2015 ANNUAL REPORT

**LEVI STRAUSS & CO.**

Levi's

DOCKERS

DENIZEN
FROM
Levi's

SIGNATURE
BY LEVI STRAUSS & CO.™

CHIP BERGH
President and Chief Executive Officer

## DEAR SHAREHOLDERS, CUSTOMERS, EMPLOYEES AND OTHER STAKEHOLDERS,

Four and a half years ago, we set a long-term aspirational goal for LS&Co.: to be, and be seen as, the world's best apparel company and one of the best-performing companies in any industry.

Since then we've been focused on fixing the foundation to unleash this company's true potential—getting our cost structure right, putting the right leadership and talent in place, investing in key capabilities, and reinvesting in innovation and our iconic brands. Simply put, we've been hard at work doing what needed to be done to position this company for greatness.

Underpinning our results over these past four and a half years has been a focus on four long-term strategies:

- Drive the profitable core business
- Expand for more
- Become a world-class omni-channel retailer
- Improve our cost structure

By successfully executing against these strategies and focusing on what we can control, we're demonstrating that we can consistently, reliably and profitably grow. We've delivered three consecutive years of top and bottom line growth on a constant-currency basis, marking the first time LS&Co. has done this in more than two decades. Last year we did this in spite of having one fewer week in our fiscal year than in Fiscal 2014 and while facing a number of significant headwinds, including soft retail traffic and heightened promotional activity.

Overall, the fundamentals of our business are strong and we are pleased with our progress. We grew both gross margin and adjusted EBIT margin—even in reported dollars—despite an 11 percentage point currency impact on the bottom line. At the same time, we aren't satisfied with our rate of growth and believe that this company has more potential.

## FISCAL YEAR 2015 FINANCIAL HIGHLIGHTS

- **Net revenue** was $4.5 billion for the year, which is up 1 percent on a constant-currency basis. On a reported basis, revenue was down 5 percent due to the impact of foreign exchange.
- **Gross margins** were 50.5 percent, up from 49.4 percent the prior year.
- **Net income** attributable to LS&Co. was $209 million, up from $106 million the prior year, due to lower restructuring and interest expenses.
- **Adjusted EBIT** was $479 million, up 6 percent on a constant-currency basis. On a reported basis EBIT was down 5 percent due to impact of foreign exchange.*
- **Free cash flow** was $81 million, a $42 million decline compared with last year.*
- **Total liquidity** at the end of 2015 was $977 million—$319 million in cash and $659 million available under our credit facility.
- **Net debt** was down to $834 million from $911 million last year. During the year, we refinanced our debt and also got another boost to our credit rating. We are now one notch below investment grade with Moody's versus four notches below in 2012.*
- **2015 dividend payment per share** is approximately $1.60, which is up 20 percent from last year and more than double the fiscal 2013 dividend.

* See our fiscal year earnings release for a reconciliation of GAAP financial measures to the following non-GAAP financial measures: adjusted EBIT, free cash flow and net debt.

## FISCAL YEAR 2015

Fiscal 2015 was a challenging year. The macroeconomic environment was tough with unprecedented currency headwinds, dramatic drops in tourism spending in the U.S. and a challenging consumer and retail environment. Despite external challenges, we focused on what we could control and delivered strong results on a currency-neutral basis, demonstrating the improved underlying foundation of our business, particularly outside of the U.S. We also made important progress enhancing our relevance to consumers by keeping our brands at the forefront of culture.

**Iconic Brands:** We introduced a host of innovative, trend-leading styles to strengthen consumer appeal. Our success was particularly evident on the Levi's® brand, where we experienced currency-neutral growth in major categories and segments: men's, women's, kids, tops, bottoms, and footwear and accessories. The new Levi's® women's denim collection and the 501® CT jean drove strong results in our women's business, which was up double digits in the second half of the year, following the launch of the new line.

The core Levi's® men's products also performed well — including the 501® family, the Levi's® 511™ Slim Fit and the Levi's® 541™ Athletic Fit, which has become one of our fastest-growing products. And our T-shirt bars, featuring the graphic tee program, also continued to perform well in our company-operated retail locations, driving high single-digit growth across all tops.

In 2015, we continued to build on the global success of our Live in Levi's® marketing campaign. We allocated more dollars to working media and invested more aggressively in connecting digitally with our consumers.

The Dockers® business represents 10 percent of LS&Co.'s revenues, which is down from 11 percent last year, in part due to the challenging consumer environment. However, we saw continued success with slimmer and stretch styles, and the brand also introduced newness with the Athletic Fit, a 5-pocket pant and Stretch for Performance fabric across a range of styles, including Dockers® Alpha khaki pant.

The Denizen® and Signature by Levi Strauss & Co.™ brands accounted for 5 percent of our total net revenues for the year, which is up from the two prior years. Both brands experienced solid performance with women's product. We also introduced more stretch across our men's collections and launched the Denizen® 231™ Athletic Fit. In all, our strategy to focus on distribution in mass channels in the Americas is working.

**Driving Omni-channel Shopping:** We continue to invest in direct-to-consumer (controlled retail and ecommerce), which continues to drive profitable growth and a solid return on investment. As part of our strategy, we continued to expand our retail presence, adding 91 net new stores in fiscal 2015. At the same time, we made significant enhancements to the online shopping experience as part of our focus to deliver a seamless, personalized and brand-defining shopping experience across all channels and touchpoints. Our direct-to-consumer business grew in the mid-single digits globally on a constant-currency basis, and we have more opportunity ahead as we strive to become a leading omni-channel retailer.

**Global Reach:** The structural economics of our international business are strong, and continuing to drive profitable growth in these markets is key to our long-term strategy. Collectively, Europe and Asia represented 39 percent of our net revenues in 2015. Continuing to drive profitable growth in international markets is key to our long-term strategy.

In Europe, net revenues grew 8 percent in constant dollars, but fell 11 percent on a reported basis. Currency-neutral growth was driven by retail expansion and ongoing robust retail performance, especially in the U.K. and Russia.

In Asia, net revenues were up 8 percent on a constant-currency basis, but were up less than 1 percent on a reported basis. The environment remains promotional, with revenue growth coming from our direct-to-consumer and franchise network, particularly in China and India.

International growth helped off-set declines in our largest region — the Americas — where, excluding currency effects, net revenues declined 3 percent. This is primarily a result of the fiscal year consisting of one fewer week as compared with the prior year, but soft retail conditions in the U.S. also contributed to the decline. This region represents 61 percent of our revenues and growth here is a priority.

**Profits Through Principles:** Levi Strauss & Co. is unique in our commitment to "Profits Through Principles" and our consistent ability to make an outsized impact. This year, we lived our values by continuing to integrate sustainability into every facet of our business, leaving a positive impact on our communities and the industry.

In 2015, we exceeded key targets that benefit our people and planet, reduce cost, mitigate risk and position us for long-term growth. For example, we:

- Continued to increase our use of Better Cotton, up 5 percent over last year.
- Crafted 28 percent of our Levi's® products with Water<Less® innovation.
- Launched clothing recycling in all Levi's® stores in the U.S. and online.
- Expanded our Worker Well-being program to 15 vendors, benefiting more than 64,000 workers.

The best manifestation of Profits Through Principles is the work we do to give back to our communities every year through the Levi Strauss Foundation and Community Affairs. Based on the company's overall financial results, the board approved $9 million to fund charitable activity in 2015. The majority of this, $7 million, was contributed to the Levi Strauss Foundation (LSF) whose mission is to drive pioneering social change in communities where the company has a business presence. In addition, LS&Co. provided approximately $2 million in direct support to organizations effecting positive change around environmental sustainability and equality. For employees, we launched the LS&Co. Service Corps, giving a small cohort of employees an opportunity to visit a Haitian factory, volunteer in the local community and experience our Worker Well-being program first hand.

In 2015, our employees also helped celebrate the 15th anniversary of Community Day — our global day of service — during which we completed 230 projects in 119 cities around the world. To date we have contributed 500,000 hours, given $4.1 million in grants from LSF and completed 1,175 projects for more than 700 organizations through Community Day.

## FISCAL YEAR 2016: ACCELERATING PROFITABLE GROWTH

In fiscal 2016, we'll focus on accelerating profitable growth while continuing to execute against our long-term strategies. Although we expect the environment to remain challenging, we will continue to make strategic investments to fuel our direct-to-consumer expansion and international growth, as well as address some of our biggest opportunities, including the U.S. market and the Dockers® brand. With more than half the company's revenue coming from the U.S., winning here is central to driving our profitable core.

We will increase our advertising investment in the U.S. market in 2016, focusing our marketing muscle to engage our consumers in new ways and combat ongoing consumer traffic softness. Our marketing program got off to a strong start early in 2016 when Super Bowl 50 was played at Levi's® Stadium. The Levi's® brand received tremendous exposure during the game given an average TV viewership of more than 110 million in the U.S., plus the hundreds of millions who watched the game and commented via social media in more than 170 countries around the world. Considering our average annual spend on the Levi's® Stadium partnership is roughly the same as the cost of two 30-second Super Bowl spots and less than 5 percent of our advertising budget, we have been very pleased with the return on our investment. We are at our best when we are at the center of culture, and the Super Bowl was one proud moment for LS&Co.

We're positioned for continued growth in women's given the strong consumer response to the new Levi's® products and the opportunity to have them on the floor for the full year. Expect us to continue to innovate, with more washes and finishes available in upcoming seasons. In Levi's® men's, we believe the trend-right products we have planned for the year will continue to demonstrate the strength of our brand in the category. And we expect our Signature by Levi Strauss & Co.™ and Denizen® products to continue to perform exceptionally well with the value-seeking consumer.

In addition, this year marks the 30th anniversary of the Dockers® brand. This is an opportunity to bring consumers into, and back to, the casual pant category that we created. The Dockers® brand sparked a revolution in the way millions of men dress when it introduced khakis and casual Fridays to the world in the late '80s. This year, the brand continued to build on the attributes that made it famous

while also innovating for the future. We will expand the use of stretch fabrics, put additional emphasis behind our most successful items, and generate consumer awareness and demand through additional marketing campaigns and advertising spend. In the first half of the year, we plan to reset the Dockers® floors, which we expect to contribute to growth in the second half of the year.

At the start of the year we welcomed our new head of global retail, Carrie Ask, and look forward to the impact she will make as we build and enhance our direct-to-consumer capabilities and work to become a leading omni-channel retailer. We expect to strategically expand our retail store footprint with plans to open more than 70 company-operated stores in 2016.

Our goal is to give consumers a seamless shopping experience, and you'll see us continue to invest in global ecommerce and digital capabilities. In addition, we'll continue to invest in both Europe and Asia, where we have established strong footholds and see meaningful potential to continue our international growth.

## LOOKING FORWARD

As I look ahead, I am excited about the significant opportunities we have to accelerate profitable growth, which is a key step towards becoming great again. And as we continue to invest in building new capabilities we expect to see a return on those investments. With two of the most iconic brands in the industry, innovative design and merchandising strategies, world-class supply chain capabilities, and a talented and experienced team, we are well-positioned to take our business to the next level and deliver increased value for all of our stakeholders. We appreciate the continued support of our employees, customers, business partners and shareholders as we embark on the next exciting chapter for LS&Co. I firmly believe that the best is yet to come.

Sincerely,

Chip Bergh
President and Chief Executive Officer

April 13, 2016

New Levi's® Women's Denim Collection

The Levi's® NFL Collection

**Adam Zloto**, a Levi's® merchant who was inspired to create the Levi's® NFL collection: "I'm a big sports fan and recognized a gap in fan apparel. I was inspired to bring my love of sports with my passion for product. And the Levi's® brand was perfectly situated to authentically fill that void, offering our true lifestyle perspective. The team who worked on bringing this collection to life was committed to offering consumers something they couldn't get anywhere else—and in only a way that Levi's® could do. If it weren't for them, true sports fans wouldn't be wearing this awesome product."

**Grant Barth**, chief merchandising officer for the Levi's® brand: "Innovating our iconic products is what I do every day, but I'm especially proud of the work we've done on special collections like the Levi's® Pride collection. We've always stood for equality for all employees and their families, and were the first to offer benefits to LGBT employees. Every year, we want to take a moment to celebrate that with our communities."

Levi's® Sherpa Truckers

## LIVE IN LEVI'S®

Since their invention in 1873, Levi's® jeans have become one of the most recognizable and loved clothing items in the world, capturing the imagination and loyalty of generations of fans. In fiscal year 2015, the Levi's® brand represented 85 percent of the company's total revenues. The Levi's® business has experienced growth this year across major categories and segments—men's, women's, kids, tops, bottoms, and footwear and accessories. Jeans are back on the runway, and denim looks are everywhere. Levi's® jeans continue to transcend trends, with the Levi's® brand firmly at the center of culture and at the top of consumers' minds. The Levi's® brand remains the global jeanswear leader, epitomizing classic American style and effortless cool.

## MADE FOR HIM

The Levi's® brand introduced fits like the 541™ Athletic Fit and the 501® CT—a new twist on an old favorite. Bestselling fits like the 511™ Slim and the original 501® family of jeans continued to thrive, as did collections such as our Commuter™ line. The Levi's® brand's performance shows that we continue to connect with consumers and are gaining momentum as a lifestyle brand. From the perfect button-down shirt to the timeless one-pocket tee, our fans are finding that they don't need to look further than the Levi's® brand to dress their favorite Levi's® jeans up or down for any occasion.

## MADE FOR HER

Since launching the first jeans for women in 1934, the Levi's® brand has been obsessed with creating the perfect pair to celebrate every shape. That passion continued in 2015, with the global launch of an all-new women's denim collection. The Levi's® team traveled the globe, gathering input from women of all backgrounds and tapping into the latest fabric innovations, shaping technologies and world-class finishing techniques. The result is a transformative women's jeans collection rooted in the key fits, styles and details that women love and want. Fits such as the Levi's® 711™ Skinny continue to lead the strong response across markets. The collection was launched with a global campaign that featured 15-time Grammy-winning artist Alicia Keys and appeared across a variety of channels—on television, in movie theaters, in retail outlets, online and on social media. Her message of female strength and optimism resonated around the world, from Shanghai to Chicago.

Karyn Hillman is the woman behind the Levi's® 501® CT jean and the product team that led the new women's denim collection launch in 2015. Karyn believes "there's magic when we pair our authentic roots and heritage with the relevancy and modernity of today while always keeping our consumer top of mind."

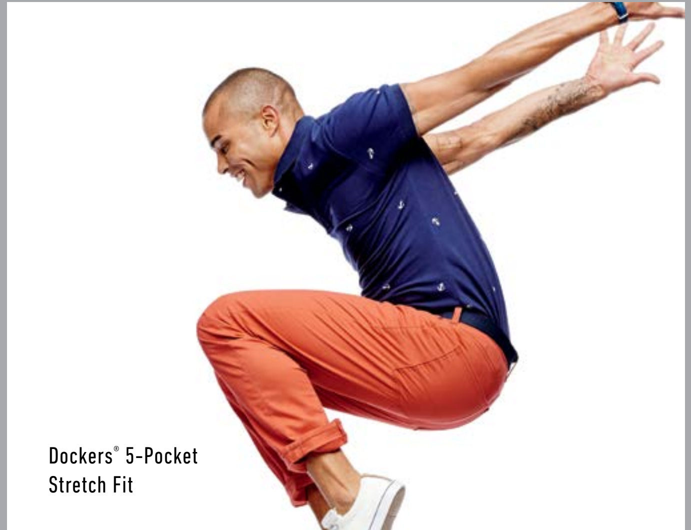
**LEVI'S® JEANS CONTINUE TO TRANSCEND TRENDS, WITH THE LEVI'S® BRAND FIRMLY AT CENTER OF CULTURE AND AT THE TOP OF CONSUMERS' MINDS.**

## AT THE CENTER OF CULTURE

The Levi's® brand has always been at its best when it's at the center of culture—sports, music and entertainment—all of which happen at Levi's® Stadium. Our partnership with the San Francisco 49ers inspired us to create the Levi's® x 49ers Collection, launched in 2014. In 2015, we rolled out the expanded Levi's® NFL Collection, which included six additional teams: the Chicago Bears, Denver Broncos, Green Bay Packers, New England Patriots, New York Giants and New York Jets. And just prior to the 2016 Super Bowl, we announced that the collection will include all 32 NFL teams. All styles give a nod to Levi's® heritage, blending iconic silhouettes with each team's logo, colors and pride—perfect for game day and beyond.

