SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

F O R M 10 - Q

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

For the quarterly period ended July 29, 2006

Commission file no. 1-10299

FOOT LOCKER, INC.

(Exact name of registrant as specified in its charter)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x Accelerated filer o Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No x

Number of shares of Common Stock outstanding at August 26, 2006: 155,582,754

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)

	July 29, 2006	July 30, 2005	January 28, 2006
	(Unaudited)	(Unaudited)	*
ASSETS			
Current assets			
Cash and cash equivalents	$ 185	$ 199	$ 289
Short-term investments	133	161	298
Total cash, cash equivalents and short-term investments	318	360	587
Merchandise inventories	1,477	1,379	1,254
Other current assets	187	187	173
	1,982	1,926	2,014
Property and equipment, net	667	695	675
Deferred taxes	214	191	147
Goodwill and intangible assets	376	387	380
Other assets	94	97	96
	$ 3,333	$ 3,296	$ 3,312
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable	$ 441	$ 454	$ 361
Accrued expenses and other current liabilities	228	303	305
Current portion of long-term debt and obligations under capital leases	22	18	51
	691	775	717
Long-term debt and obligations under capital leases	249	330	275
Other liabilities	307	296	293
	1,247	1,401	1,285
Shareholders' equity			
Common stock and paid-in capital: 157,682,405, 157,035,992 and 155,503,606 shares, respectively	645	624	635
Retained earnings	1,646	1,465	1,601
Accumulated other comprehensive loss	(158)	(190)	(171)
Less: Treasury stock at cost: 2,105,662, 172,037 and 1,776,287 shares, respectively	(47)	(4)	(38)
Total shareholders' equity	2,086	1,895	2,027
	$ 3,333	$ 3,296	$ 3,312

See Accompanying Notes to Condensed Consolidated Financial Statements.

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* The balance sheet at January 28, 2006 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended January 28, 2006.

FOOT LOCKER, INC.

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

	Thirteen weeks ended		Twenty-six weeks ended	
	July 29, 2006	July 30, 2005	July 29, 2006	July 30, 2005
Sales	$ 1,303	$ 1,304	$ 2,668	$ 2,681
Costs and Expenses				
Cost of sales	942	927	1,888	1,886
Selling, general and administrative expenses	273	265	556	548
Depreciation and amortization	44	41	87	82
Impairment charge	17	—	17	—
Interest expense, net	1	3	2	6
Other expense (income)	1	(3)	1	(3)
	1,278	1,233	2,551	2,519
Income before income taxes and cumulative effect of accounting change	25	71	117	162
Income tax expense	11	27	45	60
Income before cumulative effect of accounting change	14	44	72	102
Cumulative effect of accounting change, net of income tax of $-	—	—	1	—
Net income	$ 14	$ 44	$ 73	$ 102
Basic earnings per share:				
Income before cumulative effect of accounting change	$ 0.09	$ 0.29	$ 0.46	$ 0.66
Cumulative effect of accounting change	—	—	0.01	—
Net income	$ 0.09	$ 0.29	$ 0.47	$ 0.66
Weighted-average common shares outstanding	154.9	155.6	154.2	155.3
Diluted earnings per share:				
Income before cumulative effect of accounting change	$ 0.09	$ 0.28	$ 0.46	$ 0.65
Cumulative effect of accounting change	—	—	0.01	—
Net income	$ 0.09	$ 0.28	$ 0.47	$ 0.65
Weighted-average common shares assuming dilution	156.7	158.3	156.7	158.2

See Accompanying Notes to Condensed Consolidated Financial Statements.

FOOT LOCKER, INC.

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

	Thirteen weeks ended		Twenty-six weeks ended	
	July 29, 2006	July 30, 2005	July 29, 2006	July 30, 2005
Net income	$ 14	$ 44	$ 73	$ 102
Other comprehensive income (expense), net of tax				
Foreign currency translation adjustments arising during the period	8	(25)	13	(28)
Comprehensive income	$ 22	$ 19	$ 86	$ 74

See Accompanying Notes to Condensed Consolidated Financial Statements.

FOOT LOCKER, INC.

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

	Twenty-six weeks ended	
	July 29, 2006	July 30, 2005
From Operating Activities:		
Net income	$ 73	$ 102
Adjustments to reconcile net income to net cash used in operating activities:		
Impairment charge	17	—
Cumulative effect of accounting change, net of tax	(1)	—
Depreciation and amortization	87	82
Deferred income taxes	(54)	(6)
Stock based compensation expense	5	—
Change in assets and liabilities:		
Merchandise inventories	(215)	(242)
Accounts payable and other accruals	53	100
Pension contributions	(68)	(19)
Other, net	(8)	(37)
Net cash used in operating activities	(111)	(20)
From Investing Activities:		
Lease acquisition costs	(2)	(5)
Purchases of short-term investments	(1,003)	(1,706)
Sales of short-term investments	1,168	1,812
Proceeds from foreign currency option contracts, net	—	3
Capital expenditures	(80)	(77)
Net cash provided by investing activities	83	27
From Financing Activities:		
Reduction in long-term debt	(50)	(18)
Issuance of common stock, net	7	11
Purchase of treasury stock	(8)	(3)
Excess tax benefit from stock based compensation	2	—
Dividends paid	(28)	(23)
Net cash used in financing activities	(77)	(33)
Effect of exchange rate fluctuations on Cash and Cash Equivalents	1	—
Net change in Cash and Cash Equivalents	(104)	(26)
Cash and Cash Equivalents at beginning of year	289	225
Cash and Cash Equivalents at end of interim period	$ 185	$ 199
Cash paid during the period:		
Interest	$ 9	$ 11
Income taxes	$ 108	$ 69

See Accompanying Notes to Condensed Consolidated Financial Statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Basis of Presentation. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the Notes to Consolidated Financial Statements contained in the Company's Form 10-K for the year ended January 28, 2006, as filed with the Securities and Exchange Commission (the "SEC") on March 27, 2006. Certain items included in these statements are based on management's estimates. In the opinion of management, all material adjustments, which are of a normal recurring nature, necessary for a fair presentation of the results for the interim periods have been included. The results for the twenty-six weeks ended July 29, 2006 are not necessarily indicative of the results expected for the year.

Stock-Based Compensation. Effective January 29, 2006, the Company adopted the provisions of Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment," and related interpretations, ("SFAS No. 123(R)") to account for stock-based compensation using the modified prospective transition method and, therefore, will not restate its prior period results. SFAS No. 123(R) supersedes Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," ("APB No. 25"), and revises guidance in SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"). Among other things, SFAS No. 123(R) requires that compensation expense be recognized in the financial statements for share-based awards based on the grant date fair value of those awards. The modified prospective transition method applies to unvested stock options, restricted shares and stock appreciation rights and issuances under the employee stock purchase plan outstanding as of January 29, 2006 based on the grant date fair value estimated in accordance with the pro forma provisions of SFAS No. 123, and any new share-based awards granted subsequent to January 29, 2006, based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123(R). Additionally, stock-based compensation expense includes an estimate for pre-vesting forfeitures and is recognized over the requisite service periods of the awards over the vesting term.

Prior to January 29, 2006, the Company accounted for these stock-based compensation plans in accordance with APB No. 25 and related interpretations. This method did not result in compensation cost for stock options and shares purchased under employee stock purchase plans. No compensation expense for employee stock options was recorded, as all stock options granted under the stock option plans had an exercise price that was not less than the quoted market price at the date of grant. Compensation expense was also not recorded for employee purchases of stock under the employee stock purchase plans as it was considered non-compensatory under APB No. 25. Prior to the Company's adoption of SFAS No. 123(R), as required under the disclosure provisions of SFAS No. 123, as amended, the Company provided pro forma net income and earnings per common share for each period as if it had applied the fair value method to measure stock-based compensation expense.

