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LEVI STRAUSS & CO. ANNOUNCES THIRD-QUARTER 2010 FINANCIAL RESULTS

Net revenue up on global Levi's® growth

SAN FRANCISCO (October 12, 2010) – Levi Strauss & Co. (LS&Co.) today announced financial results for the third quarter ended August 29, 2010, and filed its third-quarter 2010 results on Form 10-Q with the Securities and Exchange Commission.

Highlights include:

| | Three Months Ended | |
|---------------|--------------------|-----------------|
| (\$ millions) | August 29, 2010 | August 30, 2009 |
| Net revenues | \$1,109 | \$1,040 |
| Net income | \$28 | \$41 |

Third-quarter net revenues grew 7 percent year-over-year on a reported basis. Excluding the effects of currency, revenues grew 8 percent and were up in all three regions. Growth was driven by the strength of the Levi's® brand in the Americas, the company's acquisitions in 2009, and the expansion of the company's dedicated store network worldwide. Revenue declines in the wholesale channel in certain markets partially offset this growth.

In comparison to the third quarter of 2009, operating income declined from \$98 million to \$86 million as the benefits from the increase in net revenues and higher gross margin were offset by continued investment in the company's retail network and increased advertising and promotion activities. Below operating income, interest expense at \$32 million was \$6 million lower than the same quarter last year. Other expense was slightly higher at \$8 million. Third-quarter net income attributable to the company was \$28 million, a decline of \$13 million compared with last year.

The company maintained a strong liquidity position during the third quarter. At August 29, 2010, cash and cash equivalents were \$261 million, complemented by \$283 million available under the company's revolving credit facility.

"Net revenue growth in the third quarter reflects the strength of the Levi's® brand around the globe in spite of a challenging retail environment," said John Anderson, president and chief executive officer. "In the face of tough economic conditions, we achieved several key milestones in our overarching strategy to grow our business around the world. We realigned our management structure around our global brands, launched the Levi's® Curve ID fit system for women and began the roll-out of the new Denizen™ brand in Asia. We're investing in these global product initiatives to help us capitalize on growth opportunities when the global economy truly recovers."

Third-Quarter 2010 Highlights

- Gross profit in the third quarter increased to \$544 million compared with \$494 million for the same period in 2009. Higher revenue and strong gross margins contributed to the increase in gross profit. Gross margin for the third quarter increased to 49 percent of revenues compared with 48 percent of revenues in the same quarter of 2009, reflecting increased contribution from company-operated retail stores, which generally have a higher gross margin than the wholesale business.
- Selling, general and administrative (SG&A) expenses for the third quarter increased to \$457 million from \$396 million in the same period of 2009. Higher SG&A was primarily due to additional selling expenses related to the expansion of the company-operated retail network and higher advertising and promotion expenses in the Americas region as the company increased support for its Levi's® and Dockers® brands.
- Operating income for the third quarter was \$86 million compared with \$98 million for the same period in 2009. The 12 percent decrease primarily resulted from a planned increase in advertising and promotion expense.
- Net income was \$28 million in the quarter, negatively impacted by a higher effective tax rate. The higher tax rate is driven by the company's likely inability to receive future tax benefits from net losses in Japan.

Regional Overview

Regional net revenues for the quarter were as follows:

| Net Revenues (\$ millions) | August 29, 2010 | August 30, 2009 | % Increase (Decrease) | |
|-------------------------------|--------------------|--------------------|-----------------------|----------------------|
| | | | As Reported | Constant Currency |
| Americas | \$673 | \$616 | 9% | 9% |
| Europe | \$259 | \$266 | (3)% | 6% |
| Asia Pacific | \$177 | \$159 | 11% | 5% |

- Higher net revenues in the Americas were primarily due to solid results in the wholesale channel, complementing the strong incremental contribution from the outlet stores acquired last year. These improvements were partially offset by lower U.S. Dockers® brand sales.
- Net revenues in Europe decreased on a reported basis for the three-month period, reflecting unfavorable currency effects. The region's net revenues benefited from the 2009 acquisition of the footwear and accessories business and expansion of the company-operated retail network across the region. Revenue gains were partially offset by sales declines in the wholesale channels, reflecting the continued difficult economic environment.
- Net revenues in Asia Pacific increased during the quarter on a reported basis and constant currency basis reflecting the continued expansion of the company's brand-dedicated retail network in China and India as well as in other emerging markets, partially offset by continued declines in Japan during the quarter.