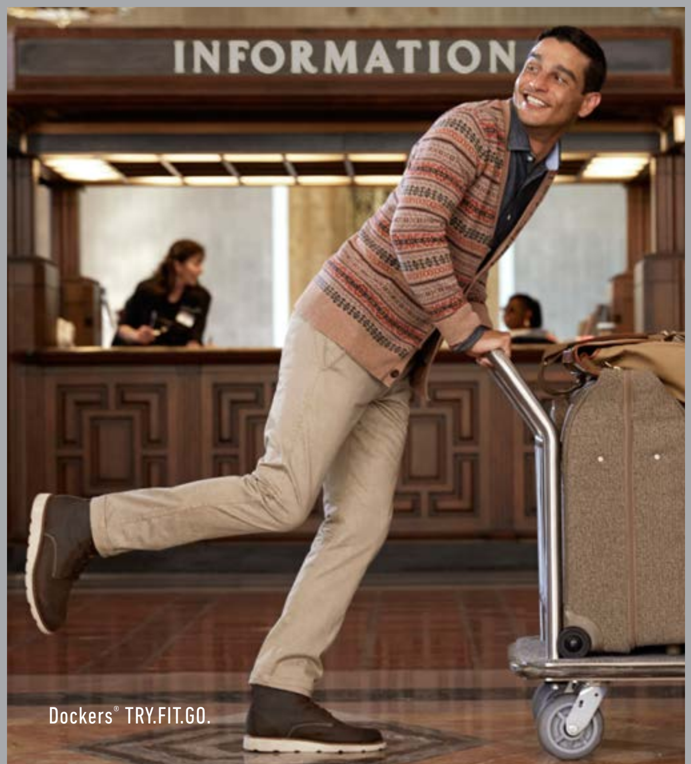
2015 was a big year for the Levi's® brand. We engaged new fans around the world and provided more ways for our fans to express themselves through their favorite head-to-toe Levi's® looks. Whether it's for game day, a first date, a concert or the office, the Levi's® brand is the only choice for those who demand the authentic over fads and fast fashion. **#LiveinLevis.**

Dockers® Signature Best Pressed Fit



Dockers® 5-Pocket Stretch Fit

Dockers® New Alpha Athletic Tapered Fit




Dockers® TRY.FIT.GO.

### YES, THEY'RE DOCKERS®

The Dockers® brand continues to be America's favorite khaki, offering a wide range of apparel and accessories with uncompromising quality and versatile, essential style. In fiscal 2015 the Dockers® brand contributed 10 percent of the company's revenues, down slightly from last year, following our decision to license Dockers® women's products.

First introduced in 1986 in San Francisco, California, this American classic brand has been a cornerstone of menswear for decades, dressing men from head to toe for every occasion. Our thoughtful innovations and attention to detail have always served a purpose, not a trend. An iconic brand for good guys everywhere, Dockers® products are available in more than 50 countries across six continents.

### NEW FITS, STYLES AND STRETCH FOR PERFORMANCE

While the Dockers® brand continues to be the market leader in casual pants, our focus is on providing innovative products to our Dockers® guy globally. We offer the widest range of fits in our category and continue to build on this position by introducing products that meet consumers' needs, such as the new Athletic Fit for our Alpha Khaki. This updated take on the brand's iconic khaki gives guys with a larger build access to the wide selection of colors, prints and fabrications that the Alpha Khaki has to offer.

Because comfort continues to be crucial to our guy, as does looking appropriately dressed for any occasion, the Dockers® brand introduced Stretch for Performance across the Alpha Khaki range, as well as in select styles like the 5-Pocket, Signature, Marina and Pacific pant. Stretch for Performance gives where needed and holds its shape for ultimate style and comfort so the Dockers® guy can look put together while handling whatever life throws his way. Our fits and fabrics are evolving with our guy, who wants an updated, casual look. But his friends and colleagues may be surprised when they hear, "Yes, They're Dockers®!"

Lisa Collier is the leader behind the brand and a merchant by training. "As we celebrate our 30th anniversary, I'm inspired by the irreverent team who noticed the consumer need that led to the creation of a new brand and a new category that forever changed dress codes in corporate America. Then and now, it's key consumer insights that drive us to create fresh and innovative new products around fits and fabrics, all while looking to simplify the shopping experience for consumers."

**WHILE THE DOCKERS® BRAND CONTINUES TO BE THE CATEGORY LEADER, OUR FOCUS IS ON PROVIDING INNOVATIVE PRODUCTS TO OUR DOCKERS® GUY GLOBALLY.**

We know that when our guy tries on Dockers® products, he almost always buys. With our TRY.FIT.GO. program, the Dockers® brand popped up in stores and select airports to encourage shoppers and travelers to check out Stretch for Performance for themselves. Guys on the go from all over the globe had the chance to try on what might become their new favorite pant — cementing continued loyalty from existing consumers and earning the brand new fans everywhere.

### THE 30TH ANNIVERSARY COLLECTION

2016 marks the Dockers® brand's 30th anniversary of providing category-leading products and the accessories to go with them. To celebrate this momentous occasion, we've taken our favorite color — khaki — and developed a range of special edition items. From the double-breasted trench coat to the leather-trimmed weekender bag, our Dockers® 30th Anniversary Collection is a trove of refined menswear classics, designed to take what we're known for to the next level. Find this collection and others on Dockers.com.

From becoming the cornerstone of casual Fridays everywhere to simplifying the transition from casual to smart with reinvented wardrobe essentials, our brand's lasting appeal lies in our ability to constantly translate the needs of our Dockers® guy into innovative, well-made staples for any occasion. We've been doing it for 30 years, and we're excited about the possibilities ahead.

Denizen® Women's
Denim Collection

Denizen® Men's 202™ Athletic Fit

Signature by Levi Strauss & Co.™
Skinny Fit

Signature by Levi Strauss & Co.™
Skinny Fit

The Signature by Levi Strauss & Co.™ brand offers durable, high-quality denim built for the value-minded family, while our Denizen® brand provides well-made jeans in popular fits and washes designed for consumers in search of style and innovation at a great price. The two brands combined accounted for 5 percent of the company's net revenues in 2015, and these brands delivered growth, remaining firm favorites on retail floors thanks to exciting product introductions that struck a chord with shoppers.

The brands are available at more than 5,000 stores across the U.S. and Canada — Denizen® jeans at Target, and Signature by Levi Strauss & Co.™ products at Walmart and other mass channel retailers. This value segment is a growing part of the denim market and an area where we are thriving. The Signature by Levi Strauss & Co.™ and Denizen® brands offer premium-quality fabrics and fits at very competitive prices, proving that great value and great style absolutely can go hand-in-hand.

### FITS SHE LOVES

Both brands saw solid performance in their women's categories in 2015, with fit and fabric flexibility offering her a range of style options for any occasion. Now in its second year, the Signature by Levi Strauss & Co.™ Totally Shaping fit platform continued to receive positive response from consumers. The Denizen® brand's launch of the Essential Stretch Shaping jean in Curvy Skinny and Curvy Bootcut fits was a success with our fans, as was our co-branded promotion with CoverGirl cosmetics at Target stores across the U.S.

## THIS VALUE SEGMENT IS A GROWING PART OF THE DENIM MARKET, AND AN IMPORTANT SEGMENT WHERE WE ARE THRIVING.

### COMFORT AND DURABILITY FOR MEN AND BOYS

For our men's and boys' categories, new launches were all about incorporating greater product comfort and durability — and shoppers took notice. For its young men's products, the Signature by Levi Strauss & Co.™ brand introduced denim that flexes with you.

The Denizen® brand updated its entire men's collection, introducing flexible denim fabric in its premium denim offering with equal success. A particular favorite is the Denizen® 231™ Athletic Fit — a modern, slim jean for a guy who needs more room in the seat and thigh. It's built with comfortable, soft stretch twill fabric in black and khaki and features a secure, hidden tech pocket on the leg. This fit quickly became a hit at Target with consumers who were looking for a stylish solution for every day.

Looking ahead, our Signature by Levi Strauss & Co.™ and Denizen® brands are well-positioned to remain retail favorites. We'll continue to integrate product innovation where it matters, delivering exceptional fit, quality and style — all at prices that consumers love.

Jenifer DeSofi was instrumental in launching both brands. "We saw an untapped opportunity for the company in the value market, and these brands we created have evolved with our consumers. We were among the first to offer super-stretch fabrics with fantastic recovery — which were a hit with women and now, increasingly, with men — as everyone in the family looks for more comfort without compromising style at this value price point."

# INNOVATION

## BRINGING INNOVATION TO LIFE

Innovation to us means products that are inspired by a deep understanding of our consumers' wants and needs, and that are produced with respect for people and the planet. The Eureka Innovation Lab in San Francisco — LS&Co.'s global center for experimentation and invention — is the venue where we explore the world of possibilities. This is where designers and developers test ideas in a rapid-prototyping, small-scale factory environment.

Eureka also serves as a hub for our creative teams to work alongside suppliers to refine existing processes and share best practices, creating breakthroughs we can share across our global sourcing network. We're also integrating sustainable design thinking into every step of the process, partnering with vendors and industry stakeholders to rethink manufacturing so we can create the next generation of stylish, durable and responsibly-produced clothing that our fans live in and love.

Innovation is centered around four strategic pillars that run throughout the organization — from merchandising, design and product innovation to development at Eureka and full-scale manufacturing via our global suppliers. They are:

- **Made for Her.** The new Levi's® women's denim collection is the result of the design team's relentless work on fit, as well as their work with suppliers to develop fabrics with the right amount of stretch. They then meticulously applied finishing details to deliver the perfect jean with an authentic Levi's® look. Advancements in techniques such as laser design, oxidation and ozone "washing" have allowed our designers to create hundreds of shape-enhancing and contouring effects.

Paul Dillinger, who runs global product innovation at LS&Co.: "We're cooking up some pioneering new creations in our 'kitchen' over at Eureka – from new fabrications and advancements in recycling technology to more sustainable chemistry and wearable technology, such as Project Jacquard, a collaboration with Google. We're focused on everything from product enhancements to game-changing, market-leading innovations."

**WE'RE INTEGRATING SUSTAINABLE DESIGN THINKING INTO EVERY STEP OF THE PROCESS... SO WE CAN CREATE THE NEXT GENERATION OF STYLISH, DURABLE AND RESPONSIBLY-PRODUCED CLOTHING THAT OUR FANS LOVE.**

- **Made of Progress.** What began as a pilot within the Dockers® brand to integrate sustainable practices from field to factory expanded to Wellthread® for Levi's® in 2015. The Wellthread® method incorporates a new indigo dye process that uses up to 74 percent less water and leverages our Water<Less® finishing practice. It's also designed to include easily extractable metal sundries, allowing for a pure input into a future-state recycling system of same-cycling or upcycling. Plus, our Levi's® Wellthread® jeans are produced in a facility that's part of our Worker Well-being program. This is just one example of how we think and act around sustainable products that are made of progress.
- **Made for Performance.** Levi's® Commuter™ and Skateboarding collections are thoughtfully designed to perform for the consumer. In the case of Commuter™ products, stylish fit and function are paramount, and for Skateboarding our focus is on durable style.
- **Made Better.** Our products are designed with quality craftsmanship. We are continually creating new styles while reimagining our icons with fits and finishes that will delight the consumer generation after generation.

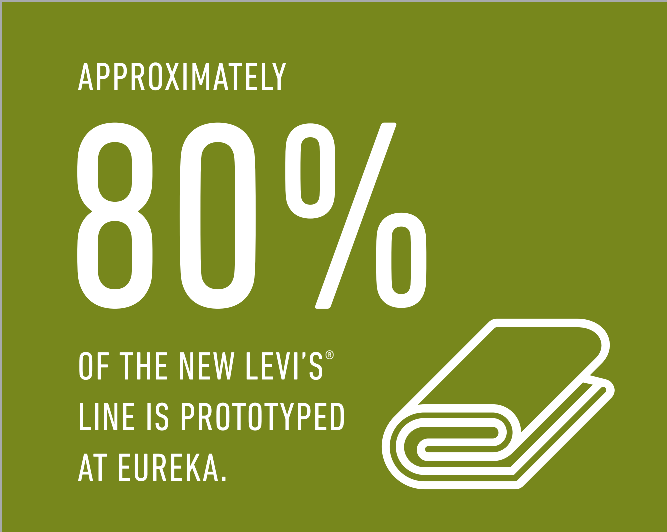
## MEANINGFUL INNOVATION IS IN OUR JEANS

By applying sustainable design principles at the very start of a collection's creation, we're able to seamlessly bring together style, function and a reduced environmental footprint — and to engage all necessary stakeholders with a clear and compelling end goal. We're proud to say that the innovations coming out of Eureka not only benefit our LS&Co. collections but also have the potential to positively impact the apparel industry as a whole.

We take extensive care in how we make our products, and we want our consumers to know that they can trust LS&Co. to do what's right over what's easy. And we consistently see that where we lead, others follow.

Levi's® WellThread® Collection

Levi's® New Women's Denim Collection



Levi's® Water<Less®

# SUSTAINABILITY

### HOW WE MAKE OUR PRODUCTS IS AS IMPORTANT AS WHAT WE MAKE

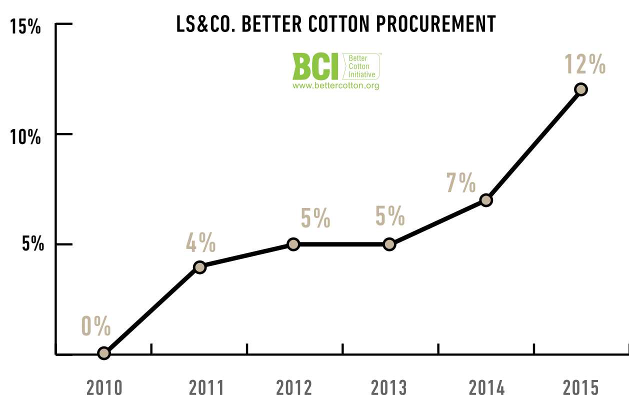
At Levi Strauss & Co., we're obsessed with creating the best products on the planet. We're also obsessed with making clothing with integrity. And because our clothing is produced in many corners of the globe, we hold our supply chain partners to the highest standards. We take a lot of pride in how we approach sustainability, working with our vendors to lead the industry on initiatives that protect the environment and to invest in the people who make our products.

