company continued to benefit from exclusive offerings from its primary suppliers, such as the Nike 20 pack line. Private-label apparel products also generated strong sales gains during the first quarter of 2004.

Classic footwear sales during the first quarter of 2004 have resulted in a lower average selling price per unit. Management believes that the current sales trend of classic footwear will continue for the remainder of 2004. However, management expects the Company to gain access to higher price point marquee footwear and believes that the fashion trend will return to more technical based footwear. The Company's inventory position as of the end of the first quarter of 2004 is well positioned to accommodate the second quarter acquisition of the Footaction stores.

Direct-to-Customers sales remained relatively unchanged for the thirteen weeks ended May 1, 2004, as compared with the corresponding prior-year period. Internet sales increased by 14.3 percent to $48 million, as compared with the corresponding period in the prior year. This increase in Internet sales was offset by a decline in catalog sales, reflecting the continuing trend of the Company's customers to browse and select products through its catalogs and then make their purchases via the Internet.

Operating Results

Division profit reflects income from continuing operations before income taxes, corporate expense, non-operating income and net interest expense.

	Thirteen weeks ended	
(in millions)	May 1, 2004	May 3, 2003
Athletic Stores	$ 82	$ 75
Direct-to-Customers	11	9
Division profit	93	84
Corporate expense, net	15	17
Operating profit	78	67
Interest expense, net	4	5
Income from continuing operations before income taxes	$ 74	$ 62

Athletic Stores division profit increased by 9.3 percent for the first quarter of 2004 as compared with the corresponding prior-year period. Division profit, as a percentage of sales, increased to 7.5 percent in the first quarter of 2004 from 7.2 percent in the corresponding prior-year period. The increase in the first quarter of 2004 was primarily a result of lower selling, general and administrative expenses, as a percentage of sales, offset in part by increased markdowns.

Direct-to-Customers division profit increased 22.2 percent for the thirteen weeks ended May 1, 2004, as compared with the corresponding period ended May 3, 2003. The increase in division profit is a result of reducing certain catalog costs during the first quarter of 2004, as well as improvements in the gross margin. Division profit, as a percentage of sales, increased to 12.8 percent in the first quarter of 2004 from 10.3 percent in the corresponding prior-year period.

Corporate expense consists of unallocated general and administrative expenses related to the Company's corporate headquarters, centrally managed departments, unallocated insurance and benefit programs, certain foreign exchange transaction gains and losses and other items. The decrease in corporate expense in the first quarter of 2004 was primarily related to reductions in compensation costs.

RESULTS OF OPERATIONS

Selling, general and administrative expenses ("SG&A") of $248 million increased by $7 million or 2.9 percent in the first quarter of 2004 as compared with the corresponding prior-year period. Excluding the effect of foreign currency fluctuations, SG&A remained essentially flat. SG&A, as a percentage of sales, decreased to 20.9 percent for the thirteen weeks ended May 1, 2004 as compared to 21.4 percent in the corresponding prior-year period.

Depreciation and amortization decreased by $3 million in the first quarter of 2004 to $34 million compared with $37 million for the first quarter of 2003.

Net interest expense of $4 million decreased by $1 million for the thirteen weeks ended May 1, 2004 as compared with the corresponding prior-year period. Interest expense decreased to $6 million for the thirteen weeks ended May 1, 2004 from $7 million for the thirteen weeks ended May 3, 2003. The decrease was primarily attributable to the lower debt balance as the Company repurchased $19 million of the 8.50 percent debentures payable in 2022 during the second half of 2003. Interest income was $2 million for both the thirteen weeks ended May 1, 2004 and May 3, 2003.

The Company's effective tax rate for the thirteen weeks ended May 1, 2004 was approximately 36.8 percent as compared with approximately 36.4 percent for the corresponding prior-year period. The effective tax rate during the first quarter of 2003 included the impact of state tax law changes and a higher proportion of earnings being attributed to lower tax jurisdictions. The Company expects its effective tax rate to approximate 37 percent for the remainder of 2004.

