SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended November 1, 2003

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 Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES [X] NO [ ]

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

Number of shares of Common Stock outstanding at December 5, 2003: 143,315,584

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)

	November 1, 2003	November 2, 2002	February 1, 2003
	(Unaudited)	(Unaudited)	*
ASSETS			
Current assets			
Cash and cash equivalents	$ 305	$ 255	$ 357
Merchandise inventories	1,077	973	835
Assets of discontinued operations	2	2	2
Other current assets	102	138	90
	1,486	1,368	1,284
Property and equipment, net	620	628	636
Deferred taxes	253	234	240
Goodwill and intangible assets	227	205	216
Assets of business transferred under contractual arrangement (note receivable)	-	12	-
Other assets	112	55	110
Total assets	$ 2,698	$ 2,502	$ 2,486
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable	$ 375	$ 411	$ 251
Accrued liabilities	265	218	296
Current portion of repositioning and restructuring reserves	4	2	3
Current portion of reserve for discontinued operations	16	20	18
Liabilities of discontinued operations	2	3	3
Current portion of long-term debt and obligations under capital leases	-	1	1
	662	655	572
Long-term debt and obligations under capital leases	336	356	356
Liabilities of business transferred under contractual arrangement	-	12	-
Other liabilities	438	354	448
Total liabilities	1,436	1,377	1,376
Shareholders' equity			
Common stock and paid-in capital: 142,853,718; 141,083,270 and 141,180,455 shares issued, respectively	390	374	378
Retained earnings	1,069	893	946
Accumulated other comprehensive loss	(196)	(141)	(213)
Less: Treasury stock at cost: 70,733; 100,220 and 105,220 shares, respectively	(1)	(1)	(1)
Total shareholders' equity	1,262	1,125	1,110
	$ 2,698	$ 2,502	$ 2,486

See Accompanying Notes to Condensed Consolidated Financial Statements.

* The balance sheet at February 1, 2003 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by GAAP for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Registrant's Annual Report on Form 10-K for the year ended February 1, 2003.

FOOT LOCKER, INC.

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

	Thirteen weeks ended		Thirty-nine weeks ended	
	Nov. 1, 2003	Nov. 2, 2002	Nov. 1, 2003	Nov. 2, 2002
Sales	$ 1,194	$ 1,120	$ 3,445	$ 3,295
Costs and Expenses				
Cost of sales	805	777	2,380	2,320
Selling, general and administrative expenses	250	235	724	675
Depreciation and amortization	37	37	112	111
Restructuring charge (income)	-	(1)	1	(2)
Interest expense, net	5	5	14	19
Other income	-	-	-	(3)
	1,097	1,053	3,231	3,120
Income from continuing operations before income taxes	97	67	214	175
Income tax expense	35	24	76	61
Income from continuing operations	62	43	138	114
Income (loss) on disposal of discontinued operations, net of income tax benefit of $-, $1, $1, and $2, respectively	-	2	(1)	(18)
Cumulative effect of accounting change, net of income tax of $-	-	-	(1)	-
Net income	$ 62	$ 45	$ 136	$ 96
Basic earnings per share:				
Income from continuing operations	$ 0.43	$ 0.30	$ 0.97	$ 0.80
Income (loss) from discontinued operations	-	0.02	(0.01)	(0.12)
Cumulative effect of accounting change	-	-	-	-
Net income	$ 0.43	$ 0.32	$ 0.96	$ 0.68
Weighted-average common shares outstanding	141.7	140.9	141.4	140.6
Diluted earnings per share:				
Income from continuing operations	$ 0.41	$ 0.29	$ 0.93	$ 0.77
Income (loss) from discontinued operations	-	0.02	(0.01)	(0.11)
Cumulative effect of accounting change	-	-	-	-
Net income	$ 0.41	$ 0.31	$ 0.92	$ 0.66
Weighted-average common shares assuming dilution	153.2	150.7	152.2	150.7

See Accompanying Notes to Condensed Consolidated Financial Statements.

FOOT LOCKER, INC.

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

	Thirteen weeks ended		Thirty-nine weeks ended	
	Nov. 1, 2003	Nov. 2, 2002	Nov. 1, 2003	Nov. 2, 2002
Net income	$ 62	$ 45	$ 136	$ 96
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments arising during the period	9	2	17	27
Change in fair value of derivatives accounted for as hedges, net of deferred tax benefit of $-	(1)	1	-	-
Comprehensive income	$ 70	$ 48	$ 153	$ 123

See Accompanying Notes to Condensed Consolidated Financial Statements.

FOOT LOCKER, INC.

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

	Thirty-nine weeks ended	
	Nov. 1, 2003	Nov. 2, 2002
From Operating Activities:		
Net income	$ 136	$ 96
Adjustments to reconcile net income to net cash provided by operating activities of continuing operations:		
Cumulative effect of accounting change, net of tax	1	-
Restructuring charge (income)	1	(2)
Loss on disposal of discontinued operations, net of tax	1	18
Depreciation and amortization	112	111
Real estate gains	-	(3)
Deferred income taxes	(8)	1
Change in assets and liabilities:		
Merchandise inventories	(228)	(169)
Accounts payable and other accruals	87	125
Repositioning and restructuring reserves	-	(2)
Pension contribution	(50)	-
Other, net	38	14
Net cash provided by operating activities of continuing operations	90	189
From Investing Activities:		
Proceeds from disposal of real estate	-	6
Lease acquisition costs	(14)	(14)
Capital expenditures	(92)	(105)
Net cash used in investing activities of continuing operations	(106)	(113)
From Financing Activities:		
Reduction in long-term debt and capital lease obligations	(17)	(41)
Dividends paid	(13)	-
Issuance of common stock	9	9
Net cash used in financing activities of continuing operations	(21)	(32)
Net Cash used in Discontinued Operations	(6)	(6)
Effect of exchange rate fluctuations on Cash and Cash Equivalents	(9)	2
Net change in Cash and Cash Equivalents	(52)	40
Cash and Cash Equivalents at beginning of year	357	215
Cash and Cash Equivalents at end of interim period	$ 305	$ 255
Cash paid during the period:		
Interest	$ 13	$ 15
Income taxes	$ 52	$ 29

See Accompanying Notes to Condensed Consolidated Financial Statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the Annual Report on Form 10-K for the year ended February 1, 2003, as filed with the Securities and Exchange Commission (the "SEC") on May 19, 2003. Certain items included in the Registrant's financial 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 thirty-nine weeks ended November 1, 2003 are not necessarily indicative of the results expected for the year.

Stock-Based Compensation

The Registrant 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 1994 Stock Purchase Plan. The plan, which is compensatory as defined in SFAS No. 123, is 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.

SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure an amendment of FASB Statement No. 123," which was issued in December 2002, provides alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based compensation and requires more prominent disclosure of the pro forma impact on earnings per share. As the Registrant has continued to account for stock-based compensation under APB No. 25, such disclosures are now required quarterly for interim periods beginning in 2003. Accounting for the Registrant's stock-based compensation, in accordance with the fair value method provisions of SFAS No. 123 would have resulted in the following:

	Thirteen weeks ended		Thirty-nine weeks ended	
	November 1, 2003	November 2, 2002	November 1, 2003	November 2, 2002
(in millions, except per share amounts)				
Net income, as reported:	$ 62	$ 45	$ 136	$ 96
Add: Stock-based employee compensation expense included in reported net income, net of income tax benefit	-	-	1	-
Deduct: Total stock-based employee compensation expense determined under fair value method for all awards, net of income tax benefit	2	1	4	4
Pro forma net income	60	44	$ 133	$ 92
Basic earnings per share:				
As reported	$ 0.43	$ 0.32	$ 0.96	$ 0.68
Pro forma	$ 0.43	$ 0.31	$ 0.94	$ 0.66
Diluted earnings per share:				
As reported	$ 0.41	$ 0.31	$ 0.92	$ 0.66
Pro forma	$ 0.40	$ 0.30	$ 0.90	$ 0.64

The fair values of the stock-based compensation pursuant to the Company's various stock option and purchase plans were estimated at the grant date using the Black-Scholes option-pricing model. The Black-Scholes option valuation model was developed for estimating the fair value of traded options that have no vesting restrictions and are fully transferable. Because option valuation models require the use of subjective assumptions, changes in these assumptions can materially affect the fair value of the options, and because the Registrant's options do not have the characteristics of traded options, the option valuation models do not necessarily provide a reliable measure of the fair value of its options.

Goodwill and Intangible Assets

The Registrant adopted SFAS No. 142, "Goodwill and Other Intangible Assets" effective February 3, 2002, 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. Accordingly, the Registrant stopped amortizing goodwill in the first quarter of 2002. During the first quarter of 2003, the Registrant completed its annual review of goodwill, which did not result in an impairment charge.

Goodwill (in millions)	November 1, 2003	November 2, 2002	February 1, 2003
Athletic Stores	$ 56	$ 55	$ 56
Direct-to-Customers	80	80	80
	$ 136	$ 135	$ 136

Intangible Assets (in millions)	November 1, 2003	November 2, 2002	February 1, 2003
Intangible assets not subject to amortization	$ 2	$ -	$ 2
Intangible assets subject to amortization, net of accumulated amortization of $46 million, $32 million and $36 million, respectively	89	70	78
	$ 91	$ 70	$ 80
Total	$ 227	$ 205	$ 216

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 November 1, 2003 was approximately 12 years. Amortization expense for lease acquisition costs was approximately $3 million and $8 million for the thirteen and thirty-nine weeks ended November 1, 2003, respectively. For the thirteen and thirty-nine weeks ended November 2, 2002, amortization expense was approximately $2 million and $6 million, respectively. Annual estimated amortization expense for lease acquisition costs is expected to be approximately $11 million for 2003, $12 million for 2004 and $11 million for 2005 and each of the succeeding three years.

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

Derivative Financial Instruments

During the thirty-nine weeks ended November 1, 2003 and November 2, 2002, ineffectiveness related to cash flow hedges recorded to earnings was not material.

Accumulated comprehensive loss was increased by approximately $1 million after-tax due to both the changes in fair value of derivative financial instruments designated as hedges and the reclassification of gains to earnings during the third quarter of 2003.

During the quarter ended November 2, 2002, the decrease in accumulated comprehensive loss due to both the changes in fair value of derivative instruments designated as hedges and the reclassification of losses to earnings was approximately $1 million after-tax.

The fair value of derivative contracts outstanding at November 1, 2003 was comprised of current liabilities of $12 million and non-current liabilities of $3 million.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities." In general, SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003. The adoption of SFAS No. 149 did not have a significant impact on financial position and results of operations.

Asset Retirement Obligations

The Registrant 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 Registrant 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 Registrant 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. There were no additions recorded during the first quarter of 2003. Additional asset retirement obligations recorded during the second and third quarters of 2003 were not material. The amortization and accretion expenses recorded during these periods were also not material. Pro forma effects for the thirteen and thirty-nine weeks ended November 2, 2002, assuming adoption of SFAS No. 143 as of February 3, 2002, were not material to the liability, the net earnings or the per share amounts, and therefore, have not been presented.

Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss was comprised of the following:

	November 1, 2003	November 2, 2002	February 1, 2003
Foreign currency translation adjustments	$ 2	$ (26)	$ (15)
Minimum pension liability adjustment	(198)	(115)	(198)
Changes in fair value of derivatives designated as hedges	-	-	-
	$ (196)	$ (141)	$ (213)

Discontinued Operations

On January 23, 2001, the Registrant announced that it was exiting its 694 store Northern Group segment. The Registrant recorded a charge to earnings of $252 million before-tax, or $294 million after-tax, in 2000 for the loss on disposal of the segment. Major components of the charge included expected cash outlays for lease buyouts and real estate disposition costs of $68 million, severance and personnel related costs of $23 million and operating losses and other exit costs from the measurement date through the expected date of disposal of $24 million. Non-cash charges included the realization of a $118 million currency translation loss, resulting from the movement in the Canadian dollar during the period the Registrant held its investment in the segment and asset write-offs of $19 million. The Registrant also recorded a tax benefit for the liquidation of the Northern U.S. stores of $42 million, which was offset by a valuation allowance of $84 million to reduce the deferred tax assets related to the Canadian operations to an amount that is more likely than not to be realized.

In the first quarter of 2001, the Registrant recorded a tax benefit of $5 million as a result of the implementation of tax planning strategies related to the discontinuance of the Northern Group. During the second quarter of 2001, the Registrant completed the liquidation of the 324 stores in the United States and recorded a charge to earnings of $12 million before-tax, or $19 million after-tax. The charge comprised the write-down of the net assets of the Canadian business to their net realizable value pursuant to the then pending transaction, which was partially offset by reduced severance costs as a result of the transaction and favorable results from the liquidation of the U.S. stores and real estate disposition activity. On September 28, 2001, the Registrant 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"). The purchaser agreed to obtain a revolving line of credit with a lending institution, satisfactory to the Registrant, in an amount not less than CAD$25 million (approximately US$17 million). Another wholly owned subsidiary of the Registrant was the assignor of the store leases involved in the transaction and therefore retains potential liability for such leases. The Registrant also entered into a credit agreement with the purchaser to provide a revolving credit facility to be used to fund its working capital needs, up to a maximum of CAD$5 million (approximately US$3 million). The net amount of the assets and liabilities of the former operations was written down to the estimated fair value of the Note, approximately US$18 million. The transaction was accounted for pursuant to SEC Staff Accounting Bulletin Topic 5:E "Accounting for Divestiture of a Subsidiary or Other Business Operation," ("SAB Topic 5:E") 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. The assets and liabilities related to the former operations were presented under the balance sheet captions as "Assets of business transferred under contractual arrangement (note receivable)" and "Liabilities of business transferred under contractual arrangement."

In the fourth quarter of 2001, the Registrant further reduced its estimate for real estate costs by $5 million based on then current negotiations, which was completely offset by increased severance, personnel and other disposition costs.

The Registrant recorded a charge of $18 million in the first quarter of 2002 reflecting the poor performance of the Northern Group stores in Canada since the date of the transaction. There was no tax benefit recorded related to the $18 million charge, which comprised a valuation allowance in the amount of the operating losses incurred by the purchaser and a further reduction in the carrying value of the net amount of the assets and liabilities of the former operations to zero, due to greater uncertainty with respect to the collectibility of the Note. This charge was recorded pursuant to SAB Topic 5:E, which requires accounting for the Note in a manner somewhat analogous to equity accounting for an investment in common stock.

In the third quarter of 2002, the Registrant recorded a charge of approximately $1 million before-tax for lease exit costs in excess of previous estimates. In addition, the Registrant recorded a tax benefit of $2 million, which also reflected the impact of the tax planning strategies implemented related to the discontinuance of the Northern Group.