Cash Flow and Balance Sheet

The company ended the third quarter with cash and cash equivalents of \$261 million, a decrease of \$10 million from November 30, 2009. Cash provided by operating activities during the nine-month period was \$96 million, compared with \$174 million for the same period in 2009. In 2010, cash collections from customers increased on higher net revenues, offset by the investment in strategic initiatives and inventory build. Net debt of \$1.6 billion at the end of the quarter was comparable to net debt at the end of 2009.

"The third quarter results demonstrate our ability to deliver strong operating performance in the face of a challenging business environment around the world," said Blake Jorgensen, chief financial officer. "We are committed to investing in our strategic initiatives, while diligently controlling costs and managing inventories."

Investor Conference Call

The company's third-quarter 2010 investor conference call will be available through a live audio Webcast at <http://www.levistrauss.com/investors/earnings-webcast> today, October 12, 2010, at 1 p.m. PDT/4 p.m. EDT. A replay is available on the website the same day and will be archived for one month. A telephone replay also is available through midnight EDT, October 18, 2010 at 800-642-1687 in the United States and Canada, or 706-645-9291 internationally; I.D. No. 13879010.

This news release contains, in addition to historical information, forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We have based these forward-looking statements on our current assumptions, expectations and projections about future events. We use words like "believe," "will," "so we can," "when," "anticipate," "intend," "estimate," "expect," "project" and similar expressions to identify forward-looking statements, although not all forward-looking statements contain these words. These forward-looking statements are necessarily estimates reflecting the best judgment of our senior management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. Investors should consider the information contained in our filings with the U.S. Securities and Exchange Commission (the "SEC"), including our Annual Report on Form 10-K for the fiscal year ended 2009 and subsequent Quarterly Reports on Form 10-Q, especially in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors" sections. Other unknown or unpredictable factors also could have material adverse effects on our future results, performance or achievements. In light of these risks, uncertainties, assumptions and factors, the forward-looking events discussed in this news release may not occur. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date stated, or if no date is stated, as of the date of this news release. We are not under any obligation and do not intend to make publicly available any update or other revisions to any of the forward-looking statements contained in this news release to reflect circumstances existing after the date of this news release or to reflect the occurrence of future events even if experience or future events make it clear that any expected results expressed or implied by those forward-looking statements will not be realized.

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LEVI STRAUSS & CO. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