Income from continuing operations of $47 million, or $0.31 per diluted share, for the thirteen weeks ended May 1, 2004, improved by $0.04 per diluted share from $39 million, or $0.27 per diluted share, for the thirteen weeks ended May 3, 2003. For the quarter ended May 1, 2004, the Company reported net income of $48 million, or $0.31 per diluted share, compared with net income of $38 million, or $0.26 per diluted share for the corresponding prior-year period. During the first quarter of 2004, the Company recorded income from discontinued operations of $1 million, after tax, related to a refund of customs duties related to certain of the businesses that comprised the Specialty Footwear segment. The first quarter of 2003 included an after-tax charge of $1 million, or $0.01 per diluted share, related to the adoption of SFAS No. 143, which was reflected as a cumulative effect of an accounting change.

LIQUIDITY AND CAPITAL RESOURCES

Generally, the Company's primary sources of cash have been from operations. The Company has a $200 million revolving credit facility, which was amended on May 19, 2004. As a result of the amendment, the credit facility maturity date was extended to May 2009 from July 2006. Other than $25 million to meet letter of credit requirements, this revolving credit facility was not used during the first quarter of 2004. The Company generally finances real estate with operating leases. The principal use of cash has been to finance inventory requirements, capital expenditures related to store openings, store remodelings and management information systems, and to fund other general working capital requirements.

The Company closed its purchase of approximately 350 Footaction stores from Footstar, Inc. on May 7, 2004 for a purchase price of approximately $225 million. The Company elected to finance a portion of the Footaction stores' purchase price through a 5-year, $175 million amortizing term loan with the bank group participating in its existing revolving credit facility. The loan was obtained on May 19, 2004 simultaneously with the amendment to the revolving credit agreement.

On April 20, 2004, the Company notified The Bank of New York, as Trustee under the indenture, that it intended to redeem all of its $150 million outstanding 5.5 percent convertible subordinated notes, effective June 4, 2004. By June 3, 2004, The Bank of New York had received notice from 100 percent of the holders of the notes of their election to convert their securities into shares of the Company's common stock. As of June 3, 2004, all of the convertible subordinated notes were cancelled and approximately 9.5 million new shares of the Company's common stock were issued.

Management believes operating cash flows and current credit facilities will be adequate to finance its working capital requirements, to fund the integration and operations of the Footaction stores, to make planned pension contributions for the Company's retirement plans, to fund quarterly dividend payments and support the development of its short-term and long-term strategies.

Any materially adverse reaction to customer demand, fashion trends, competitive market forces, uncertainties related to the effect of competitive products and pricing, customer acceptance of the Company's merchandise mix and retail locations, the Company's reliance on a few key vendors for a significant portion of its merchandise purchases, risks associated with foreign global sourcing or economic conditions worldwide and the integration of the Footaction stores could affect the ability of the Company to continue to fund its needs from business operations.

Net cash used in operating activities of continuing operations was $8 million and $11 million for the thirteen weeks ended May 1, 2004 and May 3, 2003, respectively. These amounts reflect the income from continuing operations adjusted for non-cash items and working capital changes. The Company contributed $44 million and $6 million to its U.S. and Canadian qualified pension plans, respectively, in February 2004. The U.S. contribution was made in advance of ERISA requirements.

Net cash used in investing activities of continuing operations of $54 million and $31 million for the first quarters of 2004 and 2003, respectively, reflected capital expenditures and lease acquisition costs. During the first quarter of 2004, the Company deposited into escrow $8 million for the purchase of approximately 350 Footaction stores. Total projected capital expenditures (inclusive of anticipated capital expenditures for the Footaction stores) of $180 million for 2004 comprise $106 million for new store openings and modernizations of existing stores, $42 million for the development of information systems and other support facilities, $21 million of lease acquisition costs, primarily related to the securing of leases for the Company's European operations and $11 million of costs related to the Foot Locker Europe distribution center expansion. The Company has the ability to revise and reschedule its anticipated capital expenditure program in the event that any changes to the Company's financial position require it.