On December 31, 2002, the Registrant-provided revolving credit facility expired, without having been used. Furthermore, the operating results of Northern Canada had significantly improved during the year such that the Registrant had reached an agreement in principle to receive CAD$5 million (approximately US$3 million) cash consideration in partial prepayment of the Note and accrued interest due and agreed to reduce the face value of the Note to CAD$17.5 million (approximately US$12 million). Based upon the improved results of the Northern Canada business, the Registrant believes there is no substantial uncertainty as to the amount of the future costs and expenses that could be payable by the Registrant. As indicated above, as the assignor of the Northern Canada leases, a wholly owned subsidiary of the Registrant remains secondarily liable under those leases. As of November 1, 2003, the Registrant estimates that its gross contingent lease liability is between CAD$71 to $76 million (approximately US$54 to $58 million). Based upon its assessment of the risk of having to satisfy that liability and the resultant possible outcomes of lease settlement, the Registrant currently estimates the expected value of the lease liability to be approximately US$2 million. The Registrant believes that it is unlikely that it would be required to make such contingent payments, and further, such contingent obligations would not be expected to have a material effect on the Registrant's consolidated financial position, liquidity or results of operations. As a result of the aforementioned developments, during the fourth quarter of 2002 circumstances changed sufficiently such that it became appropriate to recognize the transaction as an accounting divestiture.

During the fourth quarter of 2002, as a result of the accounting divestiture, the Note was recorded in the financial statements at its estimated fair value of CAD$16 million (approximately US$10 million). The Registrant, with the assistance of an independent third party, determined the estimated fair value by discounting expected cash flows at an interest rate of 18 percent. This rate was selected considering such factors as the credit rating of the purchaser, rates for similar instruments and the lack of marketability of the Note. As the net assets of the former operations were previously written down to zero, the fair value of the Note was recorded as a gain on disposal within discontinued operations. There was no tax expense recorded related to this gain. The Registrant ceased presenting the assets and liabilities of Northern Canada as "Assets of business transferred under contractual arrangement (note receivable)" and "Liabilities of business transferred under contractual arrangement," and has recorded the Note initially at its estimated fair value. 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. After taking into account this payment, the remaining principal due under the Note was reduced to CAD$17.5 million (approximately US$12 million). Under the terms of the renegotiated Note, a principal payment of CAD$1 million is due January 15, 2004. An accelerated principal payment of CAD$1 million may be due if certain events occur. The remaining amount of the Note is required to be repaid upon the occurrence of "payment events," as defined in the purchase agreement, but no later than September 28, 2008. Interest is payable semiannually and began to accrue on May 1, 2003 at a rate of 7.0 percent per annum. At November 1, 2003 and February 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.

Future adjustments, if any, to the carrying value of the Note will be recorded pursuant to SEC Staff Accounting Bulletin Topic 5:Z:5, "Accounting and Disclosure Regarding Discontinued Operations," which requires changes in the carrying value of assets received as consideration from the disposal of a discontinued operation to be classified within continuing operations. Interest and accretion income will also be recorded within continuing operations. The Registrant will recognize an impairment loss when, and if, circumstances indicate that the carrying value of the Note may not be recoverable. Such circumstances would include a deterioration in the business, as evidenced by significant operating losses incurred by the purchaser or nonpayment of an amount due under the terms of the Note.

As the stock transfer on September 28, 2001 was accounted for in accordance with SAB Topic 5:E, a disposal was not achieved pursuant to APB No. 30. If the Registrant had applied the provisions of Emerging Issues Task Force 90-16, "Accounting for Discontinued Operations Subsequently Retained" ("EITF 90-16"), prior reporting periods would not be restated, accordingly reported net income would not have changed. However, the results of operations of the Northern business segment in all prior periods would have been reclassified from discontinued operations to continuing operations. The incurred loss on disposal at September 28, 2001 would continue to be classified as discontinued operations, however, the remaining accrued loss on disposal at this date, of US$24 million, primarily relating to the lease liability of the Northern U.S. business, would have been reversed as part of discontinued operations. Since the liquidation of this business was complete, this liability would have been recorded in continuing operations in the same period pursuant to EITF 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." With respect to Northern Canada, the business was legally sold as of September 28, 2001 and thus operations would no longer be recorded, but instead the business would be accounted for pursuant to SAB Topic 5:E. In the first quarter of 2002, the $18 million charge recorded within discontinued operations would have been classified as continuing operations. Similarly, the $1 million benefit recorded in the third quarter of 2002 would also have been classified as continuing operations. Having achieved divestiture accounting in the fourth quarter of 2002 and applying the provisions of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the Registrant would have then reclassified all prior periods' results of the Northern Group to discontinued operations. Reported net income in each of the periods would not have changed and therefore the Registrant did not amend any of its prior filings.

During the third quarter of 2003, a charge in the amount of $1 million before-tax was recorded to cover additional liabilities related to the exiting of a leased location in excess of the previous estimate. The remaining reserve balance of $9 million at November 1, 2003 is expected to be utilized within twelve months.

NORTHERN GROUP (in millions)

	Balance 2/1/2003	Net Usage (1)	Charge/ (Income)	Balance 11/1/2003
Real estate & lease liabilities	$ 6	$ 1	$ 1	$ 8
Other costs	1	-	-	1
Total	$ 7	$ 1	$ 1	$ 9

(1) Includes payments of $2 million offset by an increase of $3 million resulting from foreign currency fluctuations.

In 1998, the Registrant exited both its International General Merchandise and Specialty Footwear segments. In 1997, the Registrant announced that it was exiting its Domestic General Merchandise segment. The successor-assignee of the leases of a former business included in the Domestic General Merchandise segment filed a petition in bankruptcy during 2002, and rejected in the bankruptcy proceeding 15 leases it originally acquired from a subsidiary of the Registrant. There are currently several actions pending against this subsidiary by former landlords for the lease obligations. In the fourth quarter of 2002, the Registrant recorded a charge of $1 million after-tax and in the second quarter of 2003 recorded an additional after-tax charge of $1 million, related to certain actions. The Registrant estimates the gross contingent lease liability related to the remaining actions to be approximately $6 million. The Registrant believes that it may have valid defenses, however, given the current procedural status of these cases, their outcome cannot be predicted with any degree of certainty.

The remaining reserve balances for these three discontinued segments totaled $15 million as of November 1, 2003, $7 million of which is expected to be utilized within twelve months and the remaining $8 million thereafter.

Disposition activity related to the reserves is presented below:

(in millions)
INTERNATIONAL GENERAL MERCHANDISE

	Balance 2/1/2003	Net Usage(1)	Charge/ (Income)	Balance 11/1/2003
Woolco	$ 1	$ (1)	$ -	$ -
The Bargain! Shop	6	-	-	6
Total	$ 7	$ (1)	$ -	$ 6

(1) Includes payments of $2 million offset by an increase of $1 million resulting from foreign currency fluctuations.

SPECIALTY FOOTWEAR

	Balance 2/1/2003	Net Usage	Charge/ (Income)	Balance 11/1/2003
Real estate & lease liabilities	$ 2	$ (1)	$ -	$ 1
Other costs	1	-	-	1
Total	$ 3	$ (1)	$ -	$ 2

DOMESTIC GENERAL MERCHANDISE

	Balance 2/1/2003	Net Usage	Charge/ (Income)	Balance 11/1/2003
Real estate & lease liabilities	$ 7	$ (1)	$ -	$ 6
Legal and other costs	3	(3)	1	1
Total	$ 10	$ (4)	$ 1	$ 7

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

(in millions)	NORTHERN GROUP	SPECIALTY FOOTWEAR	DOMESTIC GENERAL MERCHANDISE	TOTAL
11/1/2003				
Assets	$ -	$ -	$ 2	$ 2
Liabilities	1	-	1	2
Net liabilities of discontinued operations	$ (1)	$ -	$ 1	$ -
11/2/2002				
Assets	$ -	$ -	$ 2	$ 2
Liabilities	1	-	2	3
Net liabilities of discontinued operations	$ (1)	$ -	$ -	$ (1)
2/1/2003				
Assets	$ -	$ -	$ 2	$ 2
Liabilities	1	-	2	3
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.