The Company has recorded an additional $2 million and $3 million of stock-based compensation expense, net of estimated forfeitures, during the thirteen and twenty-six weeks ended July 29, 2006 as a result of its adoption of SFAS No. 123(R). During the first quarter of 2006, the Company recorded a cumulative effect of a change in accounting of $1 million to reflect estimated forfeitures for prior periods related to the Company's nonvested restricted stock awards. Prior to the adoption of SFAS No. 123(R), the Company recognized compensation cost of restricted stock awards over the vesting term based upon the fair value of the Company's common stock at the date of grant. Forfeitures were recorded as they occurred, however under SFAS No. 123(R) an estimate of forfeitures is required to be included over the vesting term. Under SFAS No. 123(R), the Company will continue to recognize compensation expense over the vesting term, net of estimated forfeitures. See Note 2 for information on the assumptions the Company used to calculate the fair value of stock-based compensation.

SFAS No. 123(R) requires the benefits associated with tax deductions in excess of recognized compensation cost to be reported as a financing cash flow rather than as an operating cash flow as previously required. For the twenty-six weeks ended July 29, 2006, the Company recorded an excess tax benefit of $2 million as a financing cash flow as required by the standard.

Upon exercise of stock options, issuance of restricted stock or issuance of shares under the employee stock purchase plan, the Company will issue authorized but unissued common stock or use common stock held in treasury. The Company may make repurchases of its common stock from time to time, subject to legal and contractual restrictions, market conditions and other factors.

The following table illustrates the effect on net income and earnings per common share for the thirteen and twenty-six weeks ended July 30, 2005 as if the Company had applied the fair value method to measure stock-based compensation, as required under the disclosure provisions of SFAS No. 123 (in millions, except per share amounts):

	Thirteen Weeks Ended July 30, 2005	Twenty-six Weeks Ended July 30, 2005
Net income, as reported	$ 44	$ 102
Compensation expense included in reported net income, net of income tax benefit	1	2
Total compensation expense under SFAS No. 123, net of income tax benefit	(2)	(4)
Pro forma net income	$ 43	$ 100
Earnings per common share:		
Basic – as reported	$ 0.29	$ 0.66
Basic – pro forma	$ 0.28	$ 0.64
Diluted – as reported	$ 0.28	$ 0.65
Diluted – pro forma	$ 0.27	$ 0.63

2. Stock-Based Compensation

Stock Options

Under the 2003 Stock Option and Award Plan (the "2003 Stock Option Plan"), options, restricted stock, stock appreciation rights (SARs), or other stock-based awards may be granted to officers and other employees at not less than the market price on the date of the grant. Unless a longer or shorter period is established at the time of the option grant, generally, one-third of each stock option grant becomes exercisable on each of the first three anniversary dates of the date of grant. The maximum number of shares of stock reserved for issuance pursuant to the 2003 Stock Option Plan is 4,000,000 shares. The number of shares reserved for issuance as restricted stock and other stock-based awards cannot exceed 1,000,000 shares. The options terminate up to 10 years from the date of grant.

Under the Company's 1998 Stock Option and Award Plan (the "1998 Plan"), options to purchase shares of common stock may be granted to officers and other employees at not less than the market price on the date of grant. Under the plan, the Company may grant to officers and other employees, including those at the subsidiary level, stock options, SARs, restricted stock or other stock-based awards. Generally, one-third of each stock option grant becomes exercisable on each of the first three anniversary dates of the date of grant. The options terminate up to 10 years from the date of grant. In 2000, the Company amended the 1998 Plan to provide for awards of up to 12,000,000 shares of the Company's common stock. The number of shares reserved for issuance as restricted stock and other stock-based awards, as amended, cannot exceed 3,000,000 shares.

In addition, options to purchase shares of common stock remain outstanding under the Company's 1995 Stock Option and Award Plan (the "1995 Plan") and 1986 Stock Option Plan (the "1986 Plan"). The 1995 Plan is substantially the same as the 1998 Plan. The number of shares authorized for awards under the 1995 Plan is 6,000,000 shares. The number of shares reserved for issuance as restricted stock under the 1995 Plan was 1,500,000 shares. No further awards may be made under the 1995 Plan as of March 8, 2005 under the terms of this plan. Options granted under the 1986 Plan generally become exercisable in two equal installments on the first and the second anniversaries of the date of grant. No further options may be granted under the 1986 Plan.

The 2002 Foot Locker Directors' Stock Plan (the "2002 Directors Plan") replaced both the Directors' Stock Plan, which was adopted in 1996, and the Directors' Stock Option Plan, which was adopted in 2000. There are 500,000 shares authorized under the 2002 Directors Plan. No further grants or awards may be made under either of the prior plans. Options granted prior to 2003 have a three-year vesting schedule. Options granted beginning in 2003 become exercisable one year from the date of grant.

Employee Stock Purchase Plan

The Company's 2003 Employees Stock Purchase Plan (the "2003 Employee Stock Purchase Plan") terms are substantially the same as the 1994 Employees Stock Purchase Plan (the "1994 Employee Stock Purchase Plan"), which expired in June 2004. Under the Company's 2003 Employee Stock Purchase Plan participating employees are able to contribute up to 10 percent of their annual compensation through payroll deductions to acquire shares of the Company's common stock at 85 percent of the lower market price on one of two specified dates in each plan year. Under the 2003 Employee Stock Purchase Plan, 3,000,000 shares of common stock are authorized for purchase beginning June 2005. Of the 3,000,000 shares of common stock authorized for purchase under this plan, 1,191 participating employees purchased 237,353 shares in 2005 and 806 participating employees purchased 105,123 shares as of July 29, 2006.

Valuation Model and Assumptions

The Company uses a Black-Scholes option-pricing model to estimate the fair value of share-based awards under SFAS No. 123(R), which is the same valuation technique it previously used for pro forma disclosures under SFAS No. 123. The Black-Scholes option-pricing model incorporates various and highly subjective assumptions, including expected term and expected volatility.

The Company estimates the expected term of share-based awards granted using the Company's historical exercise and post-vesting employment termination patterns, which it believes are representative of future behavior. The expected term for the Company's employee stock purchase plan valuation is based on the length of each purchase period as measured at the beginning of the offering period, which is one year. The Company estimates the expected volatility of its common stock at the grant date using a weighted-average of the Company's historical volatility and implied volatility from traded options on the Company's common stock. The Company believes that the combination of historical volatility and implied volatility provides a better estimate of future stock price volatility. The risk-free interest rate assumption is determined using the Federal Reserve nominal rates for U.S. Treasury zero-coupon bonds with maturities similar to those of the expected term of the award being valued. The expected dividend yield is derived from the Company's historical experience.

Additionally, SFAS No. 123(R) requires the Company to estimate pre-vesting option forfeitures at the time of grant and periodically revise those estimates in subsequent periods if actual forfeitures differ from those estimates. The Company records stock-based compensation expense only for those awards expected to vest using an estimated forfeiture rate based on its historical pre-vesting forfeiture data. Previously, the Company accounted for forfeitures as they occurred under the pro forma disclosure provisions of SFAS No. 123 for periods prior to 2006.

The following table shows the Company's assumptions used to compute the stock-based compensation expense and pro forma information for the thirteen and twenty-six weeks ended July 29, 2006 and July 30, 2005, respectively.