Financing activities for the Company's continuing operations provided net cash of $6 million for the thirteen weeks ended May 1, 2004 as compared to net cash used of $3 million for the thirteen weeks ended May 3, 2003. The Company declared and paid a $0.06 per share dividend during the first quarter of 2004 totaling $9 million as compared to a $0.03 per share dividend during the first quarter of 2003, which totaled $4 million. The Company received proceeds from the issuance of common stock in connection with employee stock programs of $15 million and $1 million for the thirteen weeks ended May 1, 2004 and May 3, 2003, respectively.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements within the meaning of the federal securities laws. All statements, other than statements of historical facts, which address activities, events or developments that the Company expects or anticipates will or may occur in the future, including, but not limited to, such things as future capital expenditures, expansion, strategic plans, dividend payments, stock repurchases, growth of the Company's business and operations, including future cash flows, revenues and earnings, and other such matters are forward-looking statements. These forward-looking statements are based on many assumptions and factors including, but not limited to, the effects of currency fluctuations, customer demand, fashion trends, competitive market forces, uncertainties related to the effect of competitive products and pricing, customer acceptance of the Company's merchandise mix and retail locations, the Company's reliance on a few key vendors for a majority of its merchandise purchases (including a significant portion from one key vendor), unseasonable weather, risks associated with foreign global sourcing, including political instability, changes in import regulations, disruptions to transportation services and distribution, the presence of severe acute respiratory syndrome, economic conditions worldwide, any changes in business, political and economic conditions due to the threat of future terrorist activities in the United States or in other parts of the world and related U.S. military action overseas, and the ability of the Company to execute its business plans effectively with regard to each of its business units, including its plans for the marquee and launch footwear component of its business and its plans for the integration of the Footaction stores. Any changes in such assumptions or factors could produce significantly different results. The Company undertakes no obligation to update forward-looking statements, whether as a result of new information, future events, or otherwise.

Item 4. Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures, as such term is defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the disclosure controls and procedures are effective in ensuring that all material information required to be included in this quarterly report has been made known to them in a timely fashion.

The Company's Chief Executive Officer and Chief Financial Officer also conducted an evaluation of the Company's internal control over financial reporting to determine whether any changes occurred during the quarter covered by this report that have materially affected, or are reasonably likely to affect the Company's internal control over financial reporting. Based on the evaluation, there have been no such changes during the quarter covered by this report.

There have been no material changes in the Company's internal controls, or in the factors that could materially affect internal controls, subsequent to the date the Chief Executive Officer and the Chief Financial Officer completed their evaluation.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Company is involved in claims, proceedings and litigation, arising from the operation of its business and incident to the sale and disposition of businesses that have occurred in past years. Management does not believe that the outcome of such proceedings will have a material effect on the Company's consolidated financial position, liquidity, or results of operations.

Item 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities

This table provides information with respect to purchases by the Company of shares of its Common Stock during the first quarter of 2004:

	(a) Total Number of Shares Purchased[(1)]	(b) Average Price Paid per Share[(1)]	(c) Total Number of Shares Purchased as Part of Publicly Announced Program [(2)]	(d) Approximate Dollar Value of Shares that May Yet be Purchased Under the Program [(2)]
Feb. 1, 2004 through Feb. 28, 2004	136,407	$ 24.28	—	$ 50,000,000
Feb. 29, 2004 through Apr. 3, 2004	15,540	25.65	—	50,000,000
Apr. 4, 2004 through May 1, 2004	—	—	—	50,000,000
Total	151,947	$ 24.42	—	

(1) These columns reflect (i) shares purchased in connection with stock swaps and (ii) the surrender to the Company of 136,407 shares of Common Stock to satisfy tax withholding obligations in connection with the vesting of restricted stock issued to employees.

(2) On November 20, 2002, the Company announced that the Board of Directors authorized the purchase of up to $50 million of the Company's Common Stock, no purchases have been made under this program. This authorization will terminate on February 3, 2006.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits
The exhibits that are in this report immediately follow the index.