Restructuring Programs

1999 Restructuring

Total restructuring charges of $96 million before-tax were recorded in 1999 for the Registrant's restructuring program to sell or liquidate non-core businesses. The restructuring plan also included an accelerated store-closing program in the United States and Asia, corporate headcount reduction and a distribution center shutdown. The disposition of all non-core businesses was completed by November 2001. The remaining reserve balance at November 1, 2003 totaled $2 million, which is expected to be utilized within twelve months.

The Registrant sold The San Francisco Music Box Company ("SFMB") in 2001; however, the Registrant remains 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. The lease for the distribution center expires January 31, 2010 while the remaining store leases expire on January 31, 2004. As of November 1, 2003, the Registrant estimates its gross contingent lease liability for these leases to be approximately $4 million. During the second quarter of 2003, the Registrant recorded a charge of $1 million, primarily related to the distribution center lease, representing the expected costs to exit these leases.

1993 Repositioning and 1991 Restructuring

The Registrant 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. The remaining reserve balance of $2 million at November 1, 2003 comprises future lease obligations and is expected to be substantially utilized within twelve months. Disposition activity related to the reserves within the restructuring programs is presented below.

1999 Restructurings

(in millions)

	Balance 2/1/2003	Net Usage	Charge/ (Income)	Balance 11/1/2003
Real estate	$ 1	$ -	$ 1	$ 2

1993 Repositioning and 1991 Restructuring

(in millions)

	Balance 2/1/2003	Net Usage	Charge/ (Income)	Balance 11/1/2003
Real estate	$ 1	$ -	$ -	$ 1
Other disposition costs	1	-	-	1
Total	$ 2	$ -	$ -	$ 2

Total Restructuring Reserves

(in millions)

	Balance 2/1/2003	Net Usage	Charge/ (Income)	Balance 11/1/2003
Real estate	$ 2	$ -	$ 1	$ 3
Other disposition costs	1	-	-	1
Total	$ 3	$ -	$ 1	$ 4

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 from continuing operations.

(in millions)	Thirteen weeks ended Nov. 1, 2003	Thirteen weeks ended Nov. 2, 2002	Thirty-nine weeks ended Nov. 1, 2003	Thirty-nine weeks ended Nov. 2, 2002
Numerator:				
Income from continuing operations................	$ 62	$ 43	$ 138	$ 114
Effect of Dilution:				
Convertible debt.................................	1	1	4	3
Income from continuing operations assuming dilution......................................	$ 63	$ 44	$ 142	$ 117
Denominator:				
Weighted-average common shares outstanding	141.7	140.9	141.4	140.6
Effect of Dilution:				
Stock options and awards..........................	2.0	0.3	1.3	0.6
Convertible debt.................................	9.5	9.5	9.5	9.5
Weighted-average common shares assuming dilution..	153.2	150.7	152.2	150.7

Options to purchase 1.4 million and 7.1 million shares of common stock were not included in the computation for the thirteen weeks ended November 1, 2003 and November 2, 2002, respectively. Options to purchase 3.9 million shares of common stock were not included in the computation for both the thirty-nine weeks ended November 1, 2003 and November 2, 2002. These amounts were not included because the exercise price of the options was greater than the average market price of the common shares and, therefore, the effect would be antidilutive.

Shareholder Rights Plan

On November 19, 2003 the Board of Directors of the Registrant amended the Shareholder Rights Agreement between the Registrant and The Bank of New York, successor Rights Agent, (the "Rights Agreement"), the effect of which will be to accelerate the expiration date of the Rights, and to terminate the Rights Agreement, effective January 31, 2004.

Segment Information

Sales and operating results for the Registrant's reportable segments for the thirteen and thirty-nine weeks ended November 1, 2003 and November 2, 2002, respectively, are presented below. Operating profit before corporate expense, net reflects income from continuing operations before income taxes, corporate expense, non-operating income and net interest expense.

Sales:

	Thirteen weeks ended Nov. 1, 2003	Thirteen weeks ended Nov. 2, 2002	Thirty-nine weeks ended Nov. 1, 2003	Thirty-nine weeks ended Nov. 2, 2002
(in millions)				
Athletic Stores............................	$ 1,103	$ 1,036	$ 3,194	$ 3,058
Direct-to-Customers........................	91	84	251	237
Total Sales................................	$ 1,194	$ 1,120	$ 3,445	$ 3,295

Operating results:

(in millions)	Thirteen weeks ended Nov. 1, 2003	Thirteen weeks ended Nov. 2, 2002	Thirty-nine weeks ended Nov. 1, 2003	Thirty-nine weeks ended Nov. 2, 2002
Athletic Stores	$ 105	$ 77	$ 248	$ 208
Direct-to-Customers	13	8	30	22
	118	85	278	230
All Other (1)	-	-	(1)	1
Total operating profit before corporate expense, net	118	85	277	231
Corporate expense	16	13	49	40
Operating profit	102	72	228	191
Non-operating income	-	-	-	(3)
Interest expense, net	5	5	14	19
Income from continuing operations before income taxes	$ 97	$ 67	$ 214	$ 175

(1) The disposition of all other formats presented as "All Other" was completed in 2001. The year-to-date 2003 period presented includes restructuring charges of $1 million. The quarter and year-to-date periods in 2002 include a reduction in restructuring charges of $1 million.

Recent Accounting Pronouncements

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Among other things, the statement does not affect the classification or measurement of convertible bonds, puttable stock, or other outstanding shares that are conditionally redeemable. This Statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The statement is to be implemented by reporting the cumulative effect of a change in an accounting principle for financial instruments created before the issuance date of the Statement and still existing at the beginning of the interim period of adoption. The adoption of SFAS No. 150 did not impact the Registrant's financial position and results of operations.

In January 2003, the FASB issued Interpretation 46, "Consolidation of Variable Interest Entities." The Interpretation introduces a new consolidation model, referred to as the variable interest model, which determines control and consolidation not based on who has the majority of voting ownership rights, but rather on who absorbs the majority of the potential variability in gains and losses of the entity being evaluated for consolidation. On October 9, 2003, a FASB Staff Position was issued in which the effective date of this statement was deferred to periods ending after December 15, 2003. The Registrant does not anticipate that the adoption of this statement will have a material effect on the Registrant's financial position or results of operations.

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

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.

RESULTS OF OPERATIONS

Sales of $1,194 million for the third quarter of 2003 increased 6.6 percent from sales of $1,120 million for the third quarter of 2002. For the thirty-nine weeks ended November 1, 2003, sales of $3,445 million increased by 4.6 percent from sales of $3,295 million for the thirty-nine weeks ended November 2, 2002. Excluding the impact of foreign currency fluctuations, sales increased by 3.4 percent and 0.9 percent for the third quarter and year-to-date periods of 2003, respectively, as compared with the corresponding prior-year periods. These changes included a comparable-store sales increase of 0.4 percent and a decrease of 2.2 percent, respectively.