	Thirteen weeks ended		Twenty-six weeks ended	
Stock Option Plans:	**July 29, 2006**	**July 30, 2005**	**July 29, 2006**	**July 30, 2005**
Weighted-average risk free rate of interest	4.98%	3.66%	4.68%	3.97%
Expected volatility	30%	27%	30%	28%
Weighted-average expected award life	2.26 years	3.71 years	3.96 years	3.78 years
Dividend yield	1.6%	1.2%	1.5%	1.1%
Weighted-average fair value	$ 4.36	$ 6.04	$ 6.32	$ 6.81

Stock Purchase Plan:	Thirteen weeks ended July 29, 2006	Thirteen weeks ended July 30, 2005	Twenty-six weeks ended July 29, 2006	Twenty-six weeks ended July 30, 2005
Weighted-average risk free rate of interest	5.00%	3.37%	3.82%	3.37%
Expected volatility	22%	26%	23%	27%
Weighted-average expected award life	1.0 year	.7 year	1.0 year	.7 year
Dividend yield	1.6%	— %	1.3%	— %
Weighted-average fair value	$ 4.49	$ 3.08	$ 4.91	$ 4.82

The information set forth in the following table covers options granted under the Company's stock option plans:

(in thousands, except price per share)	Shares	Weighted-Average Term	Weighted Average Exercise Price
Options outstanding at the beginning of the year	5,962		$ 18.45
Granted	749		23.87
Exercised	(331)		14.39
Expired or canceled	(167)		24.05
Options outstanding at July 29, 2006	6,213	6.4	19.16
Options exercisable at July 29, 2006	4,518	5.4	16.92
Options available for future grant at July 29, 2006	4,979		

The total intrinsic value of options exercised during the thirteen weeks ended July 29, 2006 and July 30, 2005 was $2 million. The total intrinsic value of options exercised during the twenty-six weeks ended July 29, 2006 and July 30, 2005 was $4 million and $6 million, respectively. The aggregate intrinsic value for stock options outstanding and exercisable as of July 29, 2006 was $46 million and $43 million, respectively. The intrinsic value for stock options outstanding and exercisable is calculated as the difference between the fair market value as the end of the period and the exercise price of the shares. The Company received $5 million and $7 million in cash from option exercises for the thirteen weeks and twenty-six weeks ended July 29, 2006, respectively. The tax benefit realized by the Company on the stock option exercises for the twenty-six weeks ended July 29, 2006 was approximately $1 million.

The following table summarizes information about stock options outstanding and exercisable at July 29, 2006:

Range of Exercise Prices	Options Outstanding: Number Outstanding	Options Outstanding: Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Options Exercisable: Number Exercisable	Options Exercisable: Weighted Average Exercise Price
	(in thousands, except price per share)				
$ 4.53 $ 11.91	1,580	5.4	$ 10.62	1,580	$ 10.62
$ 12.31 $ 16.02	1,335	5.4	$ 14.92	1,335	$ 14.92
$ 16.19 $ 25.28	1,535	6.3	$ 23.16	682	$ 22.92
$ 25.37 $ 28.16	1,743	8.1	$ 26.53	915	$ 26.15
$ 28.50 $ 28.50	20	8.6	$ 28.50	7	$ 28.50
$ 4.53 $ 28.50	6,213	6.4	$ 19.16	4,519	$ 16.92

Changes in the Company's nonvested options for the twenty-six weeks ended July 29, 2006 are summarized as follows:

	Number of shares (in thousands)	Weighted average grant date fair value per share
Nonvested at January 29, 2006	1,920	$ 23.59
Granted	749	23.87
Vested	(921)	21.01
Canceled	(53)	22.76
Nonvested at July 29, 2006	1,695	25.15

As of July 29, 2006, there was $5 million of total unrecognized compensation cost, related to nonvested stock options, which is expected to be recognized over a weighted-average period of 1.25 years.

Restricted Shares

Restricted shares of the Company's common stock may be awarded to certain officers and key employees of the Company. Compensation expense is recognized using the fair market value at the date of grant and is amortized over the vesting period. These awards fully vest after the passage of time, generally three years. Restricted stock is considered outstanding at the time of grant, as the holders of restricted stock are entitled to receive dividends and have voting rights.

Restricted stock activity for the twenty-six weeks ended July 29, 2006 and July 30, 2005 is summarized as follows:

	July 29, 2006 Number of shares (in thousands)	July 30, 2005 Number of shares (in thousands)
Outstanding at beginning of the year	1,041	1,177
Granted	126	215
Vested	(600)	(105)
Canceled or forfeited	(15)	(91)
Outstanding at July 29, 2006	552	1,196
Aggregate value	$ 14.0 million	$ 20.8 million
Weighted average remaining contractual life	1.29 years	1.06 years

The weighted average grant-date fair value per share was $23.92 for the first quarter of 2006. No additional grants were made during the second quarter of 2006. The weighted average grant dated fair value was $27.40 for the first quarter of 2005 and $25.85 for the second quarter of 2005. The total value of awards for which restrictions lapsed during the twenty-six weeks ended July 29, 2006 and July 30, 2005 was $7 million and $2 million, respectively. As of July 29, 2006, there was $6 million of total unrecognized compensation cost, related to nonvested restricted stock awards.

3. Impairment of Long-Lived Assets

In accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," ("SFAS No. 144") the Company recognizes an impairment loss when circumstances indicate that the carrying value of long-lived tangible and intangible assets with finite lives may not be recoverable. Management's policy in determining whether an impairment indicator exists, a triggering event, comprises measurable operating performance criteria as well as qualitative measures. If an analysis is necessitated by the occurrence of a triggering event, the Company uses assumptions, which are predominately identified from the Company's three-year strategic plans, in determining the impairment amount. The Company considers historical performance and future estimated results in its evaluation of potential impairment and then compares the carrying amount of the asset with the estimated future cash flows expected to result from the use of the asset. If the carrying amount of the asset exceeds the estimated expected undiscounted future cash flows, the Company measures the amount of the impairment by comparing the carrying amount of the asset with its estimated fair value. The estimation of fair value is measured by discounting expected future cash flows at the Company's weighted-average cost of capital. The Company estimates fair value based on the best information available using estimates, judgments and projections as considered necessary. During the second quarter ended July 29, 2006, the Company recorded an impairment charge of $17 million ($12 million after-tax) to write-down long-lived assets such as store fixtures and leasehold improvements in 69 stores in the European operations to their estimated fair value. No impairment charges were recorded during the twenty-six weeks ended July 30, 2005.

4. Goodwill and Intangible Assets

The Company accounts for goodwill and other intangibles in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets," which requires that goodwill and intangible assets with indefinite lives be reviewed for impairment if impairment indicators arise and, at a minimum, annually. During the first quarters of 2006 and 2005, the Company completed its annual reviews of goodwill, which did not result in an impairment charge. Additionally, the Company performed a review of the goodwill associated with the Company's operations in Europe, as a result of the SFAS No. 144 recoverability analysis. This analysis did not result in an impairment charge.

Goodwill (in millions)	July 29, 2006	July 30, 2005	January 28, 2006
Athletic Stores	$ 184	$ 184	$ 183
Direct-to-Customers	80	80	80
	$ 264	$ 264	$ 263

The effect of foreign exchange fluctuations on goodwill at July 29, 2006 was $1 million resulting from the strengthening of the euro as compared with the U.S. dollar.

	July 29, 2006			July 30, 2005			January 28, 2006		
(in millions)	Gross value	Accum. amort.	Net value	Gross value	Accum. amort.	Net value	Gross value	Accum. amort.	Net value
Indefinite life intangible assets	$ 4	$ —	$ 4	$ 4	$ —	$ 4	$ 4	$ —	$ 4
Finite life intangible assets									
Lease acquisition costs	$ 173	$ (88)	$ 85	$ 163	$ (70)	$ 93	$ 165	$ (77)	$ 88
Trademark	21	(2)	19	21	(1)	20	21	(2)	19
Loyalty program	1	(1)	—	1	(1)	—	1	(1)	—
Favorable leases	9	(5)	4	9	(3)	6	10	(4)	6
Total finite life intangible assets	$ 204	$ (96)	$ 108	$ 194	$ (75)	$ 119	$ 197	$ (84)	$ 113
Total intangible assets	$ 208	$ (96)	$ 112	$ 198	$ (75)	$ 123	$ 201	$ (84)	$ 117

Intangible assets not subject to amortization at July 29, 2006, July 30, 2005 and January 28, 2006 include the trademark related to the 11 stores acquired in the Republic of Ireland with a value of $3 million. The minimum pension liability, which represented the amount by which the accumulated benefit obligation exceeded the fair market value of the U.S. defined benefit plan's assets, was offset by an intangible asset to the extent of previously unrecognized prior service costs of $1 million at July 29, 2006, July 30, 2005 and January 28, 2006.