(b) Reports on Form 8-K
Form 8-K, dated February 5, 2004, under Items 7 and 12, reporting the Company's sales results for the fourth quarter and full year of 2003.

Form 8-K, dated March 2, 2004, under Items 7 and 12, reporting the Company's operating results for the fourth quarter and full year of 2003.

Form 8-K, dated April 20, 2004, under Items 5 and 7, announcing that the Company had notified the Bank of New York, as Trustee under the indenture, of the Company's intention to redeem all of its outstanding convertible subordinated notes, effective June 4, 2004.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FOOT LOCKER, INC.

(Company)

Date: June 8, 2004

/s/ BRUCE L. HARTMAN

BRUCE L. HARTMAN
Executive Vice President
and Chief Financial Officer

FOOT LOCKER, INC.
INDEX OF EXHIBITS REQUIRED BY ITEM 6(a) OF FORM 10-Q
AND FURNISHED IN ACCORDANCE WITH ITEM 601 OF REGULATION S-K

Exhibit No. in Item 601 of Regulation S-K	Description
10	Restricted Stock Agreement with Matthew D. Serra dated as of February 18, 2004.
12	Computation of Ratio of Earnings to Fixed Charges.
15	Letter re: Unaudited Interim Financial Statements.
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley act of 2002.
32.1	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99	Report of Independent Registered Public Accounting Firm.

RESTRICTED STOCK AWARD AGREEMENT

This Restricted Stock Award Agreement (the “Agreement”) made as of February 18, 2004 by and between Foot Locker, Inc., a New York corporation with its principal office located at 112 West 34th Street, New York, New York 10120 (the “Company”) and Matthew D. Serra (the “Executive”).

On February 18, 2004, the Stock Option Plan Sub-Committee of the Compensation and Management Resources Committee of the Board of Directors of the Company approved the grant to the Executive, effective February 18, 2004 (the “Date of Grant”), of an award of 75,000 shares of Restricted Stock, under the 2003 Stock Option and Award Plan (the “Plan”) subject to the terms of the Plan and the restrictions set forth in this Agreement.

1. Grant of Shares

The Company is transferring to the Executive 75,000 shares of validly issued Common Stock of the Company, par value $.01 per share (the “Restricted Stock”). Such shares are fully paid and nonassessable and upon transfer shall be validly issued and outstanding. The shares are subject to certain restrictions pursuant to Section 3 hereof, which restrictions shall expire as provided in Section 3.3 hereof.

2. Restrictions on Transfer

The Employee shall not sell, transfer, pledge, hypothecate, assign or otherwise dispose of the Restricted Stock, except as set forth in this Agreement. Any attempted sale, transfer, pledge, hypothecation, assignment or other disposition of the shares in violation of this Agreement shall be void and of no effect and the Company shall have the right to disregard the same on its books and records and to issue “stop transfer” instructions to its transfer agent.

3. Restricted Stock

3.1 Deposit of Certificates. The Executive will deposit with and deliver to the Company the stock certificate or certificates representing the Restricted Stock, each duly endorsed in blank or accompanied by stock powers duly executed in blank. In the event the Executive receives a stock dividend on the Restricted Stock or the Restricted Stock is split or the Executive receives any other shares, securities, monies, or property representing a dividend on the Restricted Stock (other than regular cash dividends on and after the date of this Agreement) or representing a distribution or return of capital upon or in respect of the Restricted Stock or any part thereof, or resulting from a split-up, reclassification or other like changes of the Restricted Stock, or otherwise received in exchange therefor, and any warrants, rights or options issued to the Executive in respect of the Restricted Stock (collectively the “RS Property”), the Executive will also immediately deposit with and deliver to the Company any of such RS Property, including any certificates representing shares duly endorsed in blank or accompanied by stock powers duly executed in blank, and such RS Property shall be subject to the same restrictions, including that of this Section 3.1, as the Restricted Stock with regard to which they are issued and shall herein be encompassed within the term "Restricted Stock."