Our lifecycle assessment (LCA), which tracks the environmental footprint of our products, serves as the scientific foundation for driving smart, sustainable business decisions. This lifecycle assessment enables us to focus our broader sustainability efforts in the following five key areas to support long-term business growth, productivity, cost stabilization, risk mitigation and resilience in a resource-constrained context:

1. Cultivating sustainable fibers
2. Scaling sustainable products
3. Investing in Worker Well-being
4. Curbing carbon pollution
5. Developing a next-generation supply chain and business model for a circular economy

### CULTIVATING SUSTAINABLE FIBERS

Consumers expect product integrity from LS&Co. at every step of the process, and for us, it all starts with cotton. Today, cotton makes up over 95 percent of our product content, and our LCA revealed that 68 percent of the water used in the lifecycle of a pair of jeans comes from cotton cultivation.[1]




## CONSUMERS EXPECT PRODUCT INTEGRITY FROM LS&CO. AT EVERY STEP OF THE PROCESS.

That's why we support the Better Cotton Initiative, which trains farmers on practices that reduce water and chemical consumption while increasing yield and profitability. Our lifecycle study affirmed that water is the most critical natural resource for our business to thrive, and our work with the Better Cotton Initiative helps scale water savings rapidly.

Since 2010, Better Cotton has grown from zero percent of the global cotton market to 11 percent in 2015. As a founding member of the initiative, LS&Co. continues to be a driving force behind its expansion. In 2015, we outpaced the overall market, sourcing more than 12 percent of the cotton we use from the Better Cotton Initiative, up from 7 percent in 2014. With a rapidly growing population, a shifting global climate and finite agricultural acreage, we must drive a more sustainable cotton system. Our work with the Better Cotton Initiative supports this necessary shift.

### SCALING SUSTAINABLE PRODUCTS

Consumers expect companies to push boundaries and pioneer the next generation of responsibly made products. As such, we're focused on driving more sustainable design and scaling up innovation to generate a positive impact for our industry as a whole.

We source products from some of the most water-stressed regions on the planet — like Pakistan, China and Mexico — so we're integrating water-saving approaches throughout our supply chain, including designing our new products with Water<Less® innovation and expanding adoption of Water<less® techniques among our many global vendors.

Since launching the first Water<Less® products in 2011, we've continued to scale the program, and today 28 percent of all Levi's® products are made with Water<Less® processes. Overall, we've made more than 100 million Water<Less® products, saving more than 1 billion liters of water. Consumers also play an important role since roughly 23 percent of the water consumed during the life of a pair of jeans happens after purchase. To help shift consumer behavior, we created our Care Tag for the Planet, which outlines the most sustainable way to care for your jeans: wash less, wash cold and line dry.

1. See LS&Co. lifecycle assessment

As part of our water conservation efforts, we're going beyond what's required by government regulations to establish additional standards and practices for cleaner, safer chemistry. For instance, to reduce water pollution, we're collaborating with leading brands as part of the Roadmap to Zero Discharge of Hazardous Chemicals. Here's a look at some of the other steps we've taken in chemical management:

| Year | Step |
|---|---|
| 1994 | Became the first in the apparel industry to set stringent Global Effluent Requirements. |
| 2002 | Became one of the first companies in the industry to establish a Restricted Substances List (RSL), restricting certain chemicals due to their potential impact on consumers, workers and the environment. |
| 2015 | • Established a Manufacturing Restricted Substances List (MRSL) to guide our suppliers on chemical management to protect both workers and the environment.<br>• Launched an industry-leading Screened Chemistry program, which examines the health and environmental impacts of chemicals to identify safer alternatives and areas for innovation.<br>• Eliminated the use of perfluorinated compounds (PFCs) in the production of our products. |

## INVESTING IN WORKER WELL-BEING

In 1991, Levi Strauss & Co. led the industry with its Terms of Engagement, the industry's first comprehensive code of conduct for manufacturing partners. Today, complying with basic standards is crucial, but not enough. We aim to raise the bar, deepening worker engagement and well-being at the factories where our products are made.

A key way we do that is through our Worker Well-being initiative, which is a collaborative effort with our vendors. We survey workers to identify their most critical needs and tailor the program to address the topics they care about most, such as women's health or financial planning. So far our Worker Well-being initiative has benefited more than 64,000 workers in 10 countries, and nearly 40 percent of our volume in 2015 was produced in factories with Worker Well-being programs. In fact, participating in the Worker Well-being initiative is now a requirement to be a key strategic supplier for LS&Co. Manufacturers are not only improving the lives of their workers but also generating up to $4 in productivity benefits for every $1 invested in some cases, making a compelling business case for investing in the welfare and well-being of workers.[2]

2015 also marked the launch of the LS&Co. Service Corps. For a week, a small group of employees traveled to a factory in Haiti to experience firsthand the impact our Worker Well-being program has had on the lives of our workers and their families. Due to its success, we're expanding the program in 2016.

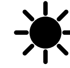
**Liz O'Neill,** who leads product development and sourcing, shares her perspective: "In the past, there was the sourcing world, where products were produced with attention to cost and quality, and a sustainability world, where apparel companies were monitoring human rights and environmental regulation. In recent years, those two worlds have become completely interconnected. Together with our suppliers, we have rolled out the Worker Well-being initiative to 15 of our vendor partners across the globe. We have taken the stance that if we're doing something good, we should be looking to scale it across the supply chain —not just within the LS&Co. supplier community, but across the industry."

2. BSR HERproject, 2011

Workers in Haiti identified access to clean water and personal finance education as priority areas that could improve their lives. Now, workers are spreading simple water purifying techniques throughout their community and investing in solar powered lamps, which save a month's salary in lighting costs over the life of the lamp.

Throughout 2015, we voiced our support of state, federal and international efforts to reduce carbon pollution.

We supported California Senate Bill 350 to increase energy efficiency and renewable energy in our home state.

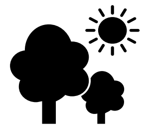


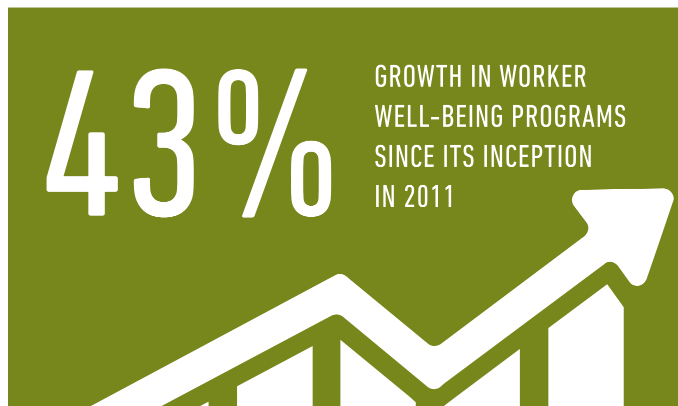
We backed the U.S. Environmental Protection Agency's Clean Power Plan.

We joined the White House's American Business Act on Climate Pledge in advance of the United Nations Conference of the Parties (COP21) in Paris.

We partnered with the World Wildlife Fund and dozens of other companies on the Business Backs Low-Carbon USA statement, an advertisement in the *Wall Street Journal* expressing support for a strong global climate agreement.

Our CEO, Chip Bergh, joined heads of several other apparel companies to urge global leaders to reach a strong global climate agreement at COP21.

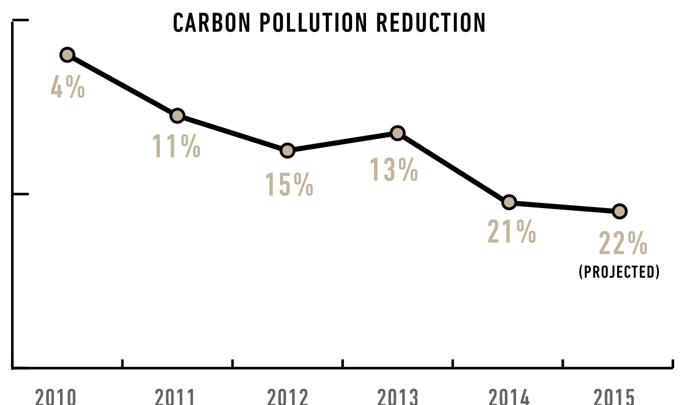





We're also doing our part to minimize our emissions and maximize energy efficiency and renewable energy in our operations. Our distribution center in Henderson, Nevada, became the first warehouse in the apparel industry—and the largest in the world—to earn Platinum status for its Leadership in Energy and Environmental Design (LEED) among existing buildings. Smarter energy and water efficiency upgrades at our distribution center were part of our projected 22 percent carbon pollution reduction since 2007.

### CURBING CARBON POLLUTION

We recognize that our climate is changing and that these changes bring challenges to the apparel sector's supply chain. Much of the world's cotton is sourced from water-stressed regions. We have the opportunity to act on this important issue, and that's why we've actively advocated for meaningful climate and energy policy.



## DEVELOPING A NEXT-GENERATION SUPPLY CHAIN AND BUSINESS MODEL FOR A CIRCULAR ECONOMY

We are the antithesis of fast fashion. For more than 140 years, Levi Strauss & Co. products have been built to last. In addition to creating durable products, we're also committed to doing more than our fair share to help consumers understand the importance of recycling.

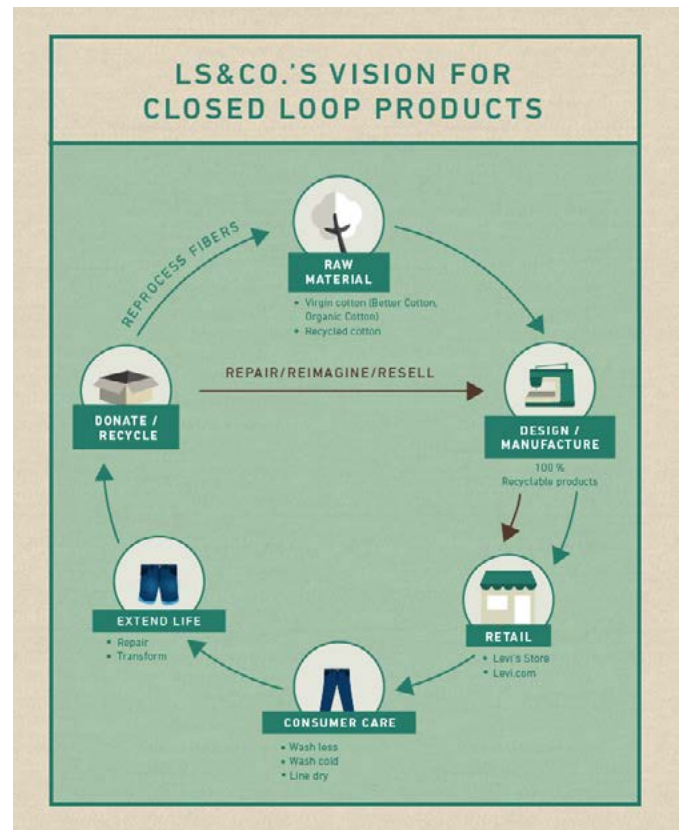
Teams at LS&Co. are working hard to identify new technologies and processes to create a more circular economy, one in which the mantra of restore, repurpose and recycle becomes commonplace among consumers. We want the lifecycle of a pair of jeans to no longer end at the landfill but rather begin anew and preserve resources along the way.

This year, in partnership with I:CO, we introduced a clothing recycling program in all Levi's® mainline and outlet stores in the U.S., helping to shift consumer behavior to treat worn textiles like bottles, cans and paper.

We also launched an online program with Goodwill® in the U.S. that allows visitors to Levi.com and Dockers.com to print a free shipping label they can use to send clothing they no longer want to their local Goodwill® store.

As part of the company's vision to lengthen the lifespan of our durable products, the Levi's® brand launched its partnership with RE/DONE, which gives previously worn Levi's® products a second life. Products like these represent a step forward in contributing directly to the massive second-hand economy that already exists for Levi's® jeans.

Everyone can play a part to help divert some of the 24 billion pounds of clothing, shoes and textiles that Americans add to landfills every year. The more consumers recycle clothing, the more opportunity the industry will have to create an endless loop for a pair of jeans.



Community Day 2015

Levi's® Rookie Playmakers

**Daniel Lee**, who leads the Levi Strauss Foundation, talks about their inspiration for giving: "Because our company's leadership is always in tune with the needs of the community, LSF often was an early mover in supporting issues even before they inspired fully formed movements, such as HIV/AIDS, racial equality and helping low-income families save for their future. We support those on the front lines of this epidemic that continues to be driven by stigma and discrimination, especially in emerging markets where our business is growing."

IN 2015, WE GAVE

**$9M**

**(4.3% OF OUR NET INCOME)**

TO FUND CHARITABLE ACTIVITIES

A Red Tab Foundation assistance recipient at work

# PROFITS THROUGH PRINCIPLES

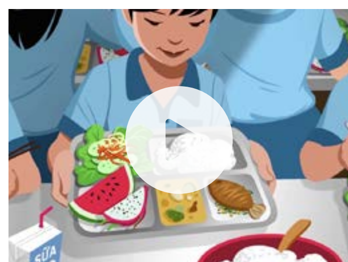
**DRIVEN BY OUR PURPOSE**

At LS&Co., we've long been driven by our purpose, taking a stand on important social issues even when it wasn't the easiest or most popular course. Throughout the years, our leaders and employees have stood shoulder-to-shoulder to make a difference in the world and help some of society's most marginalized groups. And this was a momentous year for taking a stance on the important issues of our time, a key win being the historic U.S. Supreme Court decision on marriage equality.

Founded more than 60 years ago, the Levi Strauss Foundation (LSF) has long supported organizations working on the frontiers of change to advance equality, workers' rights and well-being, and the fight against HIV/AIDS. In 2015, LSF was focused on launching a new class of Pioneers in Justice (Pioneers 2020) — a hometown initiative that supports next-generation leaders at the leading edge of change in the social justice sector — and supporting LS&Co.'s Worker Well-being program. LSF reached an important milestone in 2015, contributing $300 million in cumulative grants to organizations around the globe since its inception in 1952.

To us, giving back is about more than just funding. Our Community Affairs program engages nonprofits and change-makers tackling the most critical environmental and social issues of our time. Our partnerships enable global leaders and our employees to make an outsized impact on the world and advance our mission of profits through principles. This year, LS&Co.:

- Partnered with Project WET to train hundreds of LS&Co. employees around the world on a water conservation curriculum, which they delivered to nearly 1,000 schoolchildren globally.
- Awarded 20 seed grants to youth leaders tackling environmental issues around the globe through our partnership with the Pollination Project.
- Aligned with the Super Bowl 50 Host Committee to create the Levi's® Rookie Playmaker Program, awarding five young leaders with a $10,000 grant to their community organization and a VIP game-day experience at Levi's® Stadium.



**EDUCATING APPAREL WORKERS ABOUT PROPER NUTRITION**

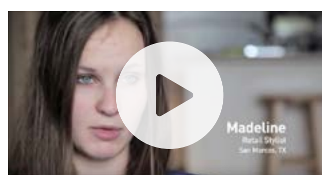
Good nutrition is a basic building block for a happy, healthy and productive life. Recognizing an opportunity to help apparel workers understand the connection between diet and health, Better Work Vietnam recently created an educational video on the topic with support from the Levi Strauss Foundation.

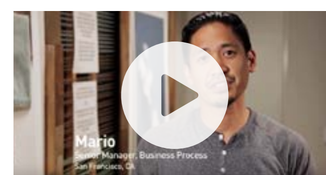
But nothing shows the power of LS&Co. employees more than our annual Community Day. This year marked the 15th anniversary, and to commemorate this milestone we focused our global efforts on water — completing around 200 projects in 119 cities around the world. Over the 15 years that we've held Community Day, we have given 500,000 hours, provided $4.1 million in community grants from the Levi Strauss Foundation and completed 1,175 projects for more than 700 community organizations.