Gross margin, as a percentage of sales, improved 200 basis points to 32.6 percent for the thirteen weeks ended November 1, 2003 as compared with the corresponding prior year period. For the thirty-nine weeks ended November 1, 2003, gross margin, as a percentage of sales improved by 130 basis points to 30.9 percent as compared with the corresponding prior year period. Better merchandise purchasing primarily drove the improvements in gross margin. Vendor allowances contributed approximately 20 basis points and 50 basis points to the gross margin rate improvement for the thirteen and thirty-nine weeks ended November 1, 2003, respectively. Inventory levels at November 1, 2003 are in line with the Registrant's plan.

Selling, general and administrative expenses ("SG&A") of $250 million increased by 6.4 percent for the third quarter of 2003 as compared with the third quarter of 2002. SG&A for the thirty-nine weeks ended November 1, 2003 of $724 million increased by 7.3 percent as compared with the corresponding prior-year period. Excluding the effect of foreign currency fluctuations, the increase in SG&A was 3.0 percent and 3.7 percent for the thirteen and thirty-nine weeks in 2003, respectively, as compared with the corresponding prior-year periods. These increases primarily related to new store openings across several formats. SG&A also included net increases in expense of $4 million for both the thirteen and thirty-nine weeks ended November 1, 2003 related to the pension and postretirement plans. SG&A, as a percentage of sales, decreased to 20.9 percent for the thirteen weeks ended November 1, 2003 as compared with 21.0 percent in the corresponding prior-year period. SG&A, as a percentage of sales, increased to 21.0 percent for the thirty-nine weeks ended November 1, 2003 as compared to 20.5 percent in the corresponding prior-year period.

Depreciation and amortization of $37 million remained flat for the third quarter of 2003 and increased by $1 million to $112 million for the year-to-date period of 2003 as compared with the corresponding prior-year periods.

Net interest expense of $5 million remained flat for the thirteen weeks ended November 1, 2003 and declined by $5 million or 26.3 percent to $14 million for the thirty-nine weeks ended November 1, 2003, as compared with the corresponding prior-year periods. Interest expense decreased to $6 million and $19 million for the thirteen and thirty-nine weeks ended November 1, 2003, respectively, from $8 million and $25 million for the respective corresponding prior year periods. The decreases in interest expense were primarily related to savings obtained from the $100 million of interest rate swaps that the Registrant entered into during the fourth quarter of 2002 and the first two quarters of 2003, to convert the fixed interest rate on the 8.5 percent debentures to a floating rate. Additionally, the repayment in October 2002 of the remaining $32 million of the $40 million 7.0 percent medium-term notes contributed to the decreases in interest expense. Interest income decreased to $1 million for the thirteen weeks ended November 1, 2003 from $3 million in the corresponding prior-year period. Interest income decreased to $5 million for the thirty-nine weeks ended November 1, 2003 from $6 million in the corresponding prior-year period. These decreases were primarily due to lower interest income related to income tax settlements and refunds, which were offset by the recognition of interest and accretion income related to the Northern note.

The Registrant's effective tax rates for the thirteen and thirty-nine weeks ended November 1, 2003 were approximately 36.5 percent and 35.5 percent, respectively, as compared with 36.2 percent and 34.9 percent for the corresponding prior-year periods. The effective tax rates during 2003 were slightly higher than the corresponding prior year period due to the impact of state tax law changes offset by more favorable effective foreign tax rates. During the second quarter of 2003 and the first quarter of 2002, the Registrant recorded $2 million and $3 million, respectively, of tax benefits related to multi-state tax planning strategies. During the second quarter of 2002, the Registrant recorded a $2 million tax benefit related to a reduction in the valuation allowance for deferred tax assets related to foreign tax credits. The Registrant expects its effective tax rate to approximate 37 percent for the remainder of 2003.

Income from continuing operations of $62 million, or $0.41 per diluted share, for the thirteen weeks ended November 1, 2003, improved by $0.12 per diluted share from $43 million, or $0.29 per diluted share, for the thirteen weeks ended November 2, 2002. Income from continuing operations of $138 million, or $0.93 per diluted share, for the thirty-nine weeks ended November 1, 2003 improved by $0.16 per diluted share from $114 million in the prior year.

The quarter ended November 2, 2002 included an after-tax gain of $2 million, or $0.02 per diluted share, for discontinued operations. For the year-to-date periods, the Registrant reported net income of $136 million, or $0.92 per diluted share, for 2003, as compared with net income of $96 million, or $0.66 per diluted share, in 2002. The 2003 and 2002 year-to-date periods included after-tax losses related to discontinued operations of $1 million, or $0.01 per diluted share, and $18 million, or $0.11 per diluted share, respectively, primarily related to the Northern Group. The thirty-nine weeks ended November 1, 2003 also included a $1 million after-tax charge for the cumulative effect of the adoption of SFAS No. 143 during the first quarter.

STORE COUNT

At November 1, 2003, the Registrant operated 3,619 stores as compared with 3,625 at February 1, 2003. During the thirty-nine weeks ended November 1, 2003, the Registrant opened 87 stores, remodeled or relocated 244 stores and closed 93 stores.

SALES

The following table summarizes sales by segment.

Sales:

	Thirteen weeks ended		Thirty-nine weeks ended	
	Nov. 1, 2003	Nov. 2, 2002	Nov. 1, 2003	Nov. 2, 2002
(in millions)				
Athletic Stores.........................	$ 1,103	$ 1,036	$ 3,194	$ 3,058
Direct-to-Customers.....................	91	84	251	237
Total Sales.............................	$ 1,194	$ 1,120	$ 3,445	$ 3,295

The increase in total sales was primarily driven by Foot Locker Europe's strong sales performance. Sales in the primarily mall-based U.S. Foot Locker formats declined primarily due to the continued weak retail environment. Comparable-store sales increased by 0.4 percent for the third quarter of 2003 and declined by 2.2 percent for the year-to-date period of 2003.

Athletic Stores sales increased by 6.5 percent and 4.4 percent, respectively, for the thirteen and thirty-nine weeks ended November 1, 2003, respectively, as compared with the corresponding prior-year periods. Excluding the effect of foreign currency fluctuations, sales increased by 3.0 percent and 0.5 percent, respectively, for the thirteen and thirty-nine weeks ended November 1, 2003, as compared to the corresponding periods of the prior year. Comparable-store sales decreased by 0.2 percent and 2.7 percent, respectively, for the thirteen and thirty-nine week periods ended November 1, 2003. Most of the international formats, Foot Locker Europe in particular, continued to achieve strong sales during the third quarter and year-to-date period of 2003 and produced mid-single digit comparable-store sales increases. During the thirty-nine weeks ended November 1, 2003, the continuing current trend of classic shoes led footwear sales across most of the U.S. Athletic Store formats. Apparel sales, including both licensed and private label categories were particularly strong during both the thirteen and thirty-nine weeks ended November 1, 2003. Sales for the prior-year periods ended November 2, 2002 were primarily led by footwear, basketball in particular.

Management expects the current trend of classic footwear and licensed apparel to continue to be strong performers throughout the balance of 2003 and into 2004. The Registrant accelerated the receipt of inventory during the third quarter of 2003 to accommodate this expected continuing trend, to meet the holiday selling season as well as to support the growth of Foot Locker Europe in the upcoming quarter.

The Registrant purchases the largest portion of its merchandise from Nike, Inc. ("Nike"). On November 19, 2003, Nike announced, in part, that it "plans to execute joint marketing programs with Foot Locker, Inc. to develop innovative retail presentations of Nike performance products at select Foot Locker, Inc. locations in the U.S., beginning with the Fall 2004 season." As part of these programs, additional Nike and Brand Jordan statement and launch products will be available at select Foot Locker locations.