3.2 Rights with Regard to the Restricted Stock. The Restricted Stock has been transferred from either the Company's treasury or newly issued stock and, therefore, upon delivery to the Executive will constitute issued and outstanding shares of Common Stock for all corporate purposes. From and after the date of transfer, the Executive will have the right to vote the Restricted Stock, to receive and retain all regular cash dividends payable to record holders of Common Stock on and after the transfer of the Restricted Stock (although such dividends shall be treated, to the extent required by law, as additional compensation for tax purposes if paid on Restricted Stock), and to exercise all other rights, powers and privileges of a holder of Common Stock with respect to the Restricted Stock, with the exceptions that (i) the Executive will not be entitled to delivery of the stock certificate or certificates representing the Restricted Stock until the restriction period shall have expired and unless all other vesting requirements with respect thereto shall have been fulfilled, (ii) the Company will retain custody of the stock certificate or certificates representing the Restricted Stock and the other RS Property during the restriction period, (iii) no RS Property shall bear interest or be segregated in separate accounts during the restriction period and (iv) the Executive may not sell, assign, transfer, pledge, exchange, encumber or dispose of the Restricted Stock during the restriction period.

3.3 Vesting.

The Restricted Stock shall become vested and cease to be Restricted Stock (but still subject to the other terms of the Plan and this Agreement) on March 15, 2005 if the Executive has been continuously employed by the Company or its subsidiaries within the meaning of Section 424 of the Internal Revenue Code of 1986, as amended (the "Control Group"), until such vesting date.

Other than as may be provided for under Section 3.4 hereof, there shall be no proportionate or partial vesting in the periods prior to the appropriate vesting dates and all vesting shall occur only on the appropriate vesting dates.

When any Restricted Stock becomes vested, the Company shall promptly issue and deliver to the Executive a new stock certificate registered in the name of the Executive for such shares without the legend set forth in Section 4 hereof and deliver to the Executive any related other RS Property.

In addition, all shares of Restricted Stock shall become immediately vested and cease to be Restricted Stock upon any Change in Control as defined in Appendix A hereto.

3.4 Forfeiture. In the event of the Executive's death, disability, or resignation, the Executive shall forfeit to the Company, without compensation, all unvested shares of Restricted Stock; provided that (i) in the event of the death or disability of the Executive, or (ii) in the event that the Executive ceases to be employed by the Company or any subsidiary or affiliate of the Company as a result of the closing, sale, spin-off or other divestiture of any operation of the

Company, the Compensation and Management Resources Committee of the Board of Directors of the Company may, in its sole discretion, but shall not be obligated to, fully vest and not forfeit all or any portion of the Executive's Restricted Stock; and provided further that (A) in the event that the employment of the Executive by the Company is terminated in a manner that gives rise to the payments provided for in Section 5(c)(i) of the Employment Agreement between Executive and the Company dated January 21, 2003 (the "Employment Agreement"), the Restricted Stock shall become fully vested as of the date of the termination of his employment.

3.5 Adjustments. In the event of any stock dividend, split up, split-off, spin-off, distribution, recapitalization, combination or exchange of shares, merger, consolidation, reorganization or liquidation or the like, the Restricted Stock shall, where appropriate in the sole discretion of the Compensation and Management Resources Committee of the Board of Directors of the Company, receive the same distributions as other shares of Common Stock or on some other basis as determined by the Compensation and Management Resources Committee of the Board of Directors. In any such event, the Compensation and Management Resources Committee of the Board of Directors may, in its sole discretion, determine to award additional Restricted Stock in lieu of the distribution or adjustment being made with respect to other shares of Common Stock. In any such event, the determination made by the Compensation and Management Resources Committee of the Board of Directors shall be conclusive. The Compensation and Management Resources Committee of the Board of Directors may, in its sole discretion, at any time fully vest and not forfeit all or any portion of the Executive's Restricted Stock.

3.6 Withholding. The Employee agrees that, subject to subsection 3.7 below,

(a) No later than the date on which any Restricted Stock shall have become vested, the Executive will pay to the Company, or make arrangements satisfactory to the Company regarding payment of, any federal, state or local taxes of any kind required by law to be withheld with respect to any Restricted Stock which shall have become so vested; and

(b) The Company shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to the Executive any federal, state or local taxes of any kind required by law to be withheld with respect to any Restricted Stock which shall have become so vested.