Lease acquisition costs represent amounts that are required to secure prime lease locations and other lease rights, primarily in Europe. Included in finite life intangibles is the trademark for the Footaction name, amounts paid for leased locations with rents below their fair value for the acquisitions of both the Footaction stores and the stores in the Republic of Ireland and amounts paid to obtain names of members of the Footaction loyalty program.

The weighted-average amortization period as of July 29, 2006 was approximately 12.3 years. Amortization expense was $4 million and $5 million for the thirteen weeks ended July 29, 2006 and July 30, 2005, respectively. Amortization expense was $9 million and $10 million for the twenty-six weeks ended July 29, 2006 and July 30, 2005, respectively. Additionally, for the twenty-six week period ended July 29, 2006, net intangible activity includes additional lease acquisition costs of $2 million and the effect of the strengthening of the euro as compared with the U.S. dollar of $2 million.

Annual estimated amortization expense is expected to be approximately $10 million for the remainder of 2006, $19 million for 2007, $16 million for 2008, $14 million for 2009 and $12 million for 2010.

5. Long-term debt

Term Loan

In February 2006, the Company repaid $50 million of its 5-year $175 million term loan. The payment was made in advance of the originally scheduled payment dates of May 19, 2007 and May 19, 2008, as permitted by the agreement. The balance remaining at July 29, 2006 is $90 million. On July 31, 2006, subsequent to the end of the second quarter, the Company settled the repurchase of $22 million of its 8.50 percent debentures payable in 2022 at a $1 million discount from face value. As a result, $22 million of the debentures are reflected as the current portion of long-term debt and obligations under capital leases in the Company's Condensed Consolidated Balance Sheet at July 29, 2006.

6. Derivative Financial Instruments

Foreign Exchange Risk Management – Derivative Holdings Designated as Hedges

Net changes in the fair value of foreign exchange derivative financial instruments designated as cash flow hedges of the purchase of inventory, and income/losses recognized in the income statement were not material for the thirteen and twenty-six weeks ended July 29, 2006 and July 30, 2005.

The Company has numerous investments in foreign subsidiaries, and the net assets of those subsidiaries are exposed to foreign currency exchange-rate volatility. In August 2005, the Company hedged a portion of its net investment in its European subsidiaries. The Company entered into a 10-year cross currency swap, creating a €100 million long-term liability and a $122 million long-term asset. During the term of this transaction, the Company will remit to and receive from its counterparty interest payments based on rates that are reset monthly equal to one-month EURIBOR and one-month U.S. LIBOR rates, respectively. In February 2006, the Company hedged a portion of its net investment in its Canadian subsidiaries. The Company entered into a 10-year cross currency swap, creating a CAD $40 million liability and a $35 million long-term asset. During the term of this transaction, the Company will remit to and receive from its counterparty interest payments based on rates that are reset monthly equal to one-month CAD B.A. and one-month U.S. LIBOR rates, respectively. Gains and losses in the net investments in the Company's subsidiaries due to foreign exchange volatilities will be partially offset by losses and gains related to these transactions, which will be recorded within the foreign currency translation adjustment included in accumulated other comprehensive loss on the Condensed Consolidated Balance Sheet. The amount recorded within the foreign currency translation adjustment during the thirteen and twenty-six weeks ended July 29, 2006, decreased shareholders' equity by $2 million and by $4 million, respectively, net of tax.

Foreign Exchange Risk Management – Derivative Holdings Designated as Non-Hedges

The Company had foreign currency option contracts with a total notional amount of €20 million outstanding at the end of the first quarter of 2006, and purchased an additional foreign currency option contract with a total notional amount of €65 million in May 2006, to mitigate the effect of fluctuating foreign exchange rates on the reporting of a portion of its expected 2006 foreign currency denominated earnings. During the second quarter of 2006, €20 million of these contracts expired. Changes in the fair value of these foreign currency option contracts, which are designated as non-hedges, are recorded in earnings immediately. The premiums paid on option contracts were not significant for the thirteen weeks ended July 29, 2006 and were $1 million for the twenty-six weeks ended July 29, 2006. Changes in the fair market value of option contracts were not significant for the thirteen and twenty-six weeks ended July 29, 2006.

In addition, the Company has forward foreign exchange contracts to hedge foreign-currency denominated merchandise purchases and intercompany transactions. At July 29, 2006, the USD equivalent notional amount for outstanding forward foreign exchange contracts totaled $101 million. Net changes in the fair value of foreign exchange derivative financial instruments designated as non-hedges were substantially offset by the changes in value of the underlying transactions, which were recorded in selling, general and administrative expenses in the current period.

Interest Rate Management

The Company has employed various interest rate swaps to minimize its exposure to interest rate fluctuations. These swaps, which mature in 2022, have been designated as a fair value hedge of the changes in fair value of $100 million of the Company's 8.50 percent debentures payable in 2022 attributable to changes in interest rates and effectively convert the interest rate on the debentures from 8.50 percent to a 1-month variable rate of LIBOR plus 3.45 percent which totaled 8.82 percent at July 29, 2006.

Fair Value

The fair value of foreign exchange derivative contracts and interest rate swaps recorded in the Company's Condensed Consolidated Balance Sheets are as follows:

(in millions)	**July 29, 2006**	**July 30, 2005**	**January 28, 2006**
Current assets	$ 1	$ —	$ —
Non-current assets	—	3	1
Current liabilities	1	1	1
Non-current liabilities	11	1	2

7. Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss comprised the following:

(in millions)	**July 29, 2006**	**July 30, 2005**	**January 28, 2006**
Foreign currency translation adjustments	$ 23	$ 7	$ 10
Minimum pension liability adjustment	(181)	(196)	(181)
Fair value of derivatives designated as hedges	—	(1)	—
	$ (158)	$ (190)	$ (171)

8. Earnings Per Share

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

(in millions)	Thirteen weeks ended July 29, 2006	Thirteen weeks ended July 30, 2005	Twenty-six weeks ended July 29, 2006	Twenty-six weeks ended July 30, 2005
Numerator:				
Net income	$ 14	$ 44	$ 73	$ 102
Denominator:				
Weighted-average common shares outstanding	154.9	155.6	154.2	155.3
Effect of Dilution:				
Stock options and awards	1.8	2.7	2.5	2.9
Weighted-average common shares assuming dilution	156.7	158.3	156.7	158.2

Options to purchase 2.9 million and 0.9 million shares of common stock were not included in the computation for the thirteen weeks ended July 29, 2006 and July 30, 2005, respectively. Options to purchase 2.8 million and 0.6 million shares of common stock were not included in the computation for the twenty-six weeks ended July 29, 2006 and July 30, 2005, respectively. These options were not included because the exercise prices of the options were greater than the average market price of the common shares and, therefore, the effect would be antidilutive.

9. Segment Information

Sales and division results for the Company's reportable segments for the thirteen and twenty-six weeks ended July 29, 2006 and July 30, 2005 are presented below. Division profit reflects income before income taxes and cumulative effect of accounting change, corporate expense, non-operating income and net interest expense.