Helping the world around us is important, but sometimes the needs are much closer to home: our own employees. LS&Co. is one of only a few companies with a nonprofit foundation designed to help employees and retirees in need. The Red Tab Foundation (RTF), originally established by an LS&Co. employee named Jerry O'Shea, assisted 850 employees, retirees and scholars and disbursed more than $1 million in direct aid in 2015.

In addition to helping employees and retirees in their time of need, RTF is developing new ways to help employees prepare for the unexpected. This year, RTF piloted Red Tab Savers, a matched-savings program for employees at select retail stores and distribution centers. It is designed to encourage regular savings habits that ultimately lead to improved financial security and confidence. Based on its early success — the program inspired initial participants to save thousands — RTF will expand Red Tab Savers to new markets in the coming year.

RTF also raised a record number of donations from employees to help fund those programs — demonstrating RTF's motto of "employees helping employees" in action. Here are a few of our favorite stories this year.



## BOARD OF DIRECTORS*

**STEPHEN C. NEAL (1)**
Chairman of the Board of Directors of Levi Strauss & Co.
Chairman of the law firm Cooley LLP

**CHARLES V. (CHIP) BERGH**
President and Chief Executive Officer of Levi Strauss & Co.

**TROY ALSTEAD (2,4)**
Formerly Chief Operating Officer of Starbucks Corporation

**JILL BERAUD (3,4)**
Chief Executive Officer of Ippolita (Seno Jewelry)

**ROBERT A. ECKERT (1,2)**
Operating Partner at Friedman Flesicher & Lowe LLC and former
Chairman of the Board and Chief Executive Officer of Mattel, Inc.

**SPENCER C. FLEISCHER (3,4)**
Co-Founder, Co-CEO and President of Friedman Fleischer & Lowe LLC

**MIRIAM L. HAAS (1,3)**
President, Mimi and Peter Haas Fund

**PETER E. HAAS JR. (1,2)**
President, Red Tab Foundation

**JENNY MING (4)**
President and Chief Executive Officer, Charlotte Russe, Inc.

**PATRICIA SALAS PINEDA (1,2)**
Group Vice President, Hispanic Business Strategy for
Toyota Motor North America, Inc.

## EXECUTIVE LEADERSHIP TEAM*

**CARRIE ASK**
Executive Vice President and President, Global Retail

**ROY BAGATTINI**
Executive Vice President and President, Asia, Middle East and Africa

**CHIP BERGH**
President and Chief Executive Officer

**LISA COLLIER**
Executive Vice President and President, Global Dockers® Brand

**JAMES CURLEIGH**
Executive Vice President and President, Global Levi's® Brand

**SETH ELLISON**
Executive Vice President and President, Europe

**SETH JAFFE**
Senior Vice President and General Counsel

**DAVID LOVE**
Executive Vice President and Chief Supply Chain Officer

**KELLY McGINNIS**
Senior Vice President and Chief Communications Officer

**MARC ROSEN**
Executive Vice President and President, Global Ecommerce

**HARMIT SINGH**
Executive Vice President and Chief Financial Officer

**ELIZABETH WOOD**
Senior Vice President and Chief Human Resources Officer

**COMMITTEE KEY**

1 Nominating, Governance and Corporate Citizenship Committee
2 Human Resources Committee
3 Finance Committee
4 Audit Committee

*As of April 13, 2016

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# FORM 10-K

## LEVI STRAUSS & CO - N/A

**Filed: February 11, 2016 (period: November 29, 2015)**

Annual report with a comprehensive overview of the company

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# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-K

(Mark One)

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

**or**

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

**For the Fiscal Year Ended November 29, 2015**

**Commission file number: 002-90139**

# LEVI STRAUSS & CO.

*(Exact Name of Registrant as Specified in Its Charter)*

| **DELAWARE** | **94-0905160** |
|---|---|
| *(State or Other Jurisdiction of Incorporation or Organization)* | *(I.R.S. Employer Identification No.)* |

**1155 Battery Street, San Francisco, California 94111**

*(Address of Principal Executive Offices) (Zip Code)*

**(415) 501-6000**

**(Registrant's Telephone Number, Including Area Code)**

**Securities registered pursuant to Section 12(b) of the Act: None**

**Securities registered pursuant to Section 12(g) of the Act: None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

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 ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer or a smaller reporting company. See definition of "Large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

| Large accelerated filer ☐ | Accelerated filer ☐ | Non-accelerated filer ☑ | Smaller reporting company ☐ |
|---|---|---|---|
| | | (Do not check if a smaller reporting company) | |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☑

The Company is privately held. Nearly all of its common equity is owned by descendants of the family of the Company's founder, Levi Strauss, and their relatives. There is no trading in the common equity and therefore an aggregate market value based on sales or bid and asked prices is not determinable.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock $.01 par value — 37,460,145 shares outstanding on February 8, 2016

**Documents incorporated by reference: None**

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**LEVI STRAUSS & CO.**

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# PART I

## Item 1. *BUSINESS*

### Overview

From our California Gold Rush beginnings, we have grown into one of the world's largest brand-name apparel companies. A history of responsible business practices, rooted in our core values, has helped us build our brands and engender consumer trust around the world. Under our Levi's®, Dockers®, Signature by Levi Strauss & Co.™ and Denizen® brands, we design, market and sell – directly or through third parties and licensees – products that include jeans, casual and dress pants, tops, shorts, skirts, jackets, footwear, and related accessories for men, women and children around the world.

***An Authentic American Icon***

Our Levi's® brand has become one of the most widely recognized brands in the history of the apparel industry. Its broad distribution reflects the brand's appeal across consumers of all ages and lifestyles. Its merchandising and marketing reflect the brand's core attributes: authentic, courageous, confident, effortless, connected and purposeful.

Our Dockers® brand offers an alternative to suit dressing in the form of the American staple – the khaki pant. The Dockers® brand has evolved around the world as a market leader in the casual pant category, while also providing tops and accessories to complete a head-to-toe offering.

***Our Global Reach***

Our products are sold in more than 110 countries, grouped into three geographic regions: Americas, Europe and Asia. We support our brands throughout these regions through a global infrastructure, developing, sourcing and marketing our products around the world. Although our brands are recognized as authentically "American," we derive approximately half of our net revenues from outside the United States. A summary of financial information for each geographical region, which comprise our three reporting segments, is found in Note 20 to our audited consolidated financial statements included in this report. As a global company with sales and operations in foreign countries, we are subject to risks of doing business in foreign countries. See "Item 1A – Risk Factors", specifically "Risks Relating to Our Industry – *Our business is subject to risks associated with sourcing and manufacturing overseas*" and "Risks Relating to Our Business – *We are a global company with significant revenues and earnings generated internationally, which exposes us to political and economic risks as well as the impact of foreign currency fluctuations*".

Our products are sold in approximately 50,000 retail locations worldwide, including approximately 2,800 retail stores, both franchised and company-operated, and shop-in-shops dedicated to our brands. We distribute our Levi's® and Dockers® products primarily through chain retailers and department stores in the United States and primarily through department stores, specialty retailers, franchised or other brand-dedicated stores and shop-in-shops outside of the United States. Levi's® and Dockers® products are also sold through our brand-dedicated company-operated retail stores and through the ecommerce sites we operate, as well as the ecommerce sites operated by certain of our key wholesale customers and other third parties. We distribute Signature by Levi Strauss & Co.™ and Denizen® brand products primarily through mass channel retailers in the Americas.

Levi Strauss & Co. was founded in San Francisco, California, in 1853 and incorporated in Delaware in 1971. We conduct our operations outside the United States through foreign subsidiaries owned directly or indirectly by Levi Strauss & Co. We have headquarter offices in San Francisco, Brussels and Singapore. Our corporate offices are located at Levi's Plaza, 1155 Battery Street, San Francisco, California 94111, and our main telephone number is (415) 501-6000.

Our common stock is primarily owned by descendants of the family of Levi Strauss and their relatives.

Our website – www.levistrauss.com – contains additional and detailed information about our history, our products and our commitments. Financial news and reports and related information about our company can be found at http://levistrauss.com/investors/financial-news. Information contained on our website is not incorporated by reference into this Annual Report on Form 10-K.



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***Our Business Strategies***

Our goal is to generate and sustain profitable growth over the long term in order to significantly improve the value of the enterprise. The management team is focused on four key strategies to achieve this goal:

- *Drive the profitable core businesses*. Our core businesses represent the greatest value on a brand, geographic, customer or business-segment basis. These include our men's bottoms business for the Levi's® brand globally and the Dockers® brand in the United States, including our iconic 501® jean and Dockers® khaki pant. We also consider our key international markets of France, Germany, Mexico and the United Kingdom, as well as key wholesale accounts globally, to be vital elements of our long-term growth strategies. We manage collaborative relationships with these wholesale accounts to focus on customer support, marketing planning, and inventory levels, in order to achieve mutual commercial success.
- *Expand the reach of our brands and build a more balanced portfolio*. We believe we have opportunities to grow our two largest brands through new or expanded product categories, consumer segments and geographic markets. We are building upon our iconic brands, including our innovative design and marketing expertise, to deepen our connection with consumers and expand the reach and appeal of our brands globally. For example, we believe we can better serve the female consumer, and that there are significant opportunities in tops, outerwear and accessories. We also believe opportunities remain to expand in emerging and underpenetrated geographic markets, including China, India, Russia and Brazil.
- *Become a world-class omni-channel retailer*. We will continue to expand our consumer reach in brand-dedicated stores globally, including making selective investments in additional company-operated stores, dedicated ecommerce sites, franchisee and other dedicated store models. We believe these brand-dedicated stores represent an attractive opportunity to establish incremental distribution and sales, as well as to showcase the full breadth of our product offerings and deliver a consistent brand experience to the consumer.
- *Improve our cost structure to achieve operational excellence*. We are focused on operational excellence to improve our long-term profitable growth, including stabilizing the work we have outsourced while delivering the anticipated financial savings, reducing our controllable cost structure and driving efficiencies by streamlining our product development, planning, and go-to-market strategies, implementing efficiencies across retail, supply chain and distribution networks and continuing to pursue practices that result in greater cost efficiencies. We will continue to balance our pursuit of improved organizational agility and marketplace responsiveness with our ongoing cost management efforts to improve the structural economics of the company.

**Our Brands and Products**

We offer a broad range of products, including jeans, casual and dress pants, tops, shorts, skirts, jackets, footwear and related accessories. Across all of our brands, pants – including jeans, casual pants and dress pants – represented approximately 81%, 82% and 85% of our total units sold in fiscal years 2015, 2014 and 2013, respectively. Men's products generated approximately 77%, 77% and 78% of our total net sales in fiscal years 2015, 2014 and 2013, respectively.

***Levi's® Brand***

The Levi's® brand epitomizes classic American style and effortless cool and is positioned as the authentic, original and definitive jeanswear brand. Since their inception in 1873, Levi's® jeans have become one of the most recognizable garments in the world – reflecting the aspirations and earning the loyalty of people for generations. Consumers around the world instantly recognize the distinctive traits of Levi's® jeans – the double arc of stitching, known as the Arcuate Stitching Design, and the Red Tab Device, a fabric tab stitched into the back right pocket. The Levi's® brand continues to evolve to meet the tastes of today's consumers, driven by its distinctive pioneering and innovative spirit. Our range of leading jeanswear and accessories for men, women and children is available in more than 110 countries, allowing individuals around the world to express their personal style.

The Levi's® brand encompasses a range of products. Levi's® Red Tab™ products are the foundation of the brand, consisting of a wide spectrum of jeans and jeanswear offered in a variety of fits, fabrics, finishes, styles and price points intended to appeal to a broad spectrum of consumers. The line includes the iconic 501® jean, the original and best-selling five-pocket jean of all time. The line also incorporates a full range of jeanswear fits and styles designed specifically for women. Sales of Red Tab™ products represented the majority of our Levi's® brand net sales in all three of our regions in fiscal years 2015, 2014 and 2013. We also offer premium products around the world including a range of premium pants, tops, shorts, skirts, jackets, footwear, and related accessories.

Our Levi's® brand products accounted for approximately 85%, 85% and 84% of our total net sales in fiscal years 2015, 2014 and 2013, respectively, approximately half of which were generated in our Americas region.



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***Dockers® Brand***

Founded in 1986, the Dockers® brand sparked a revolution in the way millions of men dressed around the world, shifting from the standard issue suit to a more casual look. 30 years later, the Dockers® brand continues to embody the spirit of khakis and define business casual. Since its introduction, the brand has focused on men's khakis and the essential goods to go with them.

Our Dockers® brand products accounted for approximately 10%, 11% and 12% of our total net sales in fiscal years 2015, 2014 and 2013, respectively. Although the substantial majority of these net sales were in the Americas region, Dockers® brand products are sold in more than 50 countries.

***Signature by Levi Strauss & Co.™ Brand and Denizen® Brand***

In addition to our Levi's® and Dockers® brands, we offer two brands focused on consumers who seek high-quality and fashionable jeanswear at a value price. We offer denim jeans, casual pants, tops and jackets in a variety of fits, fabrics and finishes for men, women and kids under the Signature by Levi Strauss & Co.™ brand through the mass retail channel in the United States and Canada. The Denizen® brand was introduced in Target stores in the United States starting in 2011, and includes a variety of jeans to complement active lifestyles and to empower consumers to express their aspirations, individuality and attitudes at a value price point.

Signature by Levi Strauss & Co.™ brand and Denizen® brand products accounted for approximately 5% of our total net sales in fiscal year 2015, and 4% of our total net sales in each of fiscal years 2014 and 2013.

**Licensing**

The appeal of our brands across consumer groups and our global reach enable us to license our Levi's® and Dockers® trademarks for a variety of product categories in multiple markets in each of our regions, including footwear, belts, wallets and bags, outerwear, sweaters, dress shirts, kidswear, sleepwear and hosiery. We also license our Signature by Levi Strauss & Co.™ and our Denizen® trademarks in various markets for certain product categories.

In addition to product category licenses, we enter into regional license agreements with third parties to produce, market and distribute our products in several countries around the world, including various Latin American, Middle Eastern and Asia Pacific countries. Licensing accounted for approximately 2% of our total net revenues in each of fiscal years 2015, 2014 and 2013.

We enter into licensing agreements with our licensees covering royalty payments, product design and manufacturing standards, marketing and sale of licensed products, and protection of our trademarks. We require our licensees to comply with our code of conduct for contract manufacturing and engage independent monitors to perform regular on-site inspections and assessments of production facilities.

**Sales, Distribution and Customers**

We distribute our products through a wide variety of retail formats around the world, including chain and department stores, franchise stores and shop-in-shops dedicated to our brands, our own company-operated retail network, multi-brand specialty stores, mass channel retailers, and both company-operated and retailer ecommerce sites.

***Multi-brand Retailers***

We seek to make our products available where consumers shop, including offering products and related assortments that are appropriately tailored for our wholesale customers and their retail consumers. Our products are also sold through authorized third-party ecommerce sites. Sales to our top ten wholesale customers accounted for approximately 31% of our total net revenues in each of fiscal years 2015, 2014 and 2013. No customer represented 10% or more of net revenues in any of these years. The loss of any major wholesale customer could have a material adverse effect on one or more of our segments or on the company as a whole.

***Dedicated Stores***

We believe retail stores dedicated to our brands are important for the growth, visibility, availability and commercial success of our brands, and they are an increasingly important part of our strategy for expanding distribution of our products. Our brand-dedicated stores are either operated by us or by independent third parties such as franchisees. In addition to the dedicated stores, we maintain brand-dedicated ecommerce sites that sell products directly to consumers.