3.7 Section 83(b). If the Executive properly elects (as required by Section 83(b) of the Internal Revenue Code of 1986, as amended) within thirty (30) days after the issuance of the Restricted Stock to include in gross income for federal income tax purposes in the year of issuance the fair market value of such Restricted Stock, the Executive shall pay to the Company or make arrangements satisfactory to the Company to pay to the Company upon such election, any federal, state or local taxes required to be withheld with respect to such Restricted Stock. If the Executive shall fail to make such payment, the Company shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to the Executive any federal, state or local taxes of any kind required by law to be withheld with respect to such Restricted Stock. The Executive acknowledges that it is his sole responsibility, and not the Company's, to file timely the election under Section 83(b) of the Internal Revenue Code of 1986, as amended, and any corresponding provisions of state tax laws if he elects to utilize such election.

3.8 Special Incentive Compensation. The Executive agrees that the award of the Restricted Stock hereunder is special incentive compensation and that it, any dividends paid thereon (even if treated as compensation for tax purposes) and any other RS Property will not be taken into account as "salary" or "compensation" or "bonus" in determining the amount of any payment under any pension, retirement or profit-sharing plan of the Company or any life insurance, disability or other benefit plan of the Company.

3.9 Delivery Delay. The delivery of any certificate representing Restricted Stock or other RS Property may be postponed by the Company for such period as may be required for it to comply with any applicable federal or state securities law, or any national securities exchange listing requirements and the Company is not obligated to issue or deliver any securities if, in the opinion of counsel for the Company, the issuance of such shares shall constitute a violation by the Executive or the Company of any provisions of any law or of any regulations of any governmental authority or any national securities exchange.

4. Legend. All certificates representing shares of Restricted Stock shall have endorsed thereon a legend referring to the terms, conditions and restrictions applicable to such Restricted Stock, substantially in the following form:

"The anticipation, alienation, attachment, sale, transfer, assignment, pledge, encumbrance or charge of the shares of stock represented hereby are subject to the terms and conditions (including forfeiture) of the Foot Locker (the "Company") 2003 Stock Option and Award Plan and an Agreement entered into between the registered owner and the Company dated as of February 18, 2004. Copies of such Plan and Agreement are on file at the principal office of the Company."

5. Not an Employment Agreement. The issuance of the shares of Restricted Stock hereunder does not constitute an agreement by the Company to continue to employ the Executive during the entire, or any portion of the, term of this Agreement, including but not limited to any period during which the Restricted Stock is outstanding.

6. Power of Attorney. The Company, its successors and assigns, is hereby appointed the attorney-in-fact, with full power of substitution, of the Executive for the purpose of carrying out the provisions of this Agreement and taking any action and executing any instruments which such attorney-in-fact may deem necessary or advisable to accomplish the purposes hereof, which appointment as attorney-in-fact is irrevocable and coupled with an interest. The Company, as attorney-in-fact for the Executive, may, in the name and stead of the Executive, make and execute all conveyances, assignments and transfers of the Restricted Stock, Shares and property provided for herein, and the Executive hereby ratifies and confirms all that the Company, as said attorney-in-fact, shall do by virtue hereof. Nevertheless, the Executive shall, if so requested by the Company, execute and deliver to the Company all such instruments as may, in the judgment of the Company, be advisable for the purpose.

7. <u>Miscellaneous</u>.

7.1 This Agreement shall inure to the benefit of and be binding upon all parties hereto and their respective heirs, legal representatives, successors and assigns.

7.2 This Agreement constitutes the entire agreement between the parties and cannot be changed or terminated orally. No modification or waiver of any of the provisions hereof shall be effective unless in writing and signed by the party against whom it is sought to be enforced.

7.3 This Agreement may be executed in one or more counterparts, all of which taken together shall constitute one contract.