(in millions)	Thirteen weeks ended July 29, 2006	Thirteen weeks ended July 30, 2005	Twenty-six weeks ended July 29, 2006	Twenty-six weeks ended July 30, 2005
Sales:				
Athletic Stores	$ 1,228	$ 1,231	$ 2,501	$ 2,520
Direct-to-Customers	75	73	167	161
Total sales	$ 1,303	$ 1,304	$ 2,668	$ 2,681
Operating results:				
Athletic Stores (1)	$ 35	$ 78	$ 134	$ 176
Direct-to-Customers	7	7	19	19
Division profit	42	85	153	195
Restructuring charge (2)	1		1	
Corporate expense, net	14	14	32	30
Operating profit	27	71	120	165
Other expense (income) (3)	1	(3)	1	(3)
Interest expense, net	1	3	2	6
Income before income taxes and cumulative effect of accounting change	$ 25	$ 71	$ 117	$ 162

(1) The thirteen and twenty-six weeks ended July 29, 2006 includes a $17 million non-cash impairment charge related to the Company's European operations.

(2) During the second quarter of 2006, the Company recorded a restructuring charge of $1 million, which represents a revision to the original estimate of the lease liability associated with the guarantee of The San Francisco Music Box Company distribution center. This charge is included in selling, general and administrative expenses in the Condensed Consolidated Statements of Operations.

(3) Other expense for the thirteen and twenty-six week periods primarily represents premiums paid on foreign currency option contracts offset, in part, by changes in the fair value of these contracts. Other income for the prior year comparable periods represent a net gain on foreign currency option contracts. The Company enters into these contracts to mitigate the effect of fluctuating foreign exchange rates on the reporting of euro denominated earnings.

10. Retirement Plans and Other Benefits

Pension and Other Postretirement Plans

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

	Pension Benefits				Postretirement Benefits			
	Thirteen weeks ended		Twenty-six weeks ended		Thirteen weeks ended		Twenty-six weeks ended	
	July 29, 2006	July 30, 2005	July 29, 2006	July 30, 2005	July 29, 2006	July 30, 2005	July 29, 2006	July 30, 2005
Service cost	$ 3	$ 2	$ 5	$ 4	$ —	$ —	$ —	$ —
Interest cost	9	9	18	18	—	—	—	—
Expected return on plan assets	(14)	(12)	(28)	(24)	—	—	—	—
Amortization of unrecognized prior service cost	—	—	—	—	—	—	—	—
Amortization of net loss (gain)	3	3	6	7	(2)	(3)	(5)	(6)
Net benefit cost (income)	$ 1	$ 2	$ 1	$ 5	$ (2)	$ (3)	$ (5)	$ (6)

The Company's U.S. pension plan is a defendant in a class action in federal court in New York. The complaint alleges that the Company's pension plan violated the Employee Retirement Income Security Act of 1974, including, without limitation, its age discrimination provisions, as a result of the Company's conversion of its defined benefit pension plan to a defined benefit pension plan with a cash balance feature. As this matter is in the preliminary stages of proceedings, a final outcome cannot be determined at this time.

11. Recent Pronouncements

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs — an amendment of ARB 43, Chapter 4." This Statement amends the guidance to clarify that abnormal amounts of idle facility expense, freight, handling costs, and wasted materials (spoilage) should be recognized as current-period charges. In addition, this Statement requires that allocation of fixed production overheads to the costs of conversions be based on the normal capacity of the production facilities. The Statement is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The Company adopted SFAS No. 151 as of January 29, 2006, resulting in increased freight costs of approximately $3 million for the twenty-six weeks ended July 29, 2006, which is included in cost of sales.

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments" ("SFAS No. 155"), which amends SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133") and SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" ("SFAS No. 140"). SFAS No. 155 provides guidance to simplify the accounting for certain hybrid instruments by permitting fair value remeasurement for any hybrid financial instrument that contains an embedded derivative, as well as, clarifies that beneficial interests in securitized financial assets are subject to SFAS No. 133. In addition, SFAS No. 155 eliminates a restriction on the passive derivative instruments that a qualifying special-purpose entity may hold under SFAS No. 140. SFAS No. 155 is effective for all financial instruments acquired, issued or subject to a new basis occurring after the beginning of an entity's first fiscal year that begins after September 15, 2006. The Company believes that the adoption of this statement will not have a material effect on its financial condition or results of operations.

In March 2006, the EITF reached a consensus on EITF Issue No. 06-3, "How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That is, Gross versus Net Presentation)" that the entities may adopt a policy of presenting taxes in the income statement on either a gross or net basis. Gross or net presentation may be elected for each different type of tax, but similar taxes should be presented consistently. Taxes within the scope of this EITF would include taxes that are imposed on a revenue transaction between a seller and a customer, for example, sales taxes, use taxes, value-added taxes, and some types of excise taxes. EITF 06-3 will not impact the method for recording these sales taxes in the Company's consolidated financial statements as the Company has historically presented sales excluding all taxes.

In July 2006, the FASB issued Interpretation No. 48, ''Accounting for Uncertainty in Income Taxes - An interpretation of FASB Statement No. 109,'' ("FIN 48"), which clarifies the accounting and disclosure requirements for uncertainty in tax positions. This Interpretation requires financial statement recognition of the impact of a tax position if that position is more likely than not of being sustained on audit, based on the technical merits of the position. Additionally, FIN 48 provides guidance on measurement, derecognition, classification, accounting in interim periods and disclosure requirements for uncertain tax positions. The provisions of FIN 48 will be effective as of the beginning of the Company's fiscal year 2007, with the cumulative effect of the change in accounting principle, if any, recorded as an adjustment to opening retained earnings. The Company is currently evaluating the provisions of FIN 48.

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

BUSINESS OVERVIEW

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

STORE COUNT

At July 29, 2006, the Company operated 3,894 stores as compared with 3,921 at January 28, 2006. During the first half of 2006, the Company opened 55 stores, closed 82 stores and remodeled or relocated 214 stores.

In March of 2006, the Company entered into a ten-year area development agreement with the Alshaya Trading Co. W.L.L., in which the Company agreed to enter into separate license agreements for the operation of a minimum of 75 Foot Locker Stores, subject to certain restrictions, located with in the Middle East. The first two of these franchised stores opened during the second quarter of 2006. Revenue from the two franchised stores was not significant for the thirteen and twenty-six weeks ended July 29, 2006. The Company anticipates that three additional franchised stores will be opened in the Middle East during the remainder of 2006. These stores are not included in the Company's operating store count.

SALES AND OPERATING RESULTS

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. Sales from the Direct-to-Customers segment are included in the calculation of comparable-store sales for all periods presented.

The following table summarizes sales by segment:

	Thirteen weeks ended		Twenty-six weeks ended	
(in millions)	**July 29, 2006**	**July 30, 2005**	**July 29, 2006**	**July 30, 2005**
Athletic Stores	$ 1,228	$ 1,231	$ 2,501	$ 2,520
Direct-to-Customers	75	73	167	161
Total sales	$ 1,303	$ 1,304	$ 2,668	$ 2,681

The following table summarizes operating profit by segment:

	Thirteen weeks ended		Twenty-six weeks ended	
(in millions)	**July 29, 2006**	**July 30, 2005**	**July 29, 2006**	**July 30, 2005**
Athletic Stores (1)	$ 35	$ 78	$ 134	$ 176
Direct-to-Customers	7	7	19	19
Division profit (2)	42	85	153	195
Restructuring charge (3)	1	—	1	—
Corporate expense, net	14	14	32	30
Operating profit	27	71	120	165
Other expense (income)	1	(3)	1	(3)
Interest expense, net	1	3	2	6
Income before income taxes and cumulative effect of accounting change	$ 25	$ 71	$ 117	$ 162

(1) The thirteen and twenty-six weeks ended July 29, 2006 includes a $17 million non-cash impairment charge related to the Company's European operations.

(2) Division profit reflects income before income taxes and cumulative effect of accounting change, corporate expense, non-operating income and net interest expense.

(3) During the second quarter of 2006, the Company recorded a restructuring charge of $1 million, which represents a revision to the original estimate of the lease liability associated with the guarantee of The San Francisco Music Box Company distribution center. This charge is included in selling, general and administrative expenses in the Condensed Consolidated Statements of Operations.

