

FOOT LOCKER, INC.

NEWS RELEASE

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FOOT LOCKER, INC. REPORTS SECOND QUARTER RESULTS

- **Reported Net Income Per Share Increased 121 Percent to \$0.53**
- **Income Per Share from Continuing Operations Increased 16 Percent, to \$0.29**
- **Income Per Share from Continuing Operations, Adjusted to Exclude Footaction Results, Increased 44 Percent to \$0.36**
- **Financial Position Continues to Strengthen – Cash Position, Net of Debt, Increases \$61 Million**
- **Third Quarter and Fourth Quarter EPS from Continuing Operations Expected to Increase 10 to 20 Percent**

NEW YORK, NY, August 19, 2004 – Foot Locker, Inc. (NYSE: FL), the New York-based specialty athletic retailer, today reported financial results for its second quarter ended July 31, 2004.

Second Quarter Results

Reported net income for the second quarter increased 121 percent to \$0.53 per share, or \$82 million, compared with \$0.24 per share, or \$36 million last year. Second quarter results in 2004 included an income tax benefit of \$37 million, or \$0.24 per share, related to discontinued businesses.

Income from continuing operations increased 16 percent to \$0.29 per share, or \$45 million, from \$0.25 per share, or \$37 million last year. Included in this year's results was a loss of \$10 million, or \$0.07 per share, related to the integration and operation of the 349-store Footaction chain that the Company acquired in May. Income from continuing operations, excluding the Footaction results, increased 44 percent to \$0.36 per share, or \$55 million during the second quarter. Also included in this year's income from continuing operations were income tax benefits related to resolutions of U.S. and foreign income tax exams, resulting in an effective tax rate that was significantly lower than the second quarter of last year. The lower effective tax rate versus the second quarter of last year, resulted in the Company's earnings being enhanced by \$0.04 per share.

For the second quarter period, sales increased 12.9 percent to \$1,268 million compared with sales of \$1,123 million last year. Second quarter comparable-store sales decreased 0.5 percent.

Year-to-Date Results

Year-to-date reported net income increased 65 percent to \$0.84 per share, or \$130 million, compared with \$0.51 per share, or \$74 million last year. Income from continuing operations for the 26-week period ended July 31, 2004 increased 15 percent, to \$0.60 per share, or \$92 million, compared with \$0.52 per share, or \$76 million last year. Excluding the Footaction results, year-to-date income from continuing operations increased 29 percent to \$0.67 per share, or \$102 million. Year-to-date sales increased 9.0 percent to \$2,454 million, compared with sales of \$2,251 million last year. Comparable-store sales decreased 0.1 percent.

“By any measure, we reported outstanding second quarter and year to date earnings results. Our strong profit growth reflects an improving sales trend in our U.S. stores and impressive gross margin rate improvement in our comparable-store base, combined with our continued diligent expense management,” stated Matthew D. Serra, Foot Locker, Inc.'s Chairman and Chief Executive Officer. “We are very pleased with the efficiency with which our organization completed the integration of the Footaction chain and re-merchandised its product offerings for the fall season. We believe that these stores are well positioned for a profitable fall season, and when added to the performance of our existing store base, makes us optimistic for our financial performance for the balance of the year.”

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Mr. Serra continued, "There is an excellent opportunity for our comparable-store sales trend in our U.S. businesses to improve going forward as our stores regain access to higher end marquee footwear products from our largest supplier, which we expect will result in higher average price points. We also expect to continue to temper our promotional posture to enhance our merchandise margin rate and aggressively work on cost efficiencies. Earnings per share from continuing operations are expected to continue to show increases of 10 to 20 percent for each remaining quarter of 2004."

Financial Position

The Company's financial position continued to strengthen as its cash position, net of debt, of \$37 million, represented a \$61 million increase from the end of the second quarter last year. This improvement includes the effects of the conversion of \$150 million of subordinated debt into equity and the Company's \$225 million investment in the Footaction chain. In addition, the Company's balance sheet was enhanced by \$46 million as a result of a reduction in income tax liabilities, net related to resolutions of U.S. and foreign income tax exams.

Store Base Update

During the second quarter, the Company added 389 stores, including 40 new stores in existing formats and 349 acquired Footaction stores. The Company also remodeled/relocated 48 stores and closed 18 stores. At July 31, 2004, the Company operated 3,958 stores in 17 countries in North America, Europe and Australia.

Consolidated Statements of Operations Presentation

The "Footaction Results" and "Adjusted Results to Exclude Footaction Results" are presented for analytical purposes only and to facilitate the reader's ability to evaluate the Company's results in the quarter and project future results, and are in line with how the Company tracked the integration process.

The Company is hosting a live conference call at 10:00 am (EDT) on Friday, August 20, 2004 to discuss these results and provide guidance with regard to its outlook for the balance of 2004. 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 pm on Tuesday, August 24, 2004.

Disclosure Regarding Forward-Looking Statements

This press release contains forward-looking statements, which reflect management's current views of future events and financial performance. 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, risks associated with foreign global sourcing, including political instability, changes in import regulations, disruptions to transportation services and distribution, and the presence of severe acute respiratory syndrome, economic conditions worldwide, any changes in business, political and economic conditions due to the threat of future terrorist activities in the United States or in other parts of the world and related U.S. military action overseas, the ability of the Company to execute its business plans effectively with regard to each of its business units, including its plans for the marquee and launch footwear component of its business, and its plans for the integration of the Footaction stores. Any changes in such assumptions or factors could produce significantly different results. The Company undertakes no obligation to update forward-looking statements, whether as a result of new information, future events, or otherwise.