7.4 The failure of any party hereto at any time to require performance by another party of any provision of this Agreement shall not affect the right of such party to require performance of that provision, and any waiver by any party of any breach of any provision of this Agreement shall not be construed as a waiver of any continuing or succeeding breach of such provision, a waiver of the provision itself, or a waiver of any right under this Agreement.

7.5 This Agreement is subject, in all respects, to the provisions of the Plan, and to the extent any provision of this Agreement contravenes or is inconsistent with any provision of the Plan, the provisions of the Plan shall govern.

7.6 The headings of the sections of this Agreement have been inserted for convenience of reference only and shall in no way restrict or modify any of the terms or provisions hereof.

7.7 All notices, consents, requests, approvals, instructions and other communications provided for herein shall be in writing and validly given or made when delivered, or on the second succeeding business day after being mailed by registered or certified mail, whichever is earlier, to the persons entitled or required to receive the same, at, in the case of the Company, the address set forth at the heading of this Agreement and, in the case of the Executive, his principal residence address as shown in the records of the Company, or to such other address as either party may designate by like notice. Notices to the Company shall be addressed to the Chairman of the Compensation and Management Resources Committee with a copy similarly sent to the General Counsel.

7.8 This Agreement shall be governed and construed and the legal relationships of the parties determined in accordance with the internal laws of the State of New York.

7.9 To indicate your acceptance of the terms of this Restricted Stock Award Agreement, you must sign and deliver or mail not later than 30 days from the date hereof, a copy of this Agreement to the General Counsel of the Company at the address provided in the heading of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

FOOT LOCKER, INC.

By: /s/ LAURIE PETRUCCI

Senior Vice President

/s/ MATTHEW D. SERRA

Matthew D. Serra

ACKNOWLEDGMENT

STATE OF NEW YORK)
) s.s.:
COUNTY OF NEW YORK)

On this 23rd day of February 2004, before me personally appeared Matthew D. Serra, to me known to be the person described in and who executed the foregoing agreement, and acknowledged that he executed the same as his free act and deed.

/s/ SHEILAGH M. CLARKE

Notary Public

APPENDIX A

Change in Control

A Change in Control shall mean any of the following: (i) (A) the making of a tender or exchange offer by any person or entity or group of associated persons or entities (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934) (a "Person") (other than the Company or its Affiliates) for shares of Common Stock pursuant to which purchases are made of securities representing at least twenty percent (20%) of the total combined voting power of the Company's then issued and outstanding voting securities; (B) the merger or consolidation of the Company with, or the sale or disposition of all or substantially all of the assets of the Company to, any Person other than (a) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving or parent entity) fifty percent (50%) or more of the combined voting power of the voting securities of the Company or such surviving or parent entity outstanding immediately after such merger or consolidation; or (b) a merger or capitalization effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the beneficial owner, directly or indirectly (as determined under Rule 13d-3 promulgated under the Securities Exchange Act of 1934), of securities representing more than the amounts set forth in (C) below; (C) the acquisition of direct or indirect beneficial ownership (as determined under Rule 13d-3 promulgated under the Securities Exchange Act of 1934), in the aggregate, of securities of the Company representing twenty percent (20%) or more of the total combined voting power of the Company's then issued and outstanding voting securities by any Person acting in concert as of the date of this Agreement; provided, however, that the Board of Directors of the Company (referred to herein as the "Board") may at any time and from time to time and in the sole discretion of the Board, as the case may be, increase the voting security ownership percentage threshold of this item (C) to an amount not exceeding forty percent (40%); or (D) the approval by the shareholders of the Company of any plan or proposal for the complete liquidation or dissolution of the Company or for the sale of all or substantially all of the assets of the Company; or (ii) during any period of not more than two (2) consecutive years, individuals who at the beginning of such period constitute the Board, and any new director (other than a director designated by a person who has entered into agreement with the Company to effect a transaction described in clause (i)) whose election by the Board or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds (b) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof.

FOOT LOCKER, INC.