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*Company-operated retail stores*. Our company-operated ecommerce sites and retail stores, including both mainline and outlet stores, generated approximately 26%, 25% and 22% of our net revenues in fiscal 2015, 2014 and 2013, respectively. As of November 29, 2015, we had 656 company-operated stores, predominantly Levi's® stores, located in 31 countries across our three regions. We had 228 stores in the Americas, 249 stores in Europe and 179 stores in Asia. During 2015, we added 124 company-operated stores and closed 33 stores.

*Franchised and other stores*. Franchised, licensed, or other forms of brand-dedicated stores operated by independent third parties sell Levi's® and Dockers® products in markets outside the United States. There were approximately 1,200 of these stores as of November 29, 2015, and they are a key element of our international distribution. In addition to these stores, we consider our network of dedicated shop-in-shops, which are located within department stores and may be either operated directly by us or third parties, to be an important component of our retail distribution in international markets. Outside of the United States, approximately 400 dedicated shop-in-shops were operated directly by us and approximately 500 were operated by third parties as of November 29, 2015.

**Seasonality of Sales**

We typically achieve our largest quarterly revenues in the fourth quarter, reflecting the "holiday" season. In fiscal 2015, our net revenues in the first, second, third and fourth quarters represented 23%, 23% 25% and 29%, respectively, of our total net revenues for the year. In fiscal 2014, our net revenues in the first, second, third and fourth quarters represented 24%, 23%, 24% and 29%, respectively, of our total net revenues for the year.

Our fiscal year ends on the last Sunday of November in each year, although the fiscal years of certain foreign subsidiaries end on November 30. Fiscal 2015 and 2013 were 52-week years, ending on November 29, 2015, and November 24, 2013 respectively. Fiscal 2014 was a 53-week year ending on November 30, 2014. Each quarter of fiscal years 2015, 2014 and 2013 consisted of 13 weeks, with the exception of the fourth quarter of fiscal 2014, which consisted of 14 weeks.

**Marketing and Promotion**

Our marketing is rooted in globally consistent brand messages that reflect the unique attributes of our brands, including the Levi's® brand as the authentic and original jeanswear brand and the Dockers® brand as the definitive khaki. We support our brands with a diverse mix of marketing initiatives to drive consumer demand, such as through social media and digital and mobile outlets, sponsorships, product placement in leading fashion magazines and with celebrities, television and radio advertisements, personal sponsorships and endorsements, on-the-ground efforts such as street-level events and similar targeted "viral" marketing activities.

We also use our websites, www.levi.com, www.dockers.com, www.levistrausssignature.com, and www.denizen.com, in relevant markets to enhance consumer understanding of our brands and help consumers find and buy our products.

**Sourcing and Logistics**

*Organization*. Our global sourcing and logistics organizations are responsible for taking a product from the design concept stage through production to delivery to our customers. Our objective is to leverage our global scale to achieve product development and sourcing efficiencies and reduce total product and distribution costs while maintaining our focus on product quality, local service levels and working capital management.

*Product procurement*. We source nearly all of our products through independent contract manufacturers. The remainder are sourced from our company-operated manufacturing and finishing plants. See "Item 2 – Properties" for more information about those manufacturing facilities.

*Sources and availability of raw materials*. The principal fabrics used in our products include cotton, blends, synthetics and wools. The prices we pay our suppliers for our products are dependent in part on the market price for raw materials used to produce them, primarily cotton. The price and availability of cotton may fluctuate substantially, depending on a variety of factors. The price fluctuations impact the cost of our products in future seasons due to the lead time of our product development cycle. Fluctuations in product costs can cause a decrease in our profitability if product pricing actions taken in response are insufficient or if those actions cause our wholesale customers or retail consumers to reduce the volumes they purchase.

*Sourcing locations*. We use numerous independent contract manufacturers located throughout the world for the production and finishing of our garments. We conduct assessments of political, social, economic, trade, labor and intellectual property protection conditions in the countries in which we source our products before placing production in those countries and on an ongoing basis.



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In 2015, we sourced products from contractors located in approximately 30 countries around the world. We sourced products in North and South Asia, South and Central America (including Mexico and the Caribbean), Europe and Africa. No single country accounted for more than 20% of our sourcing in 2015.

*Sourcing practices*. Our sourcing practices include these elements:

- We require all third-party contractors and subcontractors who manufacture or finish products for us to comply with our code of conduct relating to supplier working conditions as well as environmental, employment and sourcing practices. We also require our licensees to ensure that their manufacturers comply with our requirements.
- Our code of conduct covers employment practices such as wages and benefits, working hours, health and safety, working age and discriminatory practices, environmental matters such as wastewater treatment and solid waste disposal, and ethical and legal conduct.
- We regularly assess manufacturing and finishing facilities through periodic on-site facility inspections and improvement activities, including use of independent monitors to supplement our internal staff. We integrate review and performance results into our sourcing decisions.

We disclose the names and locations of our contract manufacturers to encourage collaboration among apparel companies in factory monitoring and improvement. We regularly evaluate and refine our code of conduct processes.

*Logistics*. We operate dedicated distribution centers in a number of countries. For more information, see "Item 2 – Properties." Distribution center activities include receiving finished goods from our contractors and plants, inspecting those products, preparing them for retail presentation, and shipping them to our customers and to our own stores. Our distribution centers maintain a combination of replenishment and seasonal inventory. In certain locations around the globe, we have consolidated our distribution centers to service multiple countries. In addition, we outsource some of our logistics activities to third-party logistics providers.

**Competition**

The global apparel industry is highly competitive and fragmented. It is characterized by low barriers to entry, brands targeted at specific consumer segments, many regional and local competitors, and an increasing number of global competitors. Principal competitive factors include:

- anticipating and responding to changing consumer demands and apparel trends in a timely manner;
- developing high-quality, innovative products with relevant designs, fits, finishes, fabrics, style and performance features that meet consumer desires;
- maintaining favorable and strong brand name recognition and appeal through strong and effective best-in-class marketing support and intelligence in diverse market segments;
- securing desirable retail locations and presenting products effectively at company-operated retail and franchised and other brand-dedicated stores;
- ensuring product availability at wholesale and direct-to-consumer channels, and at franchised and other brand-dedicated stores;
- optimizing supply chain cost efficiencies and product development cycle lead times;
- delivering compelling value for the price of our products in diverse market segments; and
- generating competitive economics for wholesale customers, including retailers, franchisees, and distributors.

We face competition from a broad range of competitors at the global, regional and local levels in diverse channels across a wide range of retail price points, and some of our competitors are larger and have more resources than we do in the markets in which we operate. Our primary competitors include vertically integrated specialty stores, jeanswear brands, khakiwear brands, athletic wear companies, retailers' private or exclusive labels, and certain ecommerce sites. For more information on the factors affecting our competitive position, see "Item 1A – Risk Factors."



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### Trademarks

We have more than 5,000 trademark registrations and pending applications in approximately 180 jurisdictions worldwide, and we acquire rights in new trademarks according to business needs. Substantially all of our global trademarks are owned by Levi Strauss & Co., the parent and U.S. operating company. We regard our trademarks as our most valuable assets and believe they have substantial value in the marketing of our products. The Levi's®, Dockers® and 501® trademarks, the Arcuate Stitching Design, the Tab Device, the Two Horse ® Design, the Housemark and the Wings and Anchor Design are among our core trademarks.

We protect these trademarks by registering them with the U.S. Patent and Trademark Office and with governmental agencies in other countries, particularly where our products are manufactured or sold. We work vigorously to enforce and protect our trademark rights by engaging in regular market reviews, helping local law enforcement authorities detect and prosecute counterfeiters, issuing cease-and-desist letters against third parties infringing or denigrating our trademarks, opposing registration of infringing trademarks, and initiating litigation as necessary. We currently are pursuing approximately 400 infringement matters around the world. We also work with trade groups and industry participants seeking to strengthen laws relating to the protection of intellectual property rights in markets around the world.

### Employees

As of November 29, 2015, we employed approximately 12,500 people, approximately 5,700 of whom were located in the Americas, 3,700 in Europe, and 3,100 in Asia. Approximately 1,900 of our employees were associated with the manufacturing and procurement of our products, 5,900 worked in retail, including seasonal employees, 1,300 worked in distribution and 3,400 were other non-production employees.

### History and Corporate Citizenship

Our history and longevity are unique in the apparel industry. Our commitment to quality, innovation and corporate citizenship began with our founder, Levi Strauss, who infused the business with the principle of responsible commercial success that has been embedded in our business practices throughout our more than 160-year history. This mixture of history, quality, innovation and corporate citizenship contributes to the iconic reputations of our brands.

In 1853, during the California Gold Rush, Mr. Strauss opened a wholesale dry goods business in San Francisco that became known as “Levi Strauss & Co.” Seeing a need for work pants that could hold up under rough conditions, he and Jacob Davis, a tailor, created the first jean. In 1873, they received a U.S. patent for “waist overalls” with metal rivets at points of strain. The first product line designated by the lot number “501” was created in 1890.

In the $19^{th}$ and early $20^{th}$ centuries, our work pants were worn primarily by cowboys, miners and other working men in the western United States. Then, in 1934, we introduced our first jeans for women, and after World War II, our jeans began to appeal to a wider market. By the 1960s, they had become a symbol of American culture, representing a unique blend of history and youth. We opened our export and international businesses in the 1950s and 1960s. In 1986, we introduced the Dockers® brand of casual apparel which revolutionized the concept of business casual.

Throughout this long history, we have upheld our strong belief that we can help shape society through civic engagement and community involvement, responsible labor and workplace practices, philanthropy, ethical conduct, environmental stewardship and transparency. We have engaged in a “profits through principles” business approach from the earliest years of the business. Among our milestone initiatives over the years, we integrated our factories two decades prior to the U.S. civil rights movement and federally mandated desegregation, we developed a comprehensive supplier code of conduct requiring safe and healthy working conditions among our suppliers (a first of its kind for a multinational apparel company), and we offered full medical benefits to domestic partners of employees prior to other companies of our size, a practice that is widely accepted today.

## Item 1A. *RISK FACTORS*

### Risks Relating to the Industry in Which We Compete

***Our revenues are influenced by economic conditions that impact consumer spending.***

Apparel is a cyclical industry that is dependent upon the overall level of consumer spending. Consumer purchases of discretionary items, including our products, generally decline during periods when disposable income is adversely affected or there is economic uncertainty. Our wholesale customers anticipate and respond to adverse changes in economic conditions and uncertainty by reducing inventories, canceling orders or increasing promotional activity. Our brand-dedicated stores are also affected by these conditions which may lead to a decline in consumer traffic and spending in these stores. As a result, factors that diminish consumer spending and confidence in any of the markets in which we compete, particularly deterioration in general



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economic conditions, the impact of foreign exchange fluctuations on tourism and tourist spending, volatility in investment returns, fear of unemployment, increases in energy costs or interest rates, housing market downturns, fear about and impact of pandemic illness, and other factors such as acts of war, natural disasters or terrorist or political events that impact consumer confidence, could reduce our sales and adversely affect our business and financial condition through their impact on our wholesale customers as well as their direct impact on us. These outcomes and behaviors have in the past, and may continue to, adversely affect our business and financial condition.

***Intense competition in the global apparel industry could lead to reduced sales and prices.***

We face a variety of competitive challenges in the global apparel industry from a variety of jeanswear and casual apparel companies, and competition has increased over the years due to factors such as the international expansion and increased presence of vertically integrated specialty stores; expansion into ecommerce by existing and new competitors; the proliferation of private labels and exclusive brands offered by department stores, chain stores and mass channel retailers; the introduction of jeans and casual apparel by well-known and successful athletic wear companies; and the movement of apparel companies who traditionally relied on wholesale distribution channels into their own retail distribution network. Some of these competitors have greater financial and marketing resources than we do and may be able to adapt to changes in consumer preferences or retail requirements more quickly, devote greater resources to the building and sustaining of their brand equity and the marketing and sale of their products both in stores and online. In addition, some of these competitors may be able to achieve lower product costs or adopt more aggressive pricing and discounting policies than we can. As a result, we may not be able to compete as effectively with them and may not be able to maintain or grow the demand for our products. These evolving competitive factors could reduce our sales and adversely affect our business and financial condition.

***The success of our business depends upon our ability to offer on-trend and updated products at attractive price points.***

The global apparel industry is characterized by ever-changing fashion trends and consumer preferences and by the rapid replication of new products by competitors. As a result, our success depends in large part on our ability to develop, market and deliver innovative and stylish products at a pace, intensity, and price competitive with other brands in the markets in which we sell our products. In addition, we must create products at a range of price points that appeal to the consumers of both our wholesale customers and our dedicated retail stores situated in each of our diverse geographic regions. Our development and production cycles take place prior to full visibility into all of these factors for the coming seasons. Failure on our part to forecast consumer demand and market conditions and to regularly and rapidly develop innovative and stylish products and update core products could limit sales growth, adversely affect retail and consumer acceptance of our products, negatively impact the consumer traffic in our dedicated retail stores, and leave us with a substantial amount of unsold inventory which we may be forced to sell at discounted prices, all of which may adversely affect our gross margin, and impair the image of our brands on a local, regional and global level. Moreover, our newer products may not produce as high a gross margin as our traditional products and thus may have an adverse effect on our overall margins and profitability.

***The global apparel industry is subject to intense pricing pressure.***

The apparel market is characterized by low barriers to entry for both suppliers and marketers, global sourcing through suppliers located throughout the world, trade liberalization, continuing movement of product sourcing to lower cost countries, and the ongoing emergence of new competitors with widely varying strategies and resources. These factors have contributed, and may continue to contribute, to intense pricing pressure and uncertainty throughout the supply chain. Pricing pressure has been exacerbated by the variability of raw materials in recent years. This pressure could have the following effects:

- result in reduced gross margins across our product lines;
- increase retailer demands for allowances, incentives and other forms of economic support; and
- increase pressure on us to reduce our production costs and our operating expenses.

Any of these factors could adversely affect our business and financial condition.

***Increases in the price of raw materials could increase our cost of goods and negatively impact our financial results.***

The principal fabrics used in our products include cotton, blends, synthetics and wools. The prices we pay our suppliers for our products are dependent in part on the market price for raw materials used to produce them, primarily cotton. The price and availability of cotton may fluctuate substantially, depending on a variety of factors, including demand, acreage devoted to cotton crops and crop yields, weather, supply conditions, transportation costs, energy prices, work stoppages, government regulation and government policy, economic climates, market speculation and other unpredictable factors. Any and all of these factors may be exacerbated by global climate change. Cotton prices suffered from unprecedented variability and uncertainty in prior years and may fluctuate significantly again in the future. Increases in raw material costs, unless sufficiently offset by our pricing actions,



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may cause a decrease in our profitability and negatively impact our sales volume. These factors may also have an adverse impact on our cash and working capital needs as well as those of our suppliers.

***Our business is subject to risks associated with sourcing and manufacturing overseas.***

We import both raw materials and finished garments into all of our operating regions. Our ability to import products in a timely and cost-effective manner may be affected by conditions at ports or issues that otherwise affect transportation and warehousing providers, such as port and shipping capacity, labor disputes and work stoppages, political unrest, severe weather, or security requirements in the United States and other countries. These issues could delay importation of products or require us to locate alternative ports or warehousing providers to avoid disruption to our customers. These alternatives may not be available on short notice or could result in higher transportation costs, which could have an adverse impact on our business and financial condition, specifically our gross margin and overall profitability.

Substantially all of our import operations are subject to customs and tax requirements as well as trade regulations, such as tariffs and quotas set by governments through mutual agreements or bilateral actions. In addition, the countries in which our products are manufactured or imported may from time to time impose additional quotas, duties, tariffs or other restrictions on our imports or adversely modify existing restrictions. Adverse changes in these import costs and restrictions, or our suppliers' failure to comply with customs regulations or similar laws, could harm our business.