FOOT LOCKER, INC.
Consolidated Statements of Operations
(unaudited)
Periods ended July 31, 2004 and August 2, 2003

(In millions, except per share amounts)	Second Quarter 2004			Second Quarter 2003
	As reported	Footaction Results	Adjusted Results to exclude Footaction Results	As reported
Sales	\$ 1,268	\$ 104	\$ 1,164	\$ 1,123
Cost of sales	900	91	809	792
Selling, general and administrative expenses	268	26	242	233
Depreciation and amortization	37	2	35	38
Restructuring charge ⁽¹⁾	2	-	2	1
Interest expense, net	4	1	3	4
	1,211	120	1,091	1,068
Income from continuing operations before income taxes	57	(16)	73	55
Income tax expense	12	(6)	18	18
Income from continuing operations	45	(10)	55	37
Income/(loss) on disposal of discontinued operations, net of tax ⁽²⁾	37	-	37	(1)
Net income	\$ 82	\$ (10)	\$ 92	\$ 36
<u>Diluted EPS:</u>				
Income from continuing operations	\$ 0.29	\$(0.07)	\$ 0.36	\$ 0.25
Income/(loss) on disposal of discontinued operations, net of tax	0.24	-	0.24	(0.01)
Net income	\$ 0.53	\$(0.07)	\$ 0.60	\$ 0.24
Weighted-average diluted shares outstanding	157.1	157.1	157.1	152.1

(In millions, except per share amounts)	Year-To-Date 2004			Year-To-Date 2003
	As reported	Footaction Results	Adjusted Results to exclude Footaction Results	As reported
Sales	\$2,454	\$ 104	\$ 2,350	\$ 2,251
Cost of sales	1,726	91	1,635	1,575
Selling, general and administrative expenses	516	26	490	474
Depreciation and amortization	71	2	69	75
Restructuring charge ⁽¹⁾	2	-	2	1
Interest expense, net	8	1	7	9
	2,323	120	2,203	2,134
Income from continuing operations before income taxes	131	(16)	147	117
Income tax expense	39	(6)	45	41
Income from continuing operations	92	(10)	102	76
Income/(loss) on disposal of discontinued operations, net of tax ⁽²⁾	38	-	38	(1)
Cumulative effect of accounting changes, net of tax ⁽³⁾	-	-	-	(1)
Net income	\$ 130	\$ (10)	\$ 140	\$ 74
<u>Diluted EPS:</u>				
Income from continuing operations	\$ 0.60	\$(0.07)	\$ 0.67	\$ 0.52
Income/(loss) on disposal of discontinued operations, net of tax ⁽²⁾	0.24	-	0.24	(0.01)
Cumulative effect of accounting changes, net of tax ⁽³⁾	-	-	-	-
Net income	\$ 0.84	\$(0.07)	\$ 0.91	\$ 0.51
Weighted-average diluted shares outstanding	156.6	156.6	156.6	151.7

(1) Represents revisions in estimates to restructuring reserves for disposed businesses.

(2) Income tax benefit in second quarter 2004 related to discontinued businesses.

(3) Related to adoption of SFAS No. 143 "Accounting for Asset Retirement Obligations."

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

	July 31, 2004	August 2, 2003
Assets		
CURRENT ASSETS		
Cash and cash equivalents	\$ 399	\$ 332
Merchandise inventories	1,166	948
Assets of discontinued operations	2	2
Other current assets	156	98
	1,723	1,380
Property and equipment, net	694	621
Deferred tax assets	208	256
Other assets	481	332
	\$ 3,106	\$ 2,589
Liabilities and Shareholders' Equity		
CURRENT LIABILITIES		
Accounts payable	\$ 475	\$ 339
Accrued liabilities	293	259
Current liabilities and reserves for restructuring, discontinued operations and businesses held for sale	11	23
Current portion of long-term debt and obligations under capital leases	18	-
	797	621
Long-term debt and obligations under capital leases ⁽¹⁾	339	348
Other liabilities ⁽¹⁾	318	428
SHAREHOLDERS' EQUITY	1,652	1,192
	\$ 3,106	\$ 2,589

- (1) Long-term debt and obligations under capital leases were reduced by \$5 million in 2004 and \$8 million in 2003 representing the fair value of interest rate swaps related to the Company's 8 1/2% debentures due in 2022. The Company's cash position, net of debt calculation excludes the fair value of these interest rate swaps, which are reflected in other liabilities.

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

	July 31, 2004	August 2, 2003	January 31, 2004
Foot Locker U.S.			
Number of stores	1,435	1,457	1,448
Gross square footage	5,847	5,959	5,916
Selling square footage	3,406	3,465	3,447
Footaction			
Number of stores	349	-	-
Gross square footage	1,689	-	-
Selling square footage	1,050	-	-
Lady Foot Locker			
Number of stores	568	597	584
Gross square footage	1,266	1,331	1,303
Selling square footage	705	738	723
Kids Foot Locker			
Number of stores	348	361	357
Gross square footage	842	875	863
Selling square footage	501	521	514
Champs Sports			
Number of stores	578	587	581
Gross square footage	3,212	3,265	3,239
Selling square footage	2,206	2,273	2,244
Foot Locker International			
Number of stores	680	606	640
Gross square footage	1,950	1,714	1,823
Selling square footage	1,043	949	992
Total Athletic Group			
Number of stores	3,958	3,608	3,610
Gross square footage	14,806	13,144	13,144
Selling square footage	8,911	7,946	7,920