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(Unaudited)
($ in millions)

	Thirteen weeks ended		Fiscal Year Ended				
	May 1, 2004	May 3, 2003	Jan. 31, 2004	Feb. 1, 2003	Feb. 2, 2002	Feb. 3, 2001	Jan. 29, 2000
NET EARNINGS							
Income from continuing operations	$ 47	$ 39	$ 209	$ 162	$ 111	$ 107	$ 59
Income tax expense	27	23	115	84	64	69	38
Interest expense, excluding capitalized interest	6	7	26	33	35	41	65
Portion of rents deemed representative of the interest factor (1/3)	45	41	179	165	158	155	170
	$ 125	$ 110	$ 529	$ 444	$ 368	$ 372	$ 332
FIXED CHARGES							
Gross interest expense	$ 6	$ 7	$ 26	$ 33	$ 35	$ 42	$ 67
Portion of rents deemed representative of the interest factor (1/3)	45	41	179	165	158	155	170
	$ 51	$ 48	$ 205	$ 198	$ 193	$ 197	$ 237
RATIO OF EARNINGS TO FIXED CHARGES	2.5	2.3	2.6	2.2	1.9	1.9	1.4

Accountants' Acknowledgment

Foot Locker, Inc.
New York, New York

Board of Directors:

Re: Registration Statements Numbers 33-10783, 33-91888, 33-91886, 33-97832, 333-07215, 333-21131, 333-62425, 333-33120, 333-41056, 333-41058, 333-74688, 333-99829 and 333-111222 on Form S-8 and Numbers 33-43334, 33-86300 and 333-64930 on Form S-3.

With respect to the subject registration statements, we acknowledge our awareness of the use therein of our report dated May 19, 2004 related to our review of interim financial information.

Pursuant to Rule 436(c) under the Securities Act of 1933, such report is not considered a part of a registration statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of the Act.

/s/ KPMG LLP
New York, New York
June 8, 2004

EXHIBIT 31.1

CERTIFICATIONS

I, Matthew D. Serra, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Foot Locker, Inc. (the “Registrant”);

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 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 change 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 financial reporting; and

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 the Registrant’s Board of Directors (or persons performing the equivalent functions):

    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.

June 8, 2004

/s/ MATTHEW D. SERRA

Chief Executive Officer

EXHIBIT 31.2

CERTIFICATIONS

I, Bruce L. Hartman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Foot Locker, Inc. (the “Registrant”);

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 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 change 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 financial reporting; and

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 the Registrant’s Board of Directors (or persons performing the equivalent functions):

   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.

June 8, 2004

/s/ BRUCE L. HARTMAN

Chief Financial Officer

FOOT LOCKER, INC.

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 on Form 10-Q of Foot Locker, Inc. (the “Registrant”) for the quarterly period ended May 1, 2004, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Matthew D. Serra, as Chief Executive Officer of the Registrant and Bruce L. Hartman as Chief Financial Officer of the Registrant, each hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(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 Registrant.

Dated: June 8, 2004

/s/ MATTHEW D. SERRA

Matthew D. Serra
Chief Executive Officer

/s/ BRUCE L. HARTMAN

Bruce L. Hartman
Chief Financial Officer

This written statement is being furnished to the Securities and Exchange Commission as an exhibit to the Report. A signed original of this written statement required by Section 906 has been provided to the Registrant and will be retained by the Registrant and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 99

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Foot Locker, Inc.:

We have reviewed the accompanying condensed consolidated balance sheets of Foot Locker, Inc. and subsidiaries as of May 1, 2004 and May 3, 2003, and the related condensed consolidated statements of operations, the condensed consolidated statements of comprehensive income and the condensed consolidated statements of cash flows for the thirteen weeks ended May 1, 2004 and May 3, 2003. These condensed consolidated financial statements are the responsibility of Foot Locker, Inc.'s management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the auditing standards generally accepted in the United States of America, the consolidated balance sheet of Foot Locker, Inc. and subsidiaries as of January 31, 2004, and the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated March 2, 2004, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of January 31, 2004, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ KPMG LLP
New York, New York
May 19, 2004, except as to Note 13(c),
which is as of June 4, 2004.