Direct to Customers sales increased by 8.3 percent and by 5.9 percent for the thirteen and thirty-nine weeks ended November 1, 2003, respectively, as compared with the corresponding prior-year periods. Internet sales of $47 million and $127 million for the thirteen and thirty-nine weeks ended November 1, 2003, respectively, increased by 45.0 percent and by 42.3 percent, as compared with the corresponding prior-year periods. This increase in Internet sales was partially offset by a decline in catalog sales, reflecting the continuing trend of the Registrant's customers to browse and select products through its catalogs and then make their purchases via the Internet. During the first quarter of 2003, the Registrant entered into an arrangement with the NBA and Amazon.com whereby Foot Locker will provide the fulfillment services for NBA licensed products sold over the Internet at NBAstore.com and the NBA store on Amazon.com. During the third quarter of 2003, the Registrant signed a five-year extension with the National Football League, which will become effective in April 2004, whereby Foot Locker designs, merchandises and fulfills the NFL's official catalog and E-commerce site. The agreement calls for annual royalty payments, calculated as a percentage of sales, with guaranteed minimums over the contract term. The Registrant does not anticipate that it will encounter difficulties in meeting the commitments called for in this contract.

OPERATING RESULTS

Operating profit before corporate expense, net reflects income from continuing operations before income taxes, corporate expense, non-operating income and net interest expense. The following table reconciles operating profit before corporate expense, net by segment to income from continuing operations before income taxes.

Operating results:

	Thirteen weeks ended		Thirty-nine weeks ended	
	Nov. 1, 2003	Nov. 2, 2002	Nov. 1, 2003	Nov. 2, 2002
(in millions)				
Athletic Stores	$ 105	$ 76	$ 248	$ 207
Direct-to-Customers	13	8	30	22
	118	84	278	229
Restructuring income (charge)	-	1	(1)	2
Operating profit before corporate expense, net	118	85	277	231
Corporate expense	16	13	49	40
Operating profit	102	72	228	191
Non-operating income	-	-	-	(3)
Interest expense, net	5	5	14	19
Income from continuing operations before income taxes	$ 97	$ 67	$ 214	$ 175

Athletic Stores operating profit before corporate expense, net increased by 38.2 percent and by 19.8 percent for the thirteen and thirty-nine weeks ended November 1, 2003, respectively, as compared with the corresponding prior-year periods. Better merchandise purchasing primarily drove the improvements in gross margin. Vendor allowances contributed approximately 20 basis points and 60 basis points to the Athletic Stores gross margin rate improvement for the thirteen and thirty-nine weeks ended November 1, 2003, respectively.

The corresponding periods in 2002 reflected an increase in markdowns taken to sell slow-moving U.S. marquee product, which were offset, in part, by operating expense reductions from cost-cutting programs. Operating profit before corporate expense, net as a percentage of sales, increased to 9.5 percent and 7.8 percent for the thirteen and thirty-nine weeks ended November 1, 2003, respectively, as compared to 7.3 percent and 6.8 percent in the corresponding prior-year periods.

The Registrant initiated changes to Lady Foot Locker's management team in the third quarter of 2002 and is continuing the process of developing various merchandising initiatives in an effort to improve its performance. The results for the third quarter ended November 1, 2003 were better than planned, however, operating results during the thirty-nine weeks were less than anticipated. Management expects to continue to monitor the progress of the format and will assess, if necessary, the impact of these initiatives on the projected performance of the division, which may include an analysis of the recoverability of store long-lived assets pursuant to SFAS No. 144.

Direct-to-Customers operating profit before corporate expense, net increased by $5 million for the thirteen weeks ended November 1, 2003 and increased by $8 million for the thirty-nine weeks ended November 1, 2003 as compared with the corresponding respective periods ended November 2, 2002. Operating profit before corporate expense, net, as a percentage of sales, increased to 14.3 percent and 12.0 percent for the thirteen and thirty-nine weeks ended November 1, 2003, respectively, as compared to 9.5 percent and 9.3 percent in the corresponding prior-year periods.

STRATEGIC DISPOSITIONS AND REPOSITIONING

Discontinued operations

On January 23, 2001, the Registrant announced that it was exiting its 694 store Northern Group segment. The Registrant recorded a charge to earnings of $252 million before-tax, or $294 million after-tax, in 2000 for the loss on disposal of the segment. Major components of the charge included expected cash outlays for lease buyouts and real estate disposition costs of $68 million, severance and personnel related costs of $23 million and operating losses and other exit costs from the measurement date through the expected date of disposal of $24 million. Non-cash charges included the realization of a $118 million currency translation loss, resulting from the movement in the Canadian dollar during the period the Registrant held its investment in the segment and asset write-offs of $19 million. The Registrant also recorded a tax benefit for the liquidation of the Northern U.S. stores of $42 million, which was offset by a valuation allowance of $84 million to reduce the deferred tax assets related to the Canadian operations to an amount that is more likely than not to be realized.

In the first quarter of 2001, the Registrant recorded a tax benefit of $5 million as a result of the implementation of tax planning strategies related to the discontinuance of the Northern Group. During the second quarter of 2001, the Registrant completed the liquidation of the 324 stores in the United States and recorded a charge to earnings of $12 million before-tax, or $19 million after-tax. The charge comprised the write-down of the net assets of the Canadian business to their net realizable value pursuant to the then pending transaction, which was partially offset by reduced severance costs as a result of the transaction and favorable results from the liquidation of the U.S. stores and real estate disposition activity. On September 28, 2001, the Registrant 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"). The purchaser agreed to obtain a revolving line of credit with a lending institution, satisfactory to the Registrant in an amount not less than CAD$25 million (approximately US$17 million).

Another wholly owned subsidiary of the Registrant was the assignor of the store leases involved in the transaction and therefore retains potential liability for such leases. The Registrant also entered into a credit agreement with the purchaser to provide a revolving credit facility to be used to fund its working capital needs, up to a maximum of CAD$5 million (approximately US$3 million). The net amount of the assets and liabilities of the former operations was written down to the estimated fair value of the Note, approximately US$18 million. The transaction was accounted for pursuant to SEC Staff Accounting Bulletin Topic 5:E "Accounting for Divestiture of a Subsidiary or Other Business Operation," ("SAB Topic 5:E") 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. The assets and liabilities related to the former operations were presented under the balance sheet captions as "Assets of business transferred under contractual arrangement (note receivable)" and "Liabilities of business transferred under contractual arrangement."

In the fourth quarter of 2001, the Registrant further reduced its estimate for real estate costs by $5 million based on then current negotiations, which was completely offset by increased severance, personnel and other disposition costs.

The Registrant recorded a charge of $18 million in the first quarter of 2002 reflecting the poor performance of the Northern Group stores in Canada since the date of the transaction. There was no tax benefit recorded related to the $18 million charge, which comprised a valuation allowance in the amount of the operating losses incurred by the purchaser and a further reduction in the carrying value of the net amount of the assets and liabilities of the former operations to zero, due to greater uncertainty with respect to the collectibility of the Note. This charge was recorded pursuant to SAB Topic 5:E, which requires accounting for the Note in a manner somewhat analogous to equity accounting for an investment in common stock.

In the third quarter of 2002, the Registrant recorded a charge of approximately $1 million before-tax for lease exit costs in excess of previous estimates. In addition, the Registrant recorded a tax benefit of $2 million, which also reflected the impact of the tax planning strategies implemented related to the discontinuance of the Northern Group.