Our operations are also subject to the effects of international trade agreements and regulations that impose requirements that could adversely affect our business, such as setting quotas on products that may be imported from a particular country into our key markets such as the United States or the European Union.

**Risks Relating to Our Business**

***We depend on a group of key wholesale customers for a significant portion of our revenues. A significant adverse change in a customer relationship or in a customer's performance or financial position could harm our business and financial condition.***

Sales to our top ten wholesale customers accounted for approximately 31% of our total net revenues in each of fiscal years 2015, 2014 and 2013. No customer represented 10% or more of net revenues in any of these years. While we have long-standing relationships with our wholesale customers, we do not have long-term contracts with them. As a result, purchases generally occur on an order-by-order basis, and the relationship, as well as particular orders, can generally be terminated by either party at any time. If any major wholesale customer decreases or ceases its purchases from us, reduces the floor space, assortments, fixtures or advertising for our products or changes its manner of doing business with us for any reason, such actions could adversely affect our business and financial condition. In addition, a decline in the performance or financial condition of a major wholesale customer – including bankruptcy or liquidation – could result in a material loss of revenues to us and cause us to limit or discontinue business with that customer, require us to assume more credit risk relating to our receivables from that customer or limit our ability to collect amounts related to previous purchases by that customer, all of which could in turn adversely affect our own business and financial condition.

The retail industry in the United States has experienced substantial consolidation over the last decade, and further consolidation may occur. Consolidation in the retail industry typically results in store closures, centralized purchasing decisions, and increased emphasis by retailers on inventory management and productivity. In addition, we and other suppliers may experience increased customer leverage over us and greater exposure to credit risk as a result of industry consolidation. Any of the foregoing results can impact, and have adversely impacted in the past, our net revenues, margins and ability to operate efficiently.



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***We face risks arising from the restructuring of our operations and uncertainty with respect to our ability to achieve the estimated cost savings.***

In 2014, we announced and began to implement our global productivity initiative designed to streamline operations and fuel long-term profitable growth. Future charges related to the global productivity initiative may harm our profitability in the periods incurred. Additionally, if we incur unexpected charges related to the global productivity initiative, our financial condition and results of operations may suffer.

Implementation of the global productivity initiative presents a number of significant risks, including:

- actual or perceived disruption of service or reduction in service levels to wholesale customers and retail consumers;
- potential adverse effects on our internal control environment and inability to preserve adequate internal controls relating to our general and administrative functions in connection with the decision to outsource certain business service activities;
- actual or perceived disruption to suppliers, distribution networks and other important operational relationships and the inability to resolve potential conflicts in a timely manner;
- diversion of management attention from ongoing business activities and strategic objectives; and
- failure to maintain employee morale and retain key employees.

Because of these and other factors, such as the implementation delays we have experienced with our outsourcing of certain global business service activities, we cannot predict whether we will fully realize the purpose and anticipated operational benefits or cost savings of the global productivity initiative and, if we do not, our business and results of operations may be adversely affected. Furthermore, if we experience adverse changes to our business, additional restructuring or reorganization activities may be required in the future.

***We may be unable to maintain or increase our sales through our primary distribution channels.***

In the United States, chain stores and department stores are the primary distribution channels for our Levi's® and Dockers® products. Outside the United States, department stores and independent jeanswear retailers have traditionally been our primary distribution channels.

We may be unable to maintain or increase sales of our products through these distribution channels for several reasons, including the following:

- the retailers in these channels maintain – and seek to grow – substantial private-label and exclusive offerings as they strive to differentiate the brands and products they offer from those of their competitors;
- these retailers may also change their apparel strategies in a way that shifts focus away from our typical consumer or that otherwise results in a reduction of sales of our products generally, a reduction of fixture spaces or purchases of brands misaligned with their strategic requirements;
- other channels, including vertically integrated specialty stores, account for a substantial portion of jeanswear and casual wear sales. In some of our mature markets, these stores have already placed competitive pressure on our primary distribution channels, and many of these stores are now looking to our developing markets to grow their business; or
- shrinking points of distribution, inclusive of fewer doors at our customer locations or bankruptcy of a customer.

Further success by retailer private-labels and vertically integrated specialty stores may continue to adversely affect the sales of our products across all channels, as well as the profitability of our brand-dedicated stores. Additionally, our ability to secure or maintain retail floor space, market share and sales in these channels depends on our ability to offer differentiated products and to increase retailer profitability on our products, which could have an adverse impact on our margins.



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***We are a global company with significant revenues and earnings generated internationally, which exposes us to political and economic risks as well as the impact of foreign currency fluctuations.***

A significant portion of our revenues and earnings are generated internationally. In addition, a substantial amount of our products come from sources outside of the country of distribution. As a result, we are subject to the risks of doing business outside of the United States, including:

- currency fluctuations, which have impacted our results of operations significantly in recent years;
- political, economic and social instability;
- changes in tariffs and taxes;
- regulatory restrictions on repatriating foreign funds back to the United States; and
- less protective foreign laws relating to intellectual property.

The functional currency for most of our foreign operations is the applicable local currency. As a result, fluctuations in foreign currency exchange rates affect the results of our operations and the value of our foreign assets and liabilities, including debt, which in turn may adversely affect results of operations and cash flows and the comparability of period-to-period results of operations. Changes in currency exchange rates may also affect the relative prices at which we and foreign competitors sell products in the same market. Foreign policies and actions regarding currency valuation could result in actions by the United States and other countries to offset the effects of such fluctuations. Given the unpredictability and volatility of foreign currency exchange rates, ongoing or unusual volatility may adversely impact our business and financial conditions.

Furthermore, due to our global operations, we are subject to numerous domestic and foreign laws and regulations affecting our business, such as those related to labor, employment, worker health and safety, antitrust and competition, environmental protection, consumer protection, import/export, and anti-corruption, including but not limited to the Foreign Corrupt Practices Act which prohibits giving anything of value intended to influence the awarding of government contracts. Although we have put into place policies and procedures aimed at ensuring legal and regulatory compliance, our employees, subcontractors and agents could take actions that violate these requirements. Violations of these regulations could subject us to criminal or civil enforcement actions, any of which could have a material adverse effect on our business.

As a global company, we are exposed to risks of doing business in foreign jurisdictions and risks relating to U.S. policy with respect to companies doing business in foreign jurisdictions. Legislation or other changes in the U.S. tax laws could increase our U.S. income tax liability and adversely affect our after-tax profitability. For example, U.S. lawmakers are considering several U.S. corporate tax reform proposals, including, among others, proposals which could reduce or eliminate U.S. income tax deferrals on unrepatriated foreign earnings and eliminate tax incentives in exchange for a lower U.S. statutory tax rate.

***If we encounter problems with distribution, our ability to deliver our products to market could be adversely affected.***

We rely on company-owned and third-party distribution facilities to warehouse and ship products to our wholesale customers, retail stores and ecommerce consumers. We are focused on executional excellence, including improving productivity, reducing our controllable cost structure and driving efficiencies through our global supply chain. As part of the pursuit for improved organizational agility and marketplace responsiveness, we have consolidated the number of distribution facilities we rely upon and continue to look for opportunities for further consolidation in certain regions. Such consolidation may make our operations more vulnerable to interruptions in the event of work stoppages, labor disputes, earthquakes, floods, fires or other natural disasters affecting our company-owned and third-party distribution centers. In addition, distribution capacity is dependent on the timely performance of services by third parties, including the transportation of products to and from their distribution facilities. If we encounter problems with our distribution system whether company-owned or third-party, our ability to meet wholesale customer and ecommerce consumer expectations, manage inventory, complete sales and achieve operating efficiencies could be adversely affected.

Our distribution system includes computer-controlled and automated equipment, which may be subject to a number of risks related to security or computer viruses, the proper operation of software and hardware, power interruptions or other system failures. While these risks cannot be completely eliminated, we have implemented various maintenance programs and contingency plans and also work with our suppliers to mitigate these risks at both our company-owned and third-party distribution facilities.

***Our efforts to expand our retail business may not be successful, which could impact our operating results.***

One of our key strategic priorities is to become a world-class omni-channel retailer by expanding our consumer reach in brand-dedicated stores globally, including making selective investments in company-operated stores, dedicated ecommerce sites, franchisee and other dedicated store models. In many locations, we face major, established retail competitors who may be able to better attract customers and execute their retail strategies. In addition, a retail operating model involves substantial investments in equipment and property, information systems, inventory and personnel. Due to the high fixed-cost structure associated with



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these investments, a decline in sales or the closure of or poor performance of stores could result in significant costs and impacts to our margins. Our ability to grow our retail channel also depends on the availability of real estate that meets our criteria for traffic, square footage, demographics, and other factors. Failure to identify and secure adequate new locations, or failure to effectively manage the profitability of the fleet of stores, could have a material adverse effect on our results of operations.

***If we are unable to effectively execute our ecommerce business our reputation and operating results may be harmed.***

While still comprising a small portion of our net revenues, ecommerce has been our fastest growing business over the last several years. The success of our ecommerce business depends, in part, on third parties and factors over which we have limited control, including changing consumer preferences and buying trends relating to ecommerce usage, both domestically and abroad, as well as promotional or other advertising initiatives employed by our wholesale customers or other third parties on their ecommerce sites.

We are also vulnerable to certain additional risks and uncertainties associated with our ecommerce sites, including: changes in required technology interfaces; website downtime and other technical failures; costs and technical issues from website software upgrades; computer viruses; and changes in applicable federal and state regulations. In addition, we must keep up to date with competitive technology trends, including the use of new or improved technology, creative user interfaces and other ecommerce marketing tools such as paid search and mobile applications, among others, which may increase our costs and which may not succeed in increasing sales or attracting consumers. Our failure to successfully respond to these risks and uncertainties might adversely affect the sales in our ecommerce business, as well as damage our reputation and brands.

Additionally, the success of our ecommerce business and the satisfaction of our consumers depends on their timely receipt of our products. The efficient flow of our products requires that our company-operated and third-party operated distribution facilities have adequate capacity to support the current level of ecommerce operations and any anticipated increased levels that may follow from the growth of our ecommerce business. If we encounter difficulties with our distribution facilities or in our relationships with the third parties who operate the facilities, or if any facilities were to shut down for any reason, including as a result of fire or other natural disaster, we could face shortages of inventory, resulting in "out of stock" conditions in the ecommerce sites we operate, those operated by our wholesale customers or other third parties, incur significantly higher costs and longer lead times associated with distributing our products to our consumers and experience dissatisfaction from our consumers. Any of these issues could have a material adverse effect on our business and harm our reputation.

***Any major disruption or failure of our information technology systems could adversely affect our business and operations.***

We rely on various information technology systems, owned by us and third parties, to manage our operations. Over the last several years, we have been and continue to implement modifications and upgrades to our systems, including making changes to legacy systems, replacing legacy systems with successor systems with new functionality and acquiring new systems with new functionality. These types of activities subject us to inherent costs and risks associated with replacing and changing these systems, including impairment of our ability to fulfill customer orders, potential disruption of our internal control structure, substantial capital expenditures, additional administration and operating expenses, retention of sufficiently skilled personnel to implement and operate the new systems, demands on management time, and other risks and costs of delays or difficulties in transitioning to new systems or of integrating new systems into our current systems. Our system implementations may not result in productivity improvements at a level that outweighs the costs of implementation, or at all. In addition, the difficulties with implementing new technology systems may cause disruptions in our business operations and have an adverse effect on our business and operations, if not anticipated and appropriately mitigated.

***As we outsource functions, we become more dependent on the entities performing those functions. Disruptions or delays at our third-party service providers could adversely impact our operations.***

As part of our long-term profitable growth strategy, we are continually looking for opportunities to provide essential business services in a more cost-effective manner. In some cases, this requires the outsourcing of functions or parts of functions that can be performed more effectively by external service providers. In 2014, we entered into an agreement with Wipro Limited to outsource certain information technology operations, and certain finance, human resource, consumer relations and customer service functions. While we believe we conduct appropriate diligence before entering into agreements with the outsourcing entity, the failure of one or more entities to meet our performance standards and expectations, including with respect to data security, provide them on a timely basis or to provide them at the prices we expect may have a material adverse effect on our results of operations or financial condition. In addition, we could face increased costs associated with finding replacement vendors or hiring new employees in order to return these services in-house. We may outsource other functions in the future, which would increase our reliance on third parties.



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***We face cybersecurity risks and may incur increasing costs in an effort to minimize those risks.***

We utilize systems and websites that allow for the secure storage and transmission of proprietary or confidential information regarding our customers, employees, and others, including credit card information and personal identification information. As evidenced by companies who have recently suffered serious security breaches, we may be vulnerable to, and unable to anticipate or detect data security breaches and data loss, including rapidly evolving and increasingly sophisticated cybersecurity attacks. In addition, data and security breaches can also occur as a result of a breach by us or our employees or by persons with whom we have commercial relationships that result in the unauthorized release of personal or confidential information. In addition to our own databases, we use third-party service providers to store, process and transmit confidential or sensitive information on our behalf. Although we contractually require these service providers to implement and use reasonable security measures, we cannot control third parties and cannot guarantee that a security breach will not occur in the future either at their location or within their systems.

A security breach may expose us to a risk of loss or misuse of this information, and could result in significant costs to us, which may include, among others, potential liabilities to payment card networks for reimbursement of credit card fraud and card reissuance costs, including fines and penalties, potential liabilities from governmental or third-party investigations, proceedings or litigation and diversion of management attention. We could also experience delays or interruptions in our ability to function in the normal course of business, including delays in the fulfillment or cancellation of customer orders or disruptions in the manufacture and shipment of products. In addition, actual or anticipated attacks may cause us to incur costs, including costs to deploy additional personnel and protection technologies, train employees, and engage third-party experts and consultants. Any compromise or breach of our security could result in a violation of applicable privacy and other laws, significant legal and financial exposure, and a loss of confidence in our security measures, which could have an adverse effect on our results of operations and our reputation.

In addition, the regulatory environment surrounding information security and privacy is increasingly demanding, with frequent imposition of new and changing requirements. Compliance with changes in privacy and information security laws and standards may result in significant expense due to increased investment in technology and the development of new operational processes.

***We currently rely on contract manufacturing of our products. Our inability to secure production sources meeting our quality, cost, working conditions and other requirements, or failures by our contractors to perform, could harm our sales, service levels and reputation.***

We source approximately 97% of our products from independent contract manufacturers who purchase fabric and make our products and may also provide us with design and development services. As a result, we must locate and secure production capacity. We depend on independent manufacturers to maintain adequate financial resources, including access to sufficient credit, secure a sufficient supply of raw materials, and maintain sufficient development and manufacturing capacity in an environment characterized by continuing cost pressure and demands for product innovation and speed-to-market. In addition, we currently do not have any material long-term contracts with any of our independent manufacturers. Under our current arrangements with our independent manufacturers, these manufacturers generally may unilaterally terminate their relationship with us at any time. Finally, while we have historically worked with numerous manufacturers, in the past several years we have begun consolidating the number of independent manufacturers from which we source our products. Reliance on a fewer number of independent manufacturers involves risk and any difficulties or failures to perform by our independent contract manufacturers could cause delays in product shipments or otherwise negatively affect our results of operations.

Our dependence on contract manufacturing could subject us to difficulty in obtaining timely delivery of products of acceptable quality. For example, a contractor's failure to ship products to us in a timely manner or to meet our quality standards, or interference with our ability to receive shipments due to factors such as port or transportation conditions, could cause us to miss the delivery date requirements of our customers. Failing to make timely deliveries may cause our customers to cancel orders, refuse to accept deliveries, impose non-compliance charges, demand reduced prices, or reduce future orders, any of which could harm our sales and margins.