Sales of $1,303 million for the second quarter of 2006 decreased 0.1 percent from sales of $1,304 million for the second quarter of 2005. For the twenty-six weeks ended July 29, 2006, sales of $2,668 million decreased 0.5 percent from sales of $2,681 million for the twenty-six week period ended July 30, 2005. Excluding the effect of foreign currency fluctuations, total sales for the thirteen-week and twenty-six week periods decreased 1.2 percent and 0.5 percent, respectively, as compared with the corresponding periods. Comparable-store sales decreased by 1.3 percent and 0.4 percent for the thirteen and twenty-six weeks ended July 29, 2006, respectively. The decline in sales for both the thirteen and twenty-six weeks ended July 29, 2006 primarily relates to the Company's operations in Europe.

Gross margin, as a percentage of sales, of 27.7 percent for the thirteen weeks ended July 29, 2006 decreased as compared with 28.9 percent in the corresponding prior-year period. Gross margin, as a percentage of sales, of 29.2 percent for the twenty-six weeks ended July 29, 2006 decreased as compared with 29.7 percent in the corresponding prior-year period. The second quarter of 2006 was negatively affected by increased markdowns to maintain inventories current. The twenty-six weeks ended July 29, 2006 was negatively affected by lower sales, which resulted in increased occupancy costs, as a percentage of sales. The effect of vendor allowances was not significant for the thirteen-week period of 2006. However, vendor allowances for the twenty-six weeks ended July 29, 2006, as compared with the corresponding prior year period, improved gross margin by approximately 20 basis points.

Other expense for the thirteen and twenty-six week periods ended July 29, 2006 primarily represents premiums paid on foreign currency option contracts offset, in part, by changes in the fair value of these contracts. Other income for the prior year comparable periods represent a net gain on foreign currency option contracts. The Company enters into these contracts to mitigate the effect of fluctuating foreign exchange rates on the reporting of euro denominated earnings.

Segment Analysis

Athletic Stores sales decreased by 0.2 percent and 0.8 percent for the thirteen and twenty-six weeks ended July 29, 2006, respectively, as compared with the corresponding prior year periods. Excluding the effect of foreign currency fluctuations, primarily related to the euro, sales from athletic store formats decreased 1.4 percent and 0.7 percent for the thirteen and twenty-six weeks ended July 29, 2006, respectively, as compared with the corresponding prior year periods. Comparable-store sales decreased by 1.5 percent and 0.6 percent for the thirteen and twenty-six weeks ended July 29, 2006, respectively. The decline in sales for the thirteen and twenty-six weeks ended July 29, 2006 primarily represented a decline in Foot Locker Europe's sales due to a more competitive athletic retail market. This decline was offset, in part, by increases in the Champs Sports and Footaction formats, which benefited from increased sales of higher-priced marquee footwear and private label apparel.

Included in the Athletic Stores division profit for the second quarter of 2006 is an impairment charge of $17 million, consistent with the Company's recoverability of long-lived assets policy. The charge was comprised primarily of stores located in the U.K and France. As previously disclosed in the Company's 2005 Annual Report on Form 10-K, the Company was monitoring the progress of the European operations and the possible analysis of recoverability of store long-lived assets pursuant to SFAS No. 144. Foot Locker Europe's decreased sales contributed to a significant decline in division profit during the second quarter of 2006, as compared with the corresponding prior year period. This combined with a lower outlook for the balance of 2006 necessitated an analysis of recoverability and resulting write-down of 69 stores. The negative sales results in Foot Locker Europe were principally the result of a fashion shift from higher priced marquee footwear to lower priced low profile footwear styles and a highly competitive retail environment, particularly for the sale of low profile footwear styles. Foot Locker Europe's results for the second quarter of 2006 were also negatively affected by a slowing demand for its athletic apparel offerings. Excluding the impairment charge, Athletic Stores division profit decreased by 33.3 percent and 14.2 percent for the thirteen and twenty-six week periods ended July 29, 2006 as compared with the corresponding prior-year periods. For the thirteen weeks ended July 29, 2006, the domestic Foot Locker division declined as compared with the corresponding prior year period due to a shift in the back-to-school shopping season in certain markets. The significant decline in Foot Locker Europe's division profit was somewhat offset by profit increases in the Footaction, Kids Foot Locker and Champs Sports formats for the year-to-date period ended July 29, 2006.

Direct-to-Customers sales increased by 2.7 percent to $75 million and by 3.7 percent to $167 million for the thirteen and twenty-six weeks ended July 29, 2006, respectively, as compared with the corresponding prior-year periods. Internet sales increased by 14.9 percent to $54 million and by 15.5 percent to $119 million for the thirteen and twenty-six weeks ended July 29, 2006, as compared with the corresponding prior year period. Increases in Internet sales were offset, in part, by a decline in catalog sales, reflecting the continuing trend of the Company's customers to browse and select products through its catalogs, then make their purchases via the Internet.

Direct-to-Customers division profit for thirteen and twenty-six weeks ended July 29, 2006 as compared with the corresponding prior year period was essentially unchanged. Division profit, as a percentage of sales, decreased to 9.3 percent in the second quarter of 2006 from 9.6 percent in the corresponding prior-year period. Division profit, as a percentage of sales, remained essentially flat in the first half of 2006 from the corresponding prior-year period.

Corporate Expense

Corporate expense consists of unallocated general and administrative expenses as well as depreciation and amortization related to the Company's corporate headquarters, centrally managed departments, unallocated insurance and benefit programs, certain foreign exchange transaction gains and losses and other items. Corporate expense of $14 million for the thirteen weeks ended July 29, 2006 includes the effect of the adoption of SFAS No. 123(R) of $2 million, reduced incentive compensation expense of $3 million and a charge for an anticipated legal settlement of $2 million. Corporate expense for the twenty-six weeks ended July 29, 2006 increased by $2 million to $32 million from the same period in the prior year. The increase includes a charge of $2 million for an anticipated legal settlement and the effect of SFAS No. 123 (R), which resulted in additional compensation expense of $3 million, offset by reduced incentive compensation expense of $3 million.

Selling, General and Administrative

Selling, general and administrative expenses ("SG&A") of $273 million increased by $8 million, or 3.0 percent, in the second quarter of 2006 as compared with the corresponding prior-year period. SG&A of $556 million increased by $8 million, or 1.5 percent, in the first half of 2006 as compared with the corresponding prior-year period. SG&A, as a percentage of sales, increased to 20.9 percent for the thirteen weeks ended July 29, 2006 as compared with 20.3 percent in the corresponding prior-year period. SG&A, as a percentage of sales, increased to 20.8 percent for the twenty-six weeks ended July 29, 2006 as compared with 20.4 percent in the corresponding prior-year period. Excluding the effect of foreign currency fluctuations, SG&A increased $5 million and $10 million for the thirteen and twenty-six weeks ended July 29, 2006, respectively as compared with the corresponding prior year periods. For the thirteen and twenty-six weeks ended July 29, 2006, SG&A increased primarily as a result of incremental personnel costs, including the adoption of SFAS No. 123(R) as discussed above.

Depreciation and Amortization

Depreciation and amortization increased by $3 million in the second quarter of 2006 to $44 million as compared with $41 million for the second quarter of 2005. Depreciation and amortization increased by $5 million in the first half of 2006 to $87 million as compared with $82 million for the first half of 2005. The increases represent additional depreciation associated with the Company's capital expenditures including leasehold improvements for new stores, remodeling or relocations of existing stores, and point-of-sale equipment.

Interest Expense

Net interest expense of $1 million decreased by $2 million for the thirteen weeks ended July 29, 2006 as compared with the corresponding prior-year period. Interest expense was $6 million for the thirteen week periods ended July 29, 2006 and July 30, 2005. Interest expense was $11 million and $12 million for the twenty-six week periods ended July 29, 2006 and July 30, 2005, respectively. Interest income increased to $5 million and $9 million for the thirteen and twenty-six weeks ended July 29, 2006, respectively, from $3 million and $6 million for the thirteen and twenty-six weeks ended July 30, 2005, respectively. The increase in interest income is primarily the result of higher average interest rates on cash and cash equivalents, an increase in short-term investment income due to a higher rate of return and the Company's cross currency swaps which reduced interest expense by approximately $1 million and $2 million for the thirteen and twenty-six weeks ended July 29, 2006, respectively.