| | (Unaudited) | |
|---|-------------------------------|----------------------------|
| | August 29, | November 29, |
| | 2010 | 2009 |
| | (Dollars in thousands) | |
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 261,198 | \$ 270,804 |
| Restricted cash | 3,400 | 3,684 |
| Trade receivables, net of allowance for doubtful accounts of \$22,849 and \$22,523 | 506,299 | 552,252 |
| Inventories: | | |
| Raw materials | 5,836 | 6,818 |
| Work-in-process | 8,256 | 10,908 |
| Finished goods | 551,437 | 433,546 |
| Total inventories | <u>565,529</u> | <u>451,272</u> |
| Deferred tax assets, net | 127,943 | 135,508 |
| Other current assets | 95,605 | 92,344 |
| Total current assets | <u>1,559,974</u> | <u>1,505,864</u> |
| Property, plant and equipment, net of accumulated depreciation of \$674,169 and \$664,891 | 459,384 | 430,070 |
| Goodwill | 239,958 | 241,768 |
| Other intangible assets, net | 87,691 | 103,198 |
| Non-current deferred tax assets, net | 563,516 | 601,526 |
| Other assets | 112,897 | 106,955 |
| Total assets | <u>\$ 3,023,420</u> | <u>\$ 2,989,381</u> |
| LIABILITIES, TEMPORARY EQUITY AND STOCKHOLDERS' DEFICIT | | |
| Current Liabilities: | | |
| Short-term borrowings | \$ 37,844 | \$ 18,749 |
| Current maturities of long-term debt | - | - |
| Current maturities of capital leases | 1,618 | 1,852 |
| Accounts payable | 244,775 | 198,220 |
| Other accrued liabilities | 233,100 | 271,019 |
| Accrued salaries, wages and employee benefits | 163,912 | 195,434 |
| Accrued interest payable | 37,366 | 28,709 |
| Accrued income taxes | 42,218 | 12,993 |
| Total current liabilities | <u>760,833</u> | <u>726,976</u> |
| Long-term debt | 1,796,265 | 1,834,151 |
| Long-term capital leases | 3,612 | 5,513 |
| Postretirement medical benefits | 149,608 | 156,834 |
| Pension liability | 360,912 | 382,503 |
| Long-term employee related benefits | 101,897 | 97,508 |
| Long-term income tax liabilities | 59,099 | 55,862 |
| Other long-term liabilities | 56,043 | 43,480 |
| Total liabilities | <u>3,288,269</u> | <u>3,302,827</u> |
| Commitments and contingencies (Note 7) | | |
| Temporary equity | <u>4,692</u> | <u>1,938</u> |
| Stockholders' Deficit: | | |
| Levi Strauss & Co. stockholders' deficit | | |
| Common stock—\$.01 par value; 270,000,000 shares authorized; 37,324,575 shares and 37,284,741 shares issued and outstanding | 373 | 373 |
| Additional paid-in capital | 21,184 | 39,532 |
| Accumulated deficit | (53,006) | (123,157) |
| Accumulated other comprehensive loss | (249,755) | (249,867) |
| Total Levi Strauss & Co. stockholders' deficit | <u>(281,204)</u> | <u>(333,119)</u> |
| Noncontrolling interest | 11,663 | 17,735 |
| Total stockholders' deficit | <u>(269,541)</u> | <u>(315,384)</u> |
| Total liabilities, temporary equity and stockholders' deficit | <u>\$ 3,023,420</u> | <u>\$ 2,989,381</u> |

The notes accompanying our consolidated financial statements in our Form 10-Q are an integral part of these consolidated financial statements.

LEVI STRAUSS & CO. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

| | Three Months Ended | | Nine Months Ended | |
|--|-------------------------------|----------------------------|----------------------------|----------------------------|
| | August 29, 2010 | August 30, 2009 | August 29, 2010 | August 30, 2009 |
| | (Dollars in thousands) | | | |
| | (Unaudited) | | | |
| Net sales | \$ 1,090,448 | \$ 1,021,829 | \$ 3,064,414 | \$ 2,839,602 |
| Licensing revenue | 18,557 | 18,571 | 56,326 | 56,780 |
| Net revenues | <u>1,109,005</u> | <u>1,040,400</u> | <u>3,120,740</u> | <u>2,896,382</u> |
| Cost of goods sold | <u>565,393</u> | <u>545,985</u> | <u>1,544,779</u> | <u>1,541,469</u> |
| Gross profit | 543,612 | 494,415 | 1,575,961 | 1,354,913 |
| Selling, general and administrative expenses | <u>457,309</u> | <u>396,041</u> | <u>1,313,185</u> | <u>1,094,390</u> |
| Operating income | 86,303 | 98,374 | 262,776 | 260,523 |
| Interest expense | (31,734) | (37,931) | (100,347) | (112,648) |
| Loss on early extinguishment of debt | - | - | (16,587) | - |
| Other income (expense), net | <u>(7,695)</u> | <u>(6,696)</u> | <u>11,462</u> | <u>(23,967)</u> |
| Income before income taxes | 46,874 | 53,747 | 157,304 | 123,908 |
| Income tax expense | <u>20,252</u> | <u>13,347</u> | <u>93,203</u> | <u>39,430</u> |
| Net income | 26,622 | 40,400 | 64,101 | 84,478 |
| Net loss attributable to noncontrolling interest | 1,556 | 303 | 6,050 | 166 |
| Net income attributable to Levi Strauss & Co. | <u>\$ 28,178</u> | <u>\$ 40,703</u> | <u>\$ 70,151</u> | <u>\$ 84,644</u> |

The notes accompanying our consolidated financial statements in our Form 10-Q are an integral part of these consolidated financial statements.

