

FOOT LOCKER INC
Form 10-Q
November 30, 2006

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 October 28, 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.

YesNo

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

Accelerated filer

Non-accelerated filer

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

YesNo

Number of shares of Common Stock outstanding at November 17, 2006: 155,645,254

FOOT LOCKER, INC.

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PART I - FINANCIAL INFORMATIONItem 1. Financial StatementsFOOT LOCKER, INC.CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions, except shares)

	<u>October 28, 2006</u>	<u>October 29, 2005</u>	<u>January 28, 2006</u>
	(Unaudited)	(Unaudited)	*
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	\$ 127	\$ 169	\$ 289
Short-term investments	136	221	298
	<u>263</u>	<u>390</u>	<u>587</u>
Total cash, cash equivalents and short-term investments	263	390	587
Merchandise inventories	1,473	1,400	1,254
Other current assets	212	191	173
	<u>1,948</u>	<u>1,981</u>	<u>2,014</u>
Property and equipment, net	663	686	675
Deferred taxes	196	209	147
Goodwill and intangible assets	372	383	380
Other assets	92	96	96
	<u>\$ 3,271</u>	<u>\$ 3,355</u>	<u>\$ 3,312</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>			
Current liabilities			
Accounts payable	\$ 356	\$ 451	\$ 361
Accrued expenses and other current liabilities	243	312	305
Current portion of long-term debt and obligations under capital leases	18	18	51
	<u>599</u>	<u>781</u>	<u>717</u>
Long-term debt and obligations under capital leases	235	327	275
Other liabilities	299	307	293
	<u>1,133</u>	<u>1,415</u>	<u>1,285</u>
Shareholders' equity			
Common stock and paid-in capital: 157,750,905, 157,067,660 and 157,279,893 shares, respectively	649	626	635
Retained earnings	1,697	1,520	1,601
Accumulated other comprehensive loss	(161)	(184)	(171)
Less: Treasury stock at cost: 2,105,662, 1,011,687 and 1,776,287 shares, respectively	(47)	(22)	(38)
Total shareholders' equity	<u>2,138</u>	<u>1,940</u>	<u>2,027</u>
	<u>\$ 3,271</u>	<u>\$ 3,355</u>	<u>\$ 3,312</u>

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		Thirty-nine weeks ended	
	October 28, 2006	October 29, 2005	October 28, 2006	October 29, 2005
Sales	\$ 1,430	\$ 1,408	\$ 4,098	\$ 4,089
Costs and Expenses				
Cost of sales	1,008	978	2,896	2,864
Selling, general and administrative expenses	284	280	840	828
Depreciation and amortization	44	46	131	128
Impairment charge			17	
Interest expense, net	1	2	3	8
Other expense (income)	(8)		(7)	(3)
	<u>1,329</u>	<u>1,306</u>	<u>3,880</u>	<u>3,825</u>
Income from continuing operations before income taxes	101	102	218	264
Income tax expense	36	37	81	97
Income from continuing operations	<u>65</u>	<u>65</u>	<u>137</u>	<u>167</u>
Income from disposal of discontinued operations, net of income tax benefit of \$-, \$3, \$- and \$3, respectively		1		1
Cumulative effect of accounting change, net of income tax of \$-			1	
Net income	<u>\$ 65</u>	<u>\$ 66</u>	<u>\$ 138</u>	<u>\$ 168</u>
Basic earnings per share:				
Income from continuing operations	\$ 0.42	\$ 0.42	\$ 0.88	\$ 1.08
Income from discontinued operations		0.01		0.01
Cumulative effect of accounting change			0.01	
Net income	<u>\$ 0.42</u>	<u>\$ 0.43</u>	<u>\$ 0.89</u>	<u>\$ 1.09</u>
Weighted-average common shares outstanding	155.0	155.2	153.7	155.3
Diluted earnings per share:				
Income from continuing operations	\$ 0.42	\$ 0.41	\$ 0.88	\$ 1.06
Income from discontinued operations		0.01		0.01
Cumulative effect of accounting change				
Net income	<u>\$ 0.42</u>	<u>\$ 0.42</u>	<u>\$ 0.88</u>	<u>\$ 1.07</u>
Weighted-average common shares assuming dilution	156.8	157.4	156.8	157.9

See Accompanying Notes to Condensed Consolidated Financial Statements.

FOOT LOCKER, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)
(in millions)

Thirteen weeks ended

Thirty-nine weeks ended