Income Taxes

The Company's effective tax rate for the thirteen and twenty-six weeks ended July 29, 2006 was 44.2 percent and 38.4 percent as compared with 37.7 percent and 37.1 percent for the corresponding prior-year periods. The Company's U.S. tax rate is generally higher than that of the Company's European operations. The increased effective rate in 2006 is a result of a change in the mix of U.S. and international profits and the $17 million impairment charge recorded relating to the Company's European operations. The Company expects its effective tax rate to approximate 37.5 percent for each of the remaining quarters of 2006. The actual rate will largely depend on the percentage of the Company's income earned in the U.S. versus international operations.

Net Income

Net income of $14 million, or $0.09 per diluted share, for the thirteen weeks ended July 29, 2006 decreased by $0.19 per diluted share from $44 million, or $0.28 per diluted share, for the thirteen weeks ended July 30, 2005. The thirteen weeks ended July 29, 2006 reflects a non-cash impairment charge of $17 million ($12 million after-tax), or $0.08 per diluted share, to write-down the value of long-lived assets of underperforming stores in the Company's European operations. Net income of $73 million, or $0.47 per diluted share, for the twenty-six weeks ended July 29, 2006 decreased by $0.18 per diluted share from $102 million, or $0.65 per diluted share, for the twenty-six weeks ended July 30, 2005. Excluding the impairment charge, net income declined by $17 million or $0.10 per diluted share. During the first quarter of 2006, the Company adopted SFAS No. 123(R) and recorded a cumulative effect of a change in accounting of approximately $1 million, or $0.01 per diluted share, to reflect estimated forfeitures for prior periods related to the Company's nonvested restricted stock awards. Prior to the adoption of SFAS No. 123(R), the Company recognized compensation cost of restricted stock awards over the vesting term based upon the fair value of the Company's common stock at the date of grant. Forfeitures were recorded as they occurred, however, under SFAS No. 123(R) an estimate of forfeitures is required to be included over the vesting term.

LIQUIDITY AND CAPITAL RESOURCES

Generally, the Company's primary sources of cash have been from operations. The Company has a $200 million revolving credit facility. Other than $15 million to support standby letter of credit commitments, this revolving credit facility has not been used during 2006. The Company 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.

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

Any materially adverse change in customer demand, fashion trends, competitive market forces, or customer acceptance of the Company's merchandise mix and retail locations, uncertainties related to the effect of competitive products and pricing, the Company's reliance on a few key vendors for a significant portion of its merchandise purchases and risks associated with foreign global sourcing or economic conditions worldwide, as well as other factors listed under the heading "Disclosure Regarding Forward-Looking Statements," could affect the ability of the Company to continue to fund its needs from business operations.

Net cash used in operating activities was $111 million for the twenty-six weeks ended July 29, 2006 and was $20 million for the twenty-six weeks ended July 30, 2005. These amounts reflect net income adjusted for non-cash items and working capital changes. During the second quarter of 2006, the Company recorded a non-cash impairment charge of $17 million related to the operations in Europe. Inventory, net of Accounts Payable and other accruals spending increased $20 million for the first half of 2006, as compared with the first half of 2005. The increase in inventory as compared with the prior year period is primarily the result of the shortfall in sales. The Company's deferred taxes increased $54 million for the first half of 2006 primarily as a result of the expiration of U.S. bonus depreciation deductions, the tax associated with the Foot Locker Europe impairment charge and pension funding. Additionally, the Company contributed $68 million to its U.S. and Canadian qualified pension plans in February 2006, as compared with contributions of $19 million to its U.S. and Canadian qualified pension plans in February 2005. The U.S. contributions were made in advance of ERISA requirements in both years.

Net cash provided by investing activities was $83 million for the twenty-six weeks ended July 29, 2006 and was $27 million for the twenty-six weeks ended July 30, 2005. The Company's sales of short-term investments, net of purchases, increased by $59 million to $165 million in the first half of 2006 as compared with net sales of $106 million in the first half of 2005. Total projected capital expenditures of $166 million for 2006 comprise $136 million for new store openings and modernizations of existing stores and $30 million for the development of information systems and other support facilities. This represents a decline of approximately $19 million from what was originally planned, as the Company now expects to open fewer stores. In addition, planned lease acquisition costs are $4 million and primarily relate to securing leases for the Company's European operations. The Company has the ability to revise and reschedule its anticipated capital expenditure program in the event that any changes to the Company's financial position require it.

Net cash used in financing activities for the Company's operations was $77 million for the twenty-six weeks ended July 29, 2006 and was $33 million for the twenty-six weeks ended July 30, 2005. During the first quarter of 2006, the Company made payments of $50 million related to its term loan that were originally due in May of 2007 and 2008. As required by SFAS No. 123(R), the Company recorded an excess tax benefit related to stock-based compensation of $2 million as a financing activity. The Company declared and paid a $0.09 per share dividend during the first and second quarters of 2006 totaling $28 million, as compared with a $0.075 per share dividend during the first and second quarters of 2005, which totaled $23 million. The Company received proceeds from in connection with employee stock programs of $7 million and $11 million for the twenty-six weeks ended July 29, 2006 and July 30, 2005, respectively. As part of an authorized purchase program, the Company purchased 334,200 shares of its common stock during the first quarter of 2006 for approximately $8 million. There were no common stock purchases during the second quarter of 2006.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

There have been no significant changes to the Company's critical accounting policies and estimates from the information provided in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in the Annual Report on Form 10-K for the fiscal year ended January 28, 2006, except for the following.

The Company estimates the fair value of options granted using the Black-Scholes option pricing model and the assumptions shown in Note 2 to our condensed consolidated financial statements. The Company estimates the expected term of options granted using its historical exercise and post-vesting employment termination patterns, which the Company believes are representative of future behavior. Changing the expected term by one year changes the fair value by 10 to 15 percent depending if the change was an increase or decrease to the expected term. The Company estimates the expected volatility of its common stock at the grant date using a weighted-average of the Company's historical volatility and implied volatility from traded options on the Company's common stock. A 50 basis point change in volatility would have a 3 percent change to the fair value. The risk-free interest rate assumption is determined using the Federal Reserve nominal rates for U.S. Treasury zero-coupon bonds with maturities similar to those of the expected term of the award being valued. The expected dividend yield is derived from the Company's historical experience. A 50 basis point change to the dividend yield would change the fair value by approximately 5 percent. The Company records stock-based compensation expense only for those awards expected to vest using an estimated forfeiture rate based on its historical pre-vesting forfeiture data, which it believes are representative of future behavior, and periodically will revise those estimates in subsequent periods if actual forfeitures differ from those estimates.

The Black-Scholes option valuation model requires the use of subjective assumptions. Changes in these assumptions can materially affect the fair value of the options. The Company may elect to use different assumptions under the Black-Scholes option pricing model in the future if there is a difference between the assumptions used in determining stock-based compensation cost and the actual factors that become known over time.

The guidance in SFAS No. 123(R) is relatively new and best practices are not well established. The application of these principles may be subject to further interpretation and refinement over time. There are significant differences among valuation models and there is a possibility that the Company will adopt different valuation models and assumptions in the future. This may result in a lack of comparability with other companies that use different models, methods and assumptions and in a lack of consistency in future periods.

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.

Item 4. Controls and Procedures

The Company's management performed an evaluation under the supervision and with the participation of the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), and completed an evaluation as of July 29, 2006 of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based on that evaluation, the Company's CEO and CFO concluded that the Company's disclosure controls and procedures were effective as of July 29, 2006 in alerting them in a timely manner to all material information required to be disclosed in this report.