On December 31, 2002, the Registrant-provided revolving credit facility expired, without having been used. Furthermore, the operating results of Northern Canada had significantly improved during the year such that the Registrant had reached an agreement in principle to receive CAD$5 million (approximately US$3 million) cash consideration in partial prepayment of the Note and accrued interest due and agreed to reduce the face value of the Note to CAD$17.5 million (approximately US$12 million). Based upon the improved results of the Northern Canada business, the Registrant believes there is no substantial uncertainty as to the amount of the future costs and expenses that could be payable by the Registrant. As indicated above, as the assignor of the Northern Canada leases, a wholly-owned subsidiary of the Registrant remains secondarily liable under those leases. As of November 1, 2003, the Registrant estimates that its gross contingent lease liability is between CAD$71 to $76 million (approximately US$54 to $58 million). Based upon its assessment of the risk of having to satisfy that liability and the resultant possible outcomes of lease settlement, the Registrant currently estimates the expected value of the lease liability to be approximately US$2 million. The Registrant believes that it is unlikely that it would be required to make such contingent payments, and further, such contingent obligations would not be expected to have a material effect on the Registrant's consolidated financial position, liquidity or results of operations. As a result of the aforementioned developments, during the fourth quarter of 2002 circumstances changed sufficiently such that it became appropriate to recognize the transaction as an accounting divestiture.

During the fourth quarter of 2002, as a result of the accounting divestiture, the Note was recorded in the financial statements at its estimated fair value of CAD$16 million (approximately US$10 million). The Registrant, with the assistance of an independent third party, determined the estimated fair value by discounting expected cash flows at an interest rate of 18 percent. This rate was selected considering such factors as the credit rating of the purchaser, rates for similar instruments and the lack of marketability of the Note. As the net assets of the former operations were previously written down to zero, the fair value of the Note was recorded as a gain on disposal within discontinued operations. There was no tax expense recorded related to this gain. The Registrant ceased presenting the assets and liabilities of Northern Canada as "Assets of business transferred under contractual arrangement (note receivable)" and "Liabilities of business transferred under contractual arrangement," and has recorded the Note initially at its estimated fair value. 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. After taking into account this payment, the remaining principal due under the Note was reduced to CAD$17.5 million (approximately US$12 million). Under the terms of the renegotiated Note, a principal payment of CAD$1 million is due January 15, 2004. An accelerated principal payment of CAD$1 million may be due if certain events occur. The remaining amount of the Note is required to be repaid upon the occurrence of "payment events," as defined in the purchase agreement, but no later than September 28, 2008. Interest is payable semiannually and began to accrue on May 1, 2003 at a rate of 7.0 percent per annum. At November 1, 2003 and February 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. During the third quarter of 2003, a charge in the amount of $1 million before-tax was recorded to cover additional liabilities related to the exiting of a leased location in excess of the previous estimate. The remaining reserve balance of US$9 million at November 1, 2003 is expected to be utilized within twelve months.

Future adjustments, if any, to the carrying value of the Note will be recorded pursuant to SEC Staff Accounting Bulletin Topic 5:Z:5, "Accounting and Disclosure Regarding Discontinued Operations," which requires changes in the carrying value of assets received as consideration from the disposal of a discontinued operation to be classified within continuing operations. Interest and accretion income will also be recorded within continuing operations. The Registrant will recognize an impairment loss when, and if, circumstances indicate that the carrying value of the Note may not be recoverable. Such circumstances would include a deterioration in the business, as evidenced by significant operating losses incurred by the purchaser or nonpayment of an amount due under the terms of the Note.

In 1998, the Registrant exited both its International General Merchandise and Specialty Footwear segments. In 1997, the Registrant announced that it was exiting its Domestic General Merchandise segment. The successor-assignee of the leases of a former business included in the Domestic General Merchandise segment filed a petition in bankruptcy during 2002, and rejected in the bankruptcy proceeding 15 leases it originally acquired from a subsidiary of the Registrant. There are currently several actions pending against this subsidiary by former landlords for the lease obligations. In the fourth quarter of 2002, the Registrant recorded a charge of $1 million after-tax and in the second quarter of 2003 recorded an additional after-tax charge of $1 million, related to certain actions. The Registrant estimates the gross contingent lease liability related to the remaining actions to be approximately $6 million. The Registrant believes that it may have valid defenses, however, given the current procedural status of these cases, as these actions are in the preliminary stage of proceedings, their outcome cannot be predicted with any degree of certainty.

The remaining reserve balances for these three discontinued segments totaled $15 million as of November 1, 2003, $7 million of which is expected to be utilized within twelve months and the remaining $8 million thereafter.

1999 Restructuring

Total restructuring charges of $96 million before-tax were recorded in 1999 for the Registrant's restructuring program to sell or liquidate non-core businesses. The restructuring plan also included an accelerated store-closing program in the United States and Asia, corporate headcount reduction and a distribution center shutdown. The disposition of all non-core businesses was completed by November 2001. The remaining reserve balance at November 1, 2003 totaled $2 million, which is expected to be utilized within twelve months.

The Registrant sold The San Francisco Music Box Company ("SFMB") in 2001; however, the Registrant remains 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. The lease for the distribution center expires January 31, 2010 while the remaining store leases expire on January 31, 2004. As of November 1, 2003, the Registrant estimates its gross contingent lease liability for these leases to be approximately $4 million. During the second quarter of 2003, the Registrant recorded a charge of $1 million, primarily related to the distribution center lease, representing the expected costs to exit these leases.

1993 Repositioning and 1991 Restructuring

The Registrant 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. The remaining reserve balance of $2 million at November 1, 2003 comprises future lease obligations and is expected to be substantially utilized within twelve months.

LIQUIDITY AND CAPITAL RESOURCES

Generally, the Registrant's primary source of cash is from operations. The Registrant has a revolving credit facility, which was amended on July 30, 2003. As a result of the amendment, the credit facility was increased by $10 million to $200 million and the maturity date was extended to July 2006 from June 2004. The amendment also provided for a lower pricing structure and increased covenant flexibility. Other than $24 million reserved to meet stand-by letter of credit requirements, this revolving credit facility was not used during the thirty-nine weeks ended November 1, 2003. The Registrant generally finances real estate with operating leases. The principal uses of cash have 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.

Operating activities of continuing operations provided cash of $90 million for the thirty-nine weeks ended November 1, 2003 as compared with $189 million for the thirty-nine weeks ended November 2, 2002. These amounts reflect income from continuing operations adjusted for non-cash items and working capital changes. The decrease in cash from operations was primarily due to working capital changes and a $50 million contribution made by the Registrant to its U.S. qualified retirement plan in February 2003, in advance of ERISA funding requirements. These decreases were partially offset by increasing profitability from continuing operations. The decrease due to working capital resulted from a higher net cash outflow for merchandise inventories in the thirty-nine weeks ended November 1, 2003 as compared to the same period of the prior year. The Registrant increased its inventory position to accommodate the planned growth in Europe in addition to the increased requirements for the holiday selling season.

Net cash used in investing activities of continuing operations of $106 million and $113 million for the thirty-nine weeks ended November 1, 2003 and November 2, 2002, respectively, primarily reflected capital expenditures for store remodelings, new stores and lease acquisition costs. The Registrant currently anticipates capital expenditures of $150 million for 2003. Anticipated capital expenditures comprise $82 million for new store openings and modernizations of existing stores, $50 million for the development of information systems and other support facilities and lease acquisition costs of $18 million related to the Registrant's European operations. The Registrant has the ability to further revise and reschedule the anticipated capital expenditure program should the Registrant's financial position require it. Proceeds from the disposal of real estate of $6 million for the thirty-nine weeks ended November 2, 2002 primarily related to the condemnation of a part-owned and part-leased property in the second quarter of 2002. This real estate transaction resulted in a gain of $3 million, which was recorded in other income. Real estate proceeds during the current period were not material.