We require contract manufacturers to meet our standards in terms of working conditions, environmental protection, raw materials, security and other matters before we are willing to place business with them. As such, we may not be able to obtain the lowest-cost production. In addition, the labor and business practices of apparel manufacturers have received increased attention from the media, non-governmental organizations, consumers and governmental agencies in recent years. Any failure by our independent manufacturers to adhere to labor or other laws or appropriate labor or business practices, and the potential litigation, negative publicity and political pressure relating to any of these events, could harm our business and reputation.



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***Our suppliers may be impacted by economic conditions and cycles and changing laws and regulatory requirements which could impact their ability to do business with us or cause us to terminate our relationship with them and require us to find replacements, which we may have difficulty doing.***

Our suppliers are subject to the fluctuations in general economic cycles, and global economic conditions may impact their ability to operate their business. They may also be impacted by the increasing costs of raw materials, labor and distribution, resulting in demands for less attractive contract terms or an inability for them to meet our requirements or conduct their own businesses. The performance and financial condition of a supplier may cause us to alter our business terms or to cease doing business with a particular supplier, or change our sourcing practices generally, which could in turn adversely affect our own business and financial condition.

Regulatory developments such as the use of "conflict" minerals mined from the Democratic Republic of Congo and adjoining countries could affect the sourcing and availability of raw materials used by our suppliers in the manufacturing of certain of our products. We have been and may continue to be subject to costs associated with regulations, including for the diligence pertaining to the presence of any conflict minerals used in our products and the cost of remediation and other changes to products, processes, or sources of supply as a consequence of such verification activities. The impact of the regulations may result in a limited pool of suppliers who provide conflict free metals, and we cannot assure you that we will be able to obtain products in sufficient quantities or at competitive prices. Also, because our supply chain is complex, we may face reputational challenges with our consumers and other stakeholders if we are unable to sufficiently verify the origins for all metals used in the products that we sell.

***If one or more of our counterparty financial institutions default on their obligations to us, we may incur significant losses.***

As part of our hedging activities, we enter into transactions involving derivative financial instruments, which may include forward contracts, commodity futures contracts, option contracts, collars and swaps, with various financial institutions. In addition, we have significant amounts of cash, cash equivalents and other investments on deposit or in accounts with banks or other financial institutions in the United States and abroad. As a result, we are exposed to the risk of default by or failure of counterparty financial institutions. The risk of counterparty default or failure may be heightened during economic downturns and periods of uncertainty in the financial markets. If one of our counterparties were to become insolvent or file for bankruptcy, our ability to recover losses incurred as a result of default or our assets that are deposited or held in accounts with such counterparty may be limited by the counterparty's liquidity or the applicable laws governing the insolvency or bankruptcy proceedings. In the event of default or failure of one or more of our counterparties, we could incur significant losses, which could negatively impact our results of operations and financial condition.

***The loss of members of the Company's executive management and other key employees could harm our business.***

Our future success depends in part on the continued service of our executive management team and other key employees, and the loss of the services of any key individual could harm our business. Our future success depends, in part, on our ability to recruit, retain and motivate our employees sufficiently, both to maintain our current business and to execute our strategic initiatives. Competition for experienced and well-qualified employees in our industry is particularly intense in many of the places where we do business, and we may not be successful in attracting and retaining such personnel.

***Most of the employees in our production and distribution facilities are covered by collective bargaining agreements, and any material job actions could negatively affect our results of operations.***

In North America, most of our distribution employees are covered by various collective bargaining agreements, and outside North America, most of our production and distribution employees are covered by either industry-sponsored and/or government-sponsored collective bargaining mechanisms. Any work stoppages or other job actions by these employees could harm our business and reputation.

***Our licensees may not comply with our product quality, manufacturing standards, marketing and other requirements which could negatively affect our reputation and business.***

We license our trademarks to third parties for manufacturing, marketing and distribution of various products. While we enter into comprehensive agreements with our licensees covering product design, product quality, sourcing, manufacturing, marketing and other requirements, our licensees may not comply fully with those agreements. Non-compliance could include marketing products under our brand names that do not meet our quality and other requirements or engaging in manufacturing practices that do not meet our supplier code of conduct. These activities could harm our brand equity, our reputation and our business.



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***Our success depends on the continued protection of our trademarks and other proprietary intellectual property rights.***

Our trademarks and other intellectual property rights are important to our success and competitive position, and the loss of or inability to enforce trademark and other proprietary intellectual property rights could harm our business. We devote substantial resources to the establishment and protection of our trademark and other proprietary intellectual property rights on a global basis. Our efforts to establish and protect our trademark and other proprietary intellectual property rights may not be adequate to prevent imitation of our products by others or to prevent others from seeking to block sales of our products. Unauthorized copying of our products or unauthorized use of our trademarks or other proprietary rights may not only erode sales of our products but may also cause significant reputational harm to our brand names and our ability to effectively represent ourselves to our customers, contractors, suppliers and/or licensees. Moreover, others may seek to assert rights in, or ownership of, our trademarks and other intellectual property, including through civil and/or criminal prosecution. We may not be able to successfully resolve those claims, which may result in financial liability and criminal penalties. In addition, the laws and enforcement mechanisms of some foreign countries may not allow us to protect our proprietary rights to the same extent as we are able to in the United States and other countries.

***We have substantial liabilities and cash requirements associated with postretirement benefits, pension and our deferred compensation plans.***

Our postretirement benefits, pension, and our deferred compensation plans result in substantial liabilities on our balance sheet. These plans and activities have and will generate substantial cash requirements for us, and these requirements may increase beyond our expectations in future years based on changing market conditions. The difference between plan obligations and assets, or the funded status of the plans, is a significant factor in determining the net periodic benefit costs of our pension plans and the ongoing funding requirements of those plans. Many variables, such as changes in interest rates, mortality rates, health care costs, investment returns, and/or the market value of plan assets can affect the funded status of our defined benefit pension, other postretirement, and postemployment benefit plans and cause volatility in the net periodic benefit cost and future funding requirements of the plans. Plan liabilities may impair our liquidity, have an unfavorable impact on our ability to obtain financing and place us at a competitive disadvantage compared to some of our competitors who do not have such liabilities and cash requirements.

***Natural disasters, public health crisis, political crisis, and other catastrophic events or other events outside of our control may damage our facilities or the facilities of third parties on which we depend, and could impact consumer spending.***

Our global headquarters and the headquarters of our Americas region are both located in California near major geologic faults that have experienced earthquakes in the past. An earthquake or other natural disaster or the loss of power caused by power shortages could disrupt operations or impair critical systems. Any of these disruptions or other events outside of our control could affect our business negatively, harming our operating results. In addition, if any of our facilities, including our manufacturing, finishing or distribution facilities or our company-operated or franchised stores, or the facilities of our suppliers or customers, is affected by natural disasters, such as earthquakes, tsunamis, power shortages, floods or monsoons; public health crisis, such as pandemics and epidemics; political crisis, such as terrorism, war, political instability or other conflict; or other events outside of our control, our business and operating results could suffer. Moreover, these types of events could negatively impact consumer spending in the impacted regions or depending upon the severity, globally, which could adversely impact our operating results. Disasters occurring at our vendors' manufacturing facilities could impact our reputation and our customers' perception of our brands.

**Risks Relating to Our Debt**

***We have debt and interest payment requirements at a level that may restrict our future operations.***

As of November 29, 2015, we had approximately $1.2 billion of debt, of which all but approximately $99.0 million was unsecured, and we had $658.6 million of additional borrowing capacity under our amended and restated senior secured revolving credit facility. Our debt requires us to dedicate a substantial portion of any cash flow from operations to the payment of interest and principal due under our debt, which will reduce funds available for other business purposes, and result in us having lower net income than we would otherwise have had. This dedicated use of cash could impact our ability to successfully compete by, for example:

- increasing our vulnerability to general adverse economic and industry conditions;
- limiting our flexibility in planning for or reacting to changes in our business and industry;
- placing us at a competitive disadvantage compared to some of our competitors that have less debt; and
- limiting our ability to obtain additional financing required to fund working capital and capital expenditures and for other general corporate purposes.



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In addition, borrowings under our amended and restated senior secured revolving credit facility bear interest at variable rates. As a result, increases in market interest rates could require a greater portion of our cash flow to be used to pay interest, which could further hinder our operations. Increases in market interest rates may also affect the trading price of our debt securities that bear interest at a fixed rate. Our ability to satisfy our obligations and to reduce our total debt depends on our future operating performance and on economic, financial, competitive and other factors, many of which are beyond our control.

***Restrictions in our notes, indentures and amended and restated senior secured revolving credit facility may limit our activities, including dividend payments, share repurchases and acquisitions.***

Our amended and restated senior secured revolving credit facility and the indentures relating to our senior unsecured notes and our Yen-denominated Eurobonds contain restrictions, including covenants limiting our ability to incur additional debt, grant liens, make acquisitions and other investments, prepay specified debt, consolidate, merge or acquire other businesses, sell assets, pay dividends and other distributions, repurchase stock, and enter into transactions with affiliates. These restrictions, in combination with our leveraged condition, may make it more difficult for us to successfully execute our business strategy, grow our business or compete with companies not similarly restricted.

***If our foreign subsidiaries are unable to distribute cash to us when needed, we may be unable to satisfy our obligations under our debt securities, which could force us to sell assets or use cash that we were planning to use elsewhere in our business.***

We conduct our international operations through foreign subsidiaries and we only receive the cash that remains after our foreign subsidiaries satisfy their obligations. We may depend upon funds from our foreign subsidiaries for a portion of the funds necessary to meet our debt service obligations. Any agreements our foreign subsidiaries enter into with other parties, as well as applicable laws and regulations limiting the right and ability of non-U.S. subsidiaries and affiliates to pay dividends and remit cash to affiliated companies, may restrict the ability of our foreign subsidiaries to pay dividends or make other distributions to us. If those subsidiaries are unable to pass on the amount of cash that we need, we may be unable to make payments on our debt obligations, which could force us to sell assets or use cash that we were planning on using elsewhere in our business, which could hinder our operations and affect the trading price of our debt securities.



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**Item 1B. *UNRESOLVED STAFF COMMENTS***

Not applicable.

**Item 2. *PROPERTIES***

We conduct manufacturing, distribution and administrative activities in owned and leased facilities. We operate two manufacturing-related facilities abroad and seven distribution centers around the world. We have renewal rights for most of our property leases. We anticipate that we will be able to extend these leases on terms satisfactory to us or, if necessary, locate substitute facilities on acceptable terms. We believe our facilities and equipment are in good condition and are suitable for our needs. Information about our key operating properties in use as of November 29, 2015, is summarized in the following table**:**

| Location | Primary Use | Leased/Owned |
|---|---|---|
| **Americas** | | |
| San Francisco, CA | Design and Product Development | Leased |
| Hebron, KY | Distribution | Owned |
| Canton, MS | Distribution | Owned |
| Henderson, NV | Distribution | Owned |
| Etobicoke, Canada | Distribution | Owned |
| Cuautitlan, Mexico | Distribution | Leased |
| **Europe** | | |
| Plock, Poland | Manufacturing and Finishing | Leased(1) |
| Northhampton, U.K. | Distribution | Owned |
| **Asia** | | |
| Adelaide, Australia | Distribution | Leased |
| Cape Town, South Africa | Manufacturing, Finishing and Distribution | Leased |

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(1) Building and improvements are owned but subject to a ground lease.

Our global headquarters and the headquarters of our Americas region are both located in leased premises in San Francisco, California. Our Europe and Asia headquarters are located in leased premises in Diegem, Belgium and Singapore, respectively. In addition to the above, we operate finance shared service centers in Eugene, Oregon and Singapore. We also operate a back-up data center located in Westlake, Texas. As of November 29, 2015, we also leased or owned 87 administrative and sales offices in 41 countries, as well as leased 13 warehouses in seven countries.

In addition, as of November 29, 2015, we had 656 company-operated retail and outlet stores in leased premises in 31 countries. We had 228 stores in the Americas region, 249 stores in the Europe region and 179 stores in the Asia region.

**Item 3. *LEGAL PROCEEDINGS***

In the ordinary course of business, we have various pending cases involving contractual matters, facility and employee-related matters, distribution matters, product liability claims, trademark infringement and other matters. We do not believe any of these pending legal proceedings will have a material impact on our financial condition, results of operations or cash flows.

**Item 4. *MINE SAFETY DISCLOSURES***

Not applicable.



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# PART II

## Item 5. *MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES*

Our common stock is primarily owned by descendants of the family of Levi Strauss and their relatives. Shares of our common stock are not publicly held or traded. All shares are subject to a stockholders' agreement. The agreement, which expires in April 2019, unless otherwise extended pursuant to its terms as further described in Item 12, limits the transfer of shares to other holders, family members, specified charities and foundations and back to the Company. The agreement does not provide for registration rights or other contractual devices for forcing a public sale of shares or certificates, or other access to liquidity.

As of February 8, 2016, there were 273 record holders of our common stock. Our shares are not registered on any national securities exchange, there is no established public trading market for our shares and none of our shares are convertible into shares of any other class of stock or other securities.

We paid a cash dividend of $50.0 million on our common stock in the second quarter of 2015, and cash dividends of $30.0 million and $25.1 million in the first half of 2014 and 2013, respectively. Subsequent to the fiscal year end, on February 9, 2016, our Board of Directors declared a cash dividend of $60.0 million. Please see Note 15 to our audited consolidated financial statements included in this report for more information. The Company does not have an established annual dividend policy. The Company will continue to review its ability to pay cash dividends at least annually, and dividends may be declared at the discretion of our board of directors depending upon, among other factors, our financial condition and compliance with the terms of our debt agreements. Our debt arrangements limit our ability to pay dividends. For more detailed information about these limitations, see Note 6 to our audited consolidated financial statements included in this report.

We did not repurchase any shares of common stock during the fourth quarter of the fiscal year ended November 29, 2015, in connection with the exercise of call or put rights under our 2006 Equity Incentive Plan. For more detailed information, see Note 11 to our audited consolidated financial statements included in this report.