The Company's CEO and CFO also conducted an evaluation of the Company's internal control over financial reporting to determine whether any changes occurred during the quarter covered by this report that have materially affected, or are reasonably likely to affect the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Legal proceedings pending against the Company or its consolidated subsidiaries consist of ordinary, routine litigation, including administrative proceedings, incidental to the business of the Company, as well as litigation incidental to the sale and disposition of businesses that have occurred in past years. Management does not believe that the outcome of such proceedings would have a material adverse effect on the Company's consolidated financial position, liquidity, or results of operations, taken as a whole.

These legal proceedings include commercial, intellectual property, customer, and labor-and-employment-related claims. Certain of the Company's subsidiaries are defendants in a number of lawsuits filed in state and federal courts containing various class action allegations under state wage and hour laws, including allegations concerning classification of employees as exempt or nonexempt, unpaid overtime, meal and rest breaks, and uniforms. In addition, the Company's U.S. pension plan is a defendant in a class action in federal court in New York. The complaint alleges that the Company's pension plan violated the Employee Retirement Income Security Act of 1974, including, without limitation, its age discrimination provisions, as a result of the Company's conversion of its defined benefit pension plan to a defined pension plan with a cash balance feature. As this matter is the preliminary stages of proceedings, a final outcome cannot be determined at this time.

Item 1A. Risk Factors

No material changes to the risk factors disclosed in the 2005 Annual Report on Form 10-K.

Item 4. Submission of Matters to a Vote of Security Holders

(a) The Company's annual meeting of shareholders was held on May 24, 2006. There were represented at the meeting, in person or by proxy, 141,001,976 shares of Common Stock, par value $0.01 per share, which represented 90.7 percent of the shares outstanding on March 31, 2006, the record date for the meeting.

(b) Matthew M. McKenna was elected as a director in Class II for a two-year term ending at the annual meeting of shareholders in 2008. Each of Alan D. Feldman, Jarobin Gilbert Jr., David Y. Schwartz and Cheryl Nido Turpin was elected as a director in Class III for a three-year term ending at the annual meeting of shareholders of the Company in 2009. All of these individuals, excluding Mr. McKenna, previously served as directors of the Company. Purdy Crawford, Nicholas DiPaolo, Philip H. Geier Jr., James E. Preston, Matthew D. Serra, Christopher A. Sinclair and Dona D. Young, having previously been elected directors of the Company for terms continuing beyond the 2006 annual meeting of shareholders, continue in office as directors of the Company.

(c) The matters voted upon and the results of the voting were as follows:

(1) Election of Directors:

Name	Votes For	Votes Withheld	Abstentions and Broker Non-Votes
Alan D. Feldman	135,581,036	5,420,940	0
Jarobin Gilbert Jr.	134,959,488	6,042,488	0
Matthew M. McKenna	135,647,214	5,354,762	0
David Y. Schwartz	135,636,919	5,365,057	0
Cheryl Nido Turpin	137,400,732	3,601,244	0

(2) Proposal to ratify the appointment of independent accountants:

Votes For	Votes Against	Abstentions	Broker Non-Votes
140,189,078	751,920	60,976	0

(3) Proposal to approve the performance goals under the long-term incentive compensation plan:

Votes For	Votes Against	Abstentions	Broker Non-Votes
137,357,191	3,517,203	127,582	0

Item 6. Exhibits

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

SIGNATURE

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

Date: August 31, 2006

FOOT LOCKER, INC.
(Company)

/s/ Robert W. McHugh

ROBERT W. MCHUGH
Senior 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
12	Computation of Ratio of Earnings to Fixed Charges.
15	Accountant's Acknowledgment.
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley act of 2002.
32.1	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99	Report of Independent Registered Public Accounting Firm.

EXHIBIT 12

FOOT LOCKER, INC.

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

	Twenty-six weeks ended		Fiscal year ended				
	July 29, 2006	July 30, 2005	Jan. 28, 2006	Jan. 29, 2005	Jan. 31, 2004	Feb. 1, 2003	Feb. 2, 2002
NET EARNINGS							
Income from continuing operations	$ 73	102	$ 263	$ 255	$ 209	$ 162	$ 111
Income tax expense	45	60	142	119	115	84	64
Interest expense, excluding capitalized interest	11	12	23	22	26	33	35
Portion of rents deemed representative of the interest factor (1/3)	108	101	214	202	177	164	157
	$ 237	275	$ 642	$ 598	$ 527	$ 443	$ 367
FIXED CHARGES							
Gross interest expense	$ 11	12	$ 23	$ 22	$ 26	$ 33	$ 35
Portion of rents deemed representative of the interest factor (1/3)	108	101	214	202	177	164	157
	$ 119	113	$ 237	$ 224	$ 203	$ 197	$ 192
RATIO OF EARNINGS TO FIXED CHARGES	2.0	2.4	2.7	2.7	2.6	2.2	1.9

EXHIBIT 15

Accountants' Acknowledgment

The Board of Directors
Foot Locker, Inc.:

We hereby acknowledge our awareness of the use of our report dated August 31, 2006 related to our review of interim financial information in the following Registration Statements:

- Form S-8 No. 33-10783
- Form S-8 No. 33-91888
- Form S-8 No. 33-91886
- Form S-8 No. 33-97832
- Form S-8 No. 333-07215
- Form S-8 No. 333-21131
- Form S-8 No. 333-62425
- Form S-8 No. 333-33120
- Form S-8 No. 333-41056
- Form S-8 No. 333-41058
- Form S-8 No. 333-74688
- Form S-8 No. 333-99829
- Form S-8 No. 333-111222
- Form S-8 No. 333-121515
- Form S-3 No. 33-43334
- Form S-3 No. 33-86300
- Form S-3 No. 333-64930

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 independent registered public accounting firm or a report prepared or certified by an independent registered public accounting firm within the meaning of Sections 7 and 11 of the Act.

/s/ KPMG LLP
New York, New York
August 31, 2006

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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) 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

   d) 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 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.

August 31, 2006

/s/ Matthew D. Serra

Chief Executive Officer

EXHIBIT 31.2

CERTIFICATIONS

I, Robert W. McHugh, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) 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

    d) 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 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.

August 31, 2006

/s/ Robert W. McHugh

Chief Financial Officer

FOOT LOCKER, INC.

Certification Pursuant to
18 U.S.C. Section 1350
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of Foot Locker, Inc. (the “Registrant”) for the quarterly period ended July 29, 2006, 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 Robert W. McHugh as Chief Financial Officer of the Registrant, each hereby certifies, 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: August 31, 2006

/s/ Matthew D. Serra

Matthew D. Serra
Chief Executive Officer

/s/ Robert W. McHugh

Robert W. McHugh
Chief Financial Officer

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

EXHIBIT 99

Report of Independent Registered Public Accounting Firm

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

We have reviewed the accompanying condensed consolidated balance sheets of Foot Locker, Inc. and subsidiaries as of July 29, 2006 and July 30, 2005, the related condensed consolidated statements of operations and the condensed consolidated statements of comprehensive income for the thirteen and twenty-six weeks ended July 29, 2006 and July 30, 2005, and the condensed consolidated statements of cash flows for the twenty-six weeks ended July 29, 2006 and July 30, 2005. These condensed consolidated financial statements are the responsibility of Foot Locker, Inc.'s management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), 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 U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Oversight Board (United States), the consolidated balance sheet of Foot Locker, Inc. and subsidiaries as of January 28, 2006, 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 27, 2006, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of January 28, 2006, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

As discussed in the Notes to Condensed Consolidated Financial Statements, effective January 29, 2006, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 123(R), "Share-Based Payments," and SFAS No. 151, "Inventory Costs an Amendment of ARB No.43, Chapter 4."

/s/ KPMG LLP
New York, New York
August 31, 2006