LEVI STRAUSS & CO. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Nine Months Ended | |
|---|-------------------------------|----------------------------|
| | August 29, 2010 | August 30, 2009 |
| | (Dollars in thousands) | |
| | (Unaudited) | |
| Cash Flows from Operating Activities: | | |
| Net income | \$ 64,101 | \$ 84,478 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 77,983 | 58,379 |
| Asset impairments | 2,307 | 1,720 |
| (Gain) loss on disposal of property, plant and equipment | (100) | 171 |
| Unrealized foreign exchange (gains) losses | (15,789) | 8,716 |
| Realized loss on settlement of forward foreign exchange contracts not designated for hedge accounting | 8,412 | 29,776 |
| Employee benefit plans' amortization from accumulated other comprehensive loss | 2,557 | (14,891) |
| Employee benefit plans' curtailment loss (gain), net | 100 | (2,108) |
| Noncash gain on extinguishment of debt, net of write-off of unamortized debt issuance costs | (13,647) | - |
| Amortization of deferred debt issuance costs | 3,293 | 3,225 |
| Stock-based compensation | 4,419 | 5,739 |
| Allowance for doubtful accounts | 6,428 | 6,721 |
| Change in operating assets and liabilities (excluding assets and liabilities acquired): | | |
| Trade receivables | 16,871 | 67,088 |
| Inventories | (134,592) | 31,345 |
| Other current assets | (6,930) | (4,265) |
| Other non-current assets | (17,320) | 7,636 |
| Accounts payable and other accrued liabilities | 55,700 | (82,752) |
| Income tax liabilities | 63,760 | (8,280) |
| Accrued salaries, wages and employee benefits | (41,324) | (38,172) |
| Long-term employee related benefits | 504 | 23,491 |
| Other long-term liabilities | 19,113 | (5,071) |
| Other, net | (17) | 950 |
| Net cash provided by operating activities | <u>95,829</u> | <u>173,896</u> |
| Cash Flows from Investing Activities: | | |
| Purchases of property, plant and equipment | (107,874) | (46,016) |
| Proceeds from sale of property, plant and equipment | 1,375 | 905 |
| Payments on settlement of forward foreign exchange contracts not designated for hedge accounting | (8,412) | (29,776) |
| Acquisitions, net of cash acquired | (12,242) | (80,921) |
| Other | (114) | - |
| Net cash used for investing activities | <u>(127,267)</u> | <u>(155,808)</u> |
| Cash Flows from Financing Activities: | | |
| Proceeds from issuance of long-term debt | 909,390 | - |
| Repayments of long-term debt and capital leases | (865,527) | (54,632) |
| Short-term borrowings, net | 19,176 | 8,224 |
| Debt issuance costs | (17,512) | - |
| Restricted cash | (248) | (81) |
| Dividends to noncontrolling interest shareholders | - | (978) |
| Dividend to stockholders | (20,013) | (20,001) |
| Net cash provided by (used for) financing activities | <u>25,266</u> | <u>(67,468)</u> |
| Effect of exchange rate changes on cash and cash equivalents | (3,434) | 10,304 |
| Net decrease in cash and cash equivalents | <u>(9,606)</u> | <u>(39,076)</u> |
| Beginning cash and cash equivalents | 270,804 | 210,812 |
| Ending cash and cash equivalents | <u><u>\$ 261,198</u></u> | <u><u>\$ 171,736</u></u> |
| Supplemental disclosure of cash flow information: | | |
| Cash paid during the period for: | | |
| Interest | \$ 87,097 | \$ 92,439 |
| Income taxes | 34,980 | 41,544 |

The notes accompanying our consolidated financial statements in our Form 10-Q are an integral part of these consolidated financial statements.