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**Item 6. *SELECTED FINANCIAL DATA***

The following table sets forth our selected historical consolidated financial data which are derived from our audited consolidated financial statements for fiscal 2015, 2014, 2013, 2012 and 2011. The financial data set forth below should be read in conjunction with, and are qualified by reference to, "Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations," our audited consolidated financial statements for fiscal 2015, 2014 and 2013 and the related notes to those audited consolidated financial statements, included elsewhere in this report.

| | Year Ended November 29, 2015 | Year Ended November 30, 2014 | Year Ended November 24, 2013 | Year Ended November 25, 2012 | Year Ended November 27, 2011 |
|---|---|---|---|---|---|
| | | | (Dollars in thousands) | | |
| **Statements of Income Data:** | | | | | |
| Net revenues | $ 4,494,493 | $ 4,753,992 | $ 4,681,691 | $ 4,610,193 | $ 4,761,566 |
| Cost of goods sold | 2,225,512 | 2,405,552 | 2,331,219 | 2,410,862 | 2,469,327 |
| Gross profit | 2,268,981 | 2,348,440 | 2,350,472 | 2,199,331 | 2,292,239 |
| Selling, general and administrative expenses | 1,823,863 | 1,906,164 | 1,884,965 | 1,865,352 | 1,955,846 |
| Restructuring, net | 14,071 | 128,425 | — | — | — |
| Operating income | 431,047 | 313,851 | 465,507 | 333,979 | 336,393 |
| Interest expense | (81,214) | (117,597) | (129,024) | (134,694) | (132,043) |
| Loss on early extinguishment of debt | (14,002) | (20,343) | (689) | (8,206) | (248) |
| Other income (expense), net | (25,433) | (22,057) | (13,181) | 4,802 | (1,275) |
| Income before taxes | 310,398 | 153,854 | 322,613 | 195,881 | 202,827 |
| Income tax expense | 100,507 | 49,545 | 94,477 | 54,922 | 67,715 |
| Net income | 209,891 | 104,309 | 228,136 | 140,959 | 135,112 |
| Net (income) loss attributable to noncontrolling interest | (455) | 1,769 | 1,057 | 2,891 | 2,841 |
| Net income attributable to Levi Strauss & Co. | $ 209,436 | $ 106,078 | $ 229,193 | $ 143,850 | $ 137,953 |
| **Statements of Cash Flow Data:** | | | | | |
| Net cash flow provided by (used for): | | | | | |
| Operating activities | $ 218,332 | $ 232,909 | $ 411,268 | $ 530,976 | $ 1,848 |
| Investing activities | (80,833) | (71,849) | (92,798) | (75,198) | (140,957) |
| Financing activities | (94,895) | (341,676) | (230,509) | (250,939) | 77,707 |
| **Balance Sheet Data:** | | | | | |
| Cash and cash equivalents | $ 318,571 | $ 298,255 | $ 489,258 | $ 406,134 | $ 204,542 |
| Working capital[(1)] | 681,982 | 603,202 | 867,158 | 765,270 | 771,416 |
| Total assets[(1)] | 2,884,395 | 2,906,901 | 3,106,330 | 3,149,038 | 3,259,316 |
| Total debt, excluding capital leases[(1)] | 1,152,541 | 1,209,624 | 1,524,998 | 1,708,172 | 1,952,133 |
| Total capital leases | 12,907 | 12,142 | 10,833 | 2,022 | 3,713 |
| Total Levi Strauss & Co. stockholders' equity (deficit) | 330,268 | 153,243 | 171,666 | (106,921) | (165,592) |
| **Other Financial Data:** | | | | | |
| Depreciation and amortization | $ 102,044 | $ 109,474 | $ 115,720 | $ 122,608 | $ 117,793 |
| Capital expenditures | 102,308 | 73,396 | 91,771 | 83,855 | 130,580 |
| Cash dividends paid | 50,000 | 30,003 | 25,076 | 20,036 | 20,023 |

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(1) In the fourth quarter of 2015, we early adopted accounting standards impacting the presentation of debt issuance costs on our unsecured long-term debt and the classification of deferred income taxes. As a result of the early adoption of these standards, prior-period balances have been retrospectively adjusted. See Note 1 to our audited consolidated financial statements included in this report for more information on these accounting standards.



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## Item 7. *MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS*

### Overview

#### *Our Company*

We design, market and sell – directly or through third parties and licensees – products that include jeans, casual and dress pants, tops, shorts, skirts, jackets, footwear and related accessories for men, women and children around the world under our Levi's®, Dockers®, Signature by Levi Strauss & Co.™ ("Signature") and Denizen® brands.

Our business is operated through three geographic regions: Americas, Europe and Asia. Our products are sold in approximately 50,000 retail locations in more than 110 countries. We support our brands through a global infrastructure, developing, sourcing and marketing our products around the world. We distribute our Levi's® and Dockers® products primarily through chain retailers and department stores in the United States and primarily through department stores, specialty retailers and approximately 2,100 franchised or other brand-dedicated stores and shop-in-shops outside of the United States. We also distribute our Levi's® and Dockers® products through 656 company-operated retail stores located in 31 countries, including the United States, and through the ecommerce sites we operate. Our company-operated retail stores and ecommerce sites generated approximately 26% of our net revenues in 2015, as compared to 25% in the same period in 2014, with our ecommerce sites representing approximately 13% of this revenue in 2015, as compared to 11% in the same period in 2014. In addition, we distribute our Levi's® and Dockers® products through ecommerce sites operated by certain of our key wholesale customers and other third parties. We distribute products under our Signature and Denizen® brands primarily through mass channel retailers in the Americas.

Our Europe and Asia businesses, collectively, contributed approximately 39% of our net revenues and 37% of our regional operating income in 2015, as compared to 40% of our net revenues and 35% of our regional operating income in 2014. Sales of Levi's® brand products represented approximately 85% of our total net sales in each of 2015 and 2014. Pants represented approximately 81% of our total units sold in 2015, as compared to 82% of our total units sold in 2014, and men's products generated approximately 77% of our total net sales in each of 2015 and 2014.

#### *Our Objectives*

Our key long-term objectives are to strengthen our brands globally in order to deliver sustainable profitable growth, generate strong cash flow and reduce our debt. Critical strategies to achieve these objectives include driving our profitable core business; expanding the reach of our brands and building a more balanced product portfolio; elevating the performance of our retail channel, including ecommerce; and leveraging our global scale to improve our cost structure.

For 2016, on a constant-currency basis, our financial objective is to grow full-year revenues, as compared to 2015, and improve full-year gross margin to approximately 51%.

#### *Global Productivity Initiative*

In 2014, we announced and began to implement a global productivity initiative designed to streamline operations and fuel long-term profitable growth. We expect the majority of the actions related to our global productivity initiative will be implemented by the end of 2016, with a focus on redesigning business processes and identifying opportunities to reduce costs, increase efficiencies and further streamline processes in supporting functions, supply chain and planning. We believe this initiative, when completed, will generate net annualized benefits of $175 – $200 million, relative to the cost structure and profitability of the Company and foreign currency exchange rates prior to the commencement of this initiative. Actions taken to date for the global productivity initiative are expected to deliver approximately $125 – $150 million in net annualized savings, relative to the cost structure of the Company and foreign currency exchange rates prior to the commencement of this initiative.

We are unable at this time to make a good faith determination of cost estimates, or ranges of cost estimates, for additional actions associated with the global productivity initiative. Final estimates for headcount, timing and charges in certain areas of the international business are subject to completion of applicable local works council and other consultative processes. We expect additional savings in future periods to come from streamlining our planning and go-to-market strategies, implementing efficiencies across our retail, supply chain and distribution network, and continuing to pursue improved procurement practices. Additional restructuring charges will be recorded for these efforts as they become estimable and probable.



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### *Trends Affecting Our Business*

We believe the key business and marketplace factors that we are managing include the following:

- Factors that impact consumer discretionary spending, which remains mixed globally, have created a challenging retail environment for us and our customers, characterized by declining traffic patterns and contributing to a generally promotional environment. Such factors include continuing pressures in the U.S. and international economies related to underemployment, slow real wage growth, muted growth in emerging markets, a shift in consumer spending to non-apparel categories such as consumer technology and interest-rate sensitive durable goods, and other similar macroeconomic elements.
- Wholesaler/retailer dynamics and wholesale channels remain challenged by slowed growth prospects due to increased competition from vertically-integrated specialty stores, fast-fashion retail, and ecommerce shopping, and pricing transparency enabled by proliferation of online technologies. As a result, many of our customers desire increased returns on their investment with us through increased margins and inventory turns, and they continue to build competitive exclusive or private-label offerings. Many apparel wholesalers, including us, seek to strengthen relationships with customers as a result of these changes in the marketplace through efforts such as investment in new products, marketing programs, fixtures and collaborative planning systems.
- Many apparel companies that have traditionally relied on wholesale distribution channels have invested in expanding their own retail store and ecommerce distribution and consumer-facing technologies, which has raised competitiveness in the retail market.
- More competitors are seeking growth globally, thereby raising the competitiveness across regions. Some of these competitors are entering into markets where we already have a mature business such as the United States, Mexico, Western Europe and Japan, and those new brands may provide consumers discretionary purchase alternatives or lower-priced apparel offerings.
- Competition for, and price volatility of, resources throughout the supply chain have increased, causing us and other apparel manufacturers to continue to seek alternative sourcing channels and create new efficiencies in our global supply chain. Trends affecting the supply chain include the proliferation of lower-cost sourcing alternatives, resulting in reduced barriers to entry for new competitors, and the impact of fluctuating prices of labor and raw materials. Trends such as these can bring additional pressure on us and other wholesalers and retailers to shorten lead-times, reduce costs and raise product prices.
- While currency values are in constant flux, we expect that the appreciation of the U.S. Dollar against various foreign currencies, particularly the Euro, will continue to impact our financial results, affecting translation, margins, as well as traffic in stores located in or near major domestic tourist attractions.

These factors contribute to a global market environment of intense competition, constant product innovation and continuing cost pressure, and combine with the continuing global economic conditions to create a challenging commercial and economic environment. We evaluate these factors as we develop and execute our strategies.

### *Our 2015 Results*

Our 2015 results reflect constant-currency net revenues growth and an increase in operating income, reflecting continued implementation of our global productivity initiative.

- *Net revenues.* Compared to 2014, consolidated net revenues decreased by 5% on a reported basis, but increased by 1% on a constant-currency basis, primarily reflecting the expansion of the retail network in Europe and Asia, partially offset by a decline in the Americas reflecting the inclusion of an additional sales week in the prior year.
- *Operating income*. Compared to 2014, consolidated operating income increased by 37% and operating margin improved to 10%, primarily reflecting lower restructuring charges in 2015 and an improvement in our constant-currency gross margin, partially offset by the effects of currency.
- *Cash flows.* Cash flows provided by operating activities were $218 million for 2015 as compared to $233 million for 2014, primarily reflecting higher payments to vendors and higher pension payments, partially offset by higher trade receivable collections, lower inventory levels and lower interest payments.



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***Financial Information Presentation***

Fiscal year. Our fiscal year ends on the last Sunday of November in each year, although the fiscal years of certain foreign subsidiaries end on November 30. Fiscal 2015 and 2013 were 52-week years ending on November 29, 2015, and November 24, 2013, respectively. Fiscal 2014 was a 53-week year ending on November 30, 2014. Each quarter of fiscal years 2015, 2014 and 2013 consisted of 13 weeks, with the exception of the fourth quarter of 2014, which consisted of 14 weeks.

Segments. We manage our business according to three regional segments: the Americas, Europe and Asia. Effective as of the beginning of 2014, our reporting segments were revised to combine our Middle East and North Africa markets, previously managed by our Europe region, with our Asia region. Financial information attributable to these markets are not significant to any of our regional segments individually in any of the periods presented herein, and accordingly, business segment information for the prior periods has not been revised. Effective as of the beginning of 2015, our regional licensing revenue, previously recorded centrally in our Americas region, was revised to be recorded in our respective regions. Regional licensing revenues are not significant to any of our regional segments individually in any of the periods presented herein, and accordingly, business segment information for the prior periods has not been revised.

Classification. Our classification of certain significant revenues and expenses reflects the following:

- Net revenues is primarily comprised of sales of products to wholesale customers, including franchised stores, and direct sales to consumers at our company-operated ecommerce sites and stores and at our company-operated shop-in-shops located within department stores. It includes discounts, allowances for estimated returns and incentives. Net revenues also includes royalties earned from the use of our trademarks by third-party licensees in connection with the manufacturing, advertising and distribution of trademarked products.
- Cost of goods sold is primarily comprised of product costs, labor and related overhead, sourcing costs, inbound freight, internal transfers, and the cost of operating our remaining manufacturing facilities, including the related depreciation expense.
- Selling costs include, among other things, all occupancy costs and depreciation associated with our company-operated stores and commissions associated with our company-operated shop-in-shops, as well as costs associated with our ecommerce operations.
- We reflect substantially all distribution costs in SG&A, including costs related to receiving and inspection at distribution centers, warehousing, shipping to our customers, handling, and certain other activities associated with our distribution network.

Gross margins may not be comparable to those of other companies in our industry since some companies may include costs related to their distribution network and occupancy costs associated with company-operated stores in cost of goods sold.

Constant currency. Effective as of the beginning of 2014, constant-currency comparisons are based on translating local currency amounts in the prior-year period at actual foreign exchange rates for the current year. Prior to 2014, local currency amounts were translated utilizing foreign exchange rates used in our internal planning process. There was no significant impact to our constant-currency comparisons as a result of this change. We routinely evaluate our financial performance on a constant-currency basis in order to facilitate period-to-period comparisons without regard to the impact of changing foreign currency exchange rates.



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**Results of Operations**

***2015 compared to 2014***

The following table summarizes, for the periods indicated, our consolidated statements of income, the changes in these items from period to period and these items expressed as a percentage of net revenues:

| | Year Ended | | | | |
|---|---|---|---|---|---|
| | November 29, 2015 | November 30, 2014 | % Increase (Decrease) | November 29, 2015 % of Net Revenues | November 30, 2014 % of Net Revenues |
| | | | (Dollars in millions) | | |
| Net revenues | $ 4,494.5 | $ 4,754.0 | (5.5)% | 100.0 % | 100.0 % |
| Cost of goods sold | 2,225.5 | 2,405.6 | (7.5)% | 49.5 % | 50.6 % |
| Gross profit | 2,269.0 | 2,348.4 | (3.4)% | 50.5 % | 49.4 % |
| Selling, general and administrative expenses | 1,823.9 | 1,906.1 | (4.3)% | 40.6 % | 40.1 % |
| Restructuring, net | 14.1 | 128.4 | (89.0)% | 0.3 % | 2.7 % |
| Operating income | 431.0 | 313.9 | 37.3 % | 9.6 % | 6.6 % |
| Interest expense | (81.2) | (117.6) | (30.9)% | (1.8)% | (2.5)% |
| Loss on early extinguishment of debt | (14.0) | (20.3) | (31.2)% | (0.3)% | (0.4)% |
| Other income (expense), net | (25.4) | (22.1) | 15.3 % | (0.6)% | (0.5)% |
| Income before income taxes | 310.4 | 153.9 | 101.7 % | 6.9 % | 3.2 % |
| Income tax expense | 100.5 | 49.6 | 102.9 % | 2.2 % | 1.0 % |
| Net income | 209.9 | 104.3 | 101.2 % | 4.7 % | 2.2 % |
| Net (income) loss attributable to noncontrolling interest | (0.5) | 1.8 | (125.7)% | — | — |
| Net income attributable to Levi Strauss & Co. | $ 209.4 | $ 106.1 | 97.4 % | 4.7 % | 2.2 % |



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***Net revenues***

The following table presents net revenues by reporting segment for the periods indicated and the changes in net revenues by reporting segment on both reported and constant-currency bases from period to period:

| | Year Ended | | | |
|---|---|---|---|---|
| | | | % Increase (Decrease) | |
| | November 29, 2015 | November 30, 2014 | As Reported | Constant Currency |
| | (Dollars in millions) | | | |
| Net revenues: | | | | |
| Americas | $ 2,726.5 | $ 2,862.9 | (4.8)% | (2.7)% |
| Europe | 1,016.4 | 1,143.3 | (11.1)% | 7.8 % |
| Asia | 751.6 | 747.8 | 0.5 % | 7.7 % |
| Total net revenues | $ 4,494.5 | $ 4,754.0 | (5.5)% | 1.2 % |

As compared to the same period in the prior year, total net revenues were affected unfavorably by changes in foreign currency exchange rates across all regions.

*Americas.* Net revenues in our Americas region decreased on both reported and constant-currency bases, with currency affecting net revenues unfavorably by approximately $62 million.

Net revenues decreased primarily due to the inclusion of an additional sales week in the prior year, since 2014 had 53 fiscal weeks compared to 52 weeks in 2015, as well as a decline at wholesale in sales of Dockers