Financing activities for the Registrant's continuing operations used cash of $21 million for the thirty-nine weeks ended November 1, 2003 as compared with cash used by financing activities of $32 million for the corresponding prior-year period. The Registrant repurchased $17 million of its 8.50% debentures due in 2022, during the thirty-nine weeks ended November 1, 2003. During the thirty-nine weeks ended November 2, 2002, the Registrant repaid the remaining $32 million of the $40 million 7.00% medium-term notes due in October 2002 and retired approximately $9 million of its 8.50% debentures. The Registrant declared and paid $0.03 per share dividends in each of the first three quarters of 2003 totaling $13 million for the thirty-nine week period. During each of the 2003 and 2002 year-to-date periods, the Registrant issued $9 million in common stock in connection with employee stock programs.

Following the end of the quarter, the Registrant repurchased $2 million of its 8.50% debentures, bringing the total amount repurchased to date to $28 million. On November 19, 2003, the Registrant's Board of Directors declared a dividend of $0.06 per share on its common stock which will be payable on January 30, 2004 to shareholders of record on January 16, 2004. This is double the Registrant's previous dividend. Annual dividend payments are expected to amount to approximately $32 million per year. Management believes that operating cash flows and current credit facilities will be adequate to finance its working capital requirements, to make scheduled pension contributions for the Registrant's retirement plans, to fund quarterly dividend payments and to support the development of its short-term and long-term strategies.

Net cash used in discontinued operations includes the change in assets and liabilities of the discontinued segments and disposition activity charged to the reserves for both periods presented.

RECENT ACCOUNTING PRONOUNCEMENTS

The Registrant adopted SFAS No. 143, "Accounting for Asset Retirement Obligations" 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 Registrant 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 Registrant 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. There were no additions recorded during the first quarter of 2003. Additional asset retirement obligations recorded during the second and third quarters of 2003 were not material. The amortization and accretion expenses recorded during these periods were also not material. Pro forma effects for the thirteen and thirty-nine weeks ended November 2, 2002, assuming adoption of SFAS No. 143 as of February 3, 2002, were not material to the liability, the net earnings or the per share amounts, and therefore, have not been presented.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities." In general, SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003. The adoption of SFAS No. 149 did not have a significant impact on financial position and results of operations.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Among other things, the statement does not affect the classification or measurement of convertible bonds, puttable stock, or other outstanding shares that are conditionally redeemable. This Statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The statement is to be implemented by reporting the cumulative effect of a change in an accounting principle for financial instruments created before the issuance date of the Statement and still existing at the beginning of the interim period of adoption. The adoption of SFAS No. 150 did not have an impact on the Registrant's financial position and results of operations.

In January 2003, the FASB issued Interpretation 46, "Consolidation of Variable Interest Entities." The Interpretation introduces a new consolidation model, referred to as the variable interest model, which determines control and consolidation not based on who has the majority of voting ownership rights, but rather on who absorbs the majority of the potential variability in gains and losses of the entity being evaluated for consolidation. On October 9, 2003, a FASB Staff Position was issued in which the effective date of this statement was deferred to periods ending after December 15, 2003. The Registrant does not anticipate that the adoption of this statement will have a material effect on the Registrant's financial position or results of operations.

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 Registrant 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 re-purchases, growth of the Registrant'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 Registrant'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. 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 Registrant's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Registrant'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 Registrant's Chief Executive Officer and Chief Financial Officer also conducted an evaluation of the Registrant'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 Registrant'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 Registrant'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 only legal proceedings pending against the Registrant or its consolidated subsidiaries consist of ordinary, routine litigation, including administrative proceedings, incident to the businesses of the Registrant, as well as litigation incident to the sale and disposition of businesses that have occurred in the past several years. Management does not believe that the outcome of such proceedings will have a material effect on the Registrant's consolidated financial position, liquidity, or results of operations.

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 August 7, 2003, under Items 7 and 12, reporting the Registrant's sales results for the second quarter of 2003.

Form 8-K, dated August 21, 2003, under Items 7 and 12, reporting the Registrant's operating results for the second quarter of 2003.

SIGNATURE

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

FOOT LOCKER, INC.

(Registrant)

Date: December 15, 2003

/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 September 11, 2003.
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	Independent Accountants' Review Report.

EXHIBIT 10

RESTRICTED STOCK AWARD AGREEMENT

This Restricted Stock Award Agreement (the "Agreement") made as of September 11, 2003 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 September 11, 2003, the Compensation and Management Resources Committee of the Board of Directors of the Company approved the grant to the Executive, effective September 11, 2003 (the "Date of Grant"), of an award of 200,000 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 200,000 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) as follows 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 dates:

VESTING DATE	NUMBER OF SHARES
September 11, 2004	100,000
September 11, 2005	100,000

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, and (B) in the event that Executive elects to terminate his employment with the Company under the provisions of Section 5(c)(ii) of the Employment Agreement, 100,000 shares of 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 September 11, 2003. 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. Miscellaneous.

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 9th day of October 2003, 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 (2/3) 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.

EXHIBIT 12

FOOT LOCKER, INC.

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

	Thirty-nine weeks ended		Fiscal Year Ended				
	Nov. 1, 2003	Nov. 2, 2002	Feb. 1, 2003	Feb. 2, 2002	Feb. 3, 2001	Jan. 29, 2000	Jan. 30, 1999
NET EARNINGS							
Income from continuing operations	$ 138	$ 114	$ 162	$ 111	$ 107	$ 59	$ 14
Income tax expense (benefit)	76	61	84	64	69	38	(28)
Interest expense, excluding capitalized interest	19	25	33	35	41	65	57
Portion of rents deemed representative of the interest factor (1/3)	124	119	165	158	155	170	161
	$ 357	$ 319	$ 444	$ 368	$ 372	$ 332	$ 204
FIXED CHARGES							
Gross interest expense	$ 19	$ 25	$ 33	$ 35	$ 42	$ 67	$ 64
Portion of rents deemed representative of the interest factor (1/3)	124	119	165	158	155	170	161
	$ 143	$ 144	$ 198	$ 193	$ 197	$ 237	$ 225
RATIO OF EARNINGS TO FIXED CHARGES	2.5	2.2	2.2	1.9	1.9	1.4	0.9

Earnings were not adequate to cover fixed charges by $21 million for the fiscal year ended January 30, 1999.

EXHIBIT 15

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 and 333-99829 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 November 19, 2003 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
December 15, 2003

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.

December 15, 2003

/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.

December 15, 2003

/s/ Bruce L. Hartman

Chief Financial Officer

EXHIBIT 32.1

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 November 1, 2003, 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: December 15, 2003

/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

Independent Accountants' Review Report

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 November 1, 2003 and November 2, 2002, and the related condensed consolidated statements of operations and the condensed consolidated statements of comprehensive income for the thirteen and thirty-nine weeks ended November 1, 2003 and November 2, 2002, and the condensed consolidated statements of cash flows for the thirty-nine weeks ended November 1, 2003 and November 2, 2002. These condensed consolidated financial statements are the responsibility of Foot Locker, Inc.'s management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. 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 auditing standards generally accepted in the United States of America, 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 auditing standards generally accepted in the United States of America, the consolidated balance sheet of Foot Locker, Inc. and subsidiaries as of February 1, 2003, 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 12, 2003, 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 February 1, 2003, 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
November 19, 2003