

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): August 17, 2006

**Foot Locker, Inc.**

(Exact Name of Registrant as Specified in its Charter)

**New York**  
(State or other Jurisdiction  
of Incorporation)

**1-10299**  
(Commission File Number)

**13-3513936**  
(I.R.S. Employer  
Identification No.)

**112 West 34<sup>th</sup> Street, New York, New York**  
(Address of Principal Executive Offices)

**10120**  
(Zip Code)

Registrant's telephone number, including area code: **212-720-3700**

**Former Name/Address**  
(Former name or former address, if changed from last report)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 2.02. Results of Operation and Financial Condition**

On August 17, 2006, Foot Locker, Inc. issued a press release announcing its operating results for the second quarter of 2006. A copy of the press release is furnished as Exhibit 99.1, which, in its entirety, is incorporated herein by reference.

**Item 9.01. Financial Statements and Exhibits.**

(c) Exhibits

99.1 Press Release of Foot Locker, Inc. dated August 17, 2006 reporting operating results for the second quarter of 2006.

**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 hereunto duly authorized.

**FOOT LOCKER, INC.**

(Registrant)

By: /s/ Robert W. McHugh

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*Senior Vice President and Chief Financial Officer*

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Date: August 17, 2006

## FOOT LOCKER, INC.

## NEWS RELEASE

Contact: Peter D. Brown  
Vice President, Treasurer  
and Investor Relations  
Foot Locker, Inc.  
(212) 720-4254

NEW YORK, NY, August 17, 2006 – Foot Locker, Inc. (NYSE: FL), the New York-based specialty athletic retailer, today reported financial results for its second quarter ended July 29, 2006.

**Second Quarter Results**

Net income for the Company's second quarter ended July 29, 2006 was \$0.09 per share, or \$14 million, compared to \$0.28 per share, or \$44 million last year. This year's results included a non-cash impairment charge of \$0.08 per share, or \$12 million after-tax, to write-down store long-lived assets at the Company's European operation, pursuant to SFAS No. 144. The Company's second quarter income before this non-cash charge was \$0.17 per share, or \$26 million. Second quarter sales for the period were virtually flat with last year, at \$1,303 million this year compared with sales of \$1,304 million for the corresponding prior year period. Second quarter comparable-store sales decreased 1.3 percent.

"As we previously reported, our second quarter earnings reflected lower than expected sales in both our domestic and international operations," stated Matthew D. Serra, Foot Locker, Inc.'s Chairman and Chief Executive Officer. "While the sales and earnings shortfalls were most pronounced at our European stores, sales in our U.S. stores also softened, particularly late in the month of July. In the U.S., we believe this partially reflects a later start than last year to the back-to-school selling season. While our business in Europe remains very profitable in total, we were required to write down the value of certain underperforming assets under the provisions of SFAS No. 144."

**Year-to-Date Results**

Year-to-date net income was \$0.47 per share, or \$73 million, compared to \$0.65 per share, or \$102 million last year. This year's income before the non-cash charge recorded in the second quarter was \$0.55 per share, or \$85 million. Year-to-date sales decreased 0.5 percent to \$2,668 million compared with sales of \$2,681 million last year. Comparable-store sales decreased 0.4 percent.

Mr. Serra continued, "Given the continuing challenging athletic retail environment in Europe and recent softening sales trends in U.S. markets, we believe it is prudent to take a cautious stand on the outlook for the balance of the year. As a result, we now see earnings per share from continuing operations for the full year of 2006 to be in the range of \$1.52 to \$1.62 before the non-cash charge (\$1.44 to \$1.54 after the non-cash charge)."

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Foot Locker, Inc. 112 West 34<sup>th</sup> Street, New York, NY 10120

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## **Store Base Update**

During the second quarter, the Company opened 38 new stores; remodeled/relocated 126 stores and closed 21 stores. At July 29, 2006, the Company operated 3,894 stores in 20 countries in North America, Europe and Australia. In addition, two Company franchised stores were opened in the Middle East, one in Kuwait and another in Saudi Arabia.

## **Financial Position**

The Company ended the second quarter with cash and short-term investments totaling \$318 million. Its cash position, net of debt increased by \$34 million from the same time last year. After the close of its second quarter, the Company repurchased \$22 million of its 8.5 percent bonds, due in 2022, at a discount to face value, in line with its objective to redeploy its cash flow to enhance shareholder value while maintaining a strong financial position.

The Company is hosting a live conference call at 10:00 a.m. (EDT) on Friday, August 18, 2006 to discuss these results and provide guidance with regard to its earnings outlook for the balance of 2006. This conference call may be accessed live from the Investor Relations section of the Foot Locker, Inc. website at <http://www.footlocker-inc.com>. The conference call will be available for webcast replay until 5:00 p.m. on Monday, August 21, 2006.

### ***Disclosure Regarding Forward-Looking Statements***

*This report contains forward-looking statements within the meaning of the federal securities laws. All statements, other than statements of historical facts, which address activities, events or developments that the Company expects or anticipates will or may occur in the future, including, but not limited to, such things as future capital expenditures, expansion, strategic plans, dividend payments, stock repurchases, growth of the Company's business and operations, including future cash flows, revenues and earnings, and other such matters are forward-looking statements. These forward-looking statements are based on many assumptions and factors detailed in the Company's filings with the Securities and Exchange Commission, including the effects of currency fluctuations, customer demand, fashion trends, competitive market forces, uncertainties related to the effect of competitive products and pricing, customer acceptance of the Company's merchandise mix and retail locations, the Company's reliance on a few key vendors for a majority of its merchandise purchases (including a significant portion from one key vendor), unseasonable weather, 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, the ability of the Company to execute its business plans effectively with regard to each of its business units, risks associated with foreign global sourcing, including political instability, changes in import regulations, and disruptions to transportation services and distribution. 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.*

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**FOOT LOCKER, INC.**  
**Condensed Consolidated Statements of Operations**  
**(unaudited)**  
**Periods ended July 29, 2006 and July 30, 2005**  
*(In millions, except per share amounts)*

|   | <u>Second<br/>Quarter<br/>2006</u> | <u>Second<br/>Quarter<br/>2005</u> |
|---|------------------------------------|------------------------------------|
| Sales   | \$ 1,303                           | \$ 1,304                           |
| Cost of sales   | 942                                | 927                                |
| Selling, general and administrative expenses                          | 273                                | 265                                |
| Depreciation and amortization   | 44                                 | 41                                 |
| Impairment charge   | 17                                 | —                                  |
| Interest expense, net   | 1                                  | 3                                  |
| Other expense (income)  | 1                                  | (3)                                |
|   | 1,278                              | 1,233                              |
| Income before income taxes and cumulative effect of accounting change | 25                                 | 71                                 |
| Income tax expense  | 11                                 | 27                                 |
| Income before cumulative effect of accounting change                  | 14                                 | 44                                 |
| Cumulative effect of accounting change, net of income tax             | —                                  | —                                  |
| Net income  | \$ 14                              | \$ 44                              |
| <br><u>Diluted EPS:</u>   |                                    |                                    |
| Income before cumulative effect of accounting change                  | \$ 0.09                            | \$ 0.28                            |
| Cumulative effect of accounting change                                | —                                  | —                                  |
| Net income  | \$ 0.09                            | \$ 0.28                            |
| Weighted-average diluted shares outstanding                           | 156.7                              | 158.3                              |
|   | <u>Year-To-Date<br/>2006</u>       | <u>Year-To-Date<br/>2005</u>       |
| Sales   | \$ 2,668                           | \$ 2,681                           |
| Cost of sales   | 1,888                              | 1,886                              |
| Selling, general and administrative expenses                          | 556                                | 548                                |
| Depreciation and amortization   | 87                                 | 82                                 |
| Impairment charge   | 17                                 | —                                  |
| Interest expense, net   | 2                                  | 6                                  |
| Other expense (income)  | 1                                  | (3)                                |
|   | 2,551                              | 2,519                              |
| Income before income taxes and cumulative effect of accounting change | 117                                | 162                                |
| Income tax expense  | 45                                 | 60                                 |
| Income before cumulative effect of accounting change                  | 72                                 | 102                                |
| Cumulative effect of accounting change, net of income tax             | 1                                  | —                                  |
| Net income  | \$ 73                              | \$ 102                             |
| <br><u>Diluted EPS:</u>   |                                    |                                    |
| Income before cumulative effect of accounting change                  | \$ 0.46                            | \$ 0.65                            |
| Cumulative effect of accounting change                                | 0.01                               | —                                  |
| Net income  | \$ 0.47                            | \$ 0.65                            |
| Weighted-average diluted shares outstanding                           | 156.7                              | 158.2                              |

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**FOOT LOCKER, INC.**  
**Condensed Consolidated Balance Sheets**  
**(unaudited)**  
*(In millions)*

|  | <u>July 29,<br/>2006</u> | <u>July 30,<br/>2005</u> |
|--|--------------------------|--------------------------|
| <b>Assets</b>  |                          |                          |
| <b>CURRENT ASSETS</b>  |                          |                          |
| Cash, cash equivalents and short-term investments                      | \$ 318                   | \$ 360                   |
| Merchandise inventories  | 1,477                    | 1,379                    |
| Other current assets   | 156                      | 187                      |
|  | <u>1,951</u>             | <u>1,926</u>             |
| Property and equipment, net  | 667                      | 695                      |
| Deferred tax assets  | 245                      | 191                      |
| Other assets   | 470                      | 484                      |
|  | <u>\$ 3,333</u>          | <u>\$ 3,296</u>          |
| <b>Liabilities and Shareholders' Equity</b>                            |                          |                          |
| <b>CURRENT LIABILITIES</b>   |                          |                          |
| Accounts payable   | \$ 441                   | \$ 454                   |
| Accrued and other liabilities  | 228                      | 303                      |
| Current portion of long-term debt and obligations under capital leases | 22                       | 18                       |
|  | <u>691</u>               | <u>775</u>               |
| Long-term debt and obligations under capital leases                    | 250                      | 330                      |
| Other liabilities  | 306                      | 296                      |
| <b>SHAREHOLDERS' EQUITY</b>  | <u>2,086</u>             | <u>1,895</u>             |
|  | <u>\$ 3,333</u>          | <u>\$ 3,296</u>          |

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**FOOT LOCKER, INC.**  
**Store and Estimated Square Footage**  
**(unaudited)**  
**(Square footage in thousands)**

|                                  | July 29,<br>2006 | July 30,<br>2005 | July 31,<br>2004 |
|----------------------------------|------------------|------------------|------------------|
| <b>Foot Locker U.S.</b>          |                  |                  |                  |
| Number of stores                 | 1,363            | 1,400            | 1,435            |
| Gross square footage             | 5,501            | 5,690            | 5,847            |
| Selling square footage           | 3,241            | 3,337            | 3,406            |
| <b>Footaction</b>                |                  |                  |                  |
| Number of stores                 | 365              | 358              | 349              |
| Gross square footage             | 1,721            | 1,705            | 1,689            |
| Selling square footage           | 1,063            | 1,060            | 1,050            |
| <b>Lady Foot Locker</b>          |                  |                  |                  |
| Number of stores                 | 550              | 554              | 568              |
| Gross square footage             | 1,229            | 1,239            | 1,266            |
| Selling square footage           | 693              | 693              | 705              |
| <b>Kids Foot Locker</b>          |                  |                  |                  |
| Number of stores                 | 325              | 333              | 348              |
| Gross square footage             | 789              | 804              | 842              |
| Selling square footage           | 470              | 479              | 501              |
| <b>Champs Sports</b>             |                  |                  |                  |
| Number of stores                 | 559              | 563              | 578              |
| Gross square footage             | 3,063            | 3,105            | 3,212            |
| Selling square footage           | 2,105            | 2,137            | 2,206            |
| <b>Foot Locker International</b> |                  |                  |                  |
| Number of stores                 | 732              | 718              | 680              |
| Gross square footage             | 2,099            | 2,057            | 1,950            |
| Selling square footage           | 1,093            | 1,091            | 1,043            |
| <b>Total Athletic Group</b>      |                  |                  |                  |
| Number of stores                 | 3,894            | 3,926            | 3,958            |
| Gross square footage             | 14,402           | 14,600           | 14,806           |
| Selling square footage           | 8,665            | 8,797            | 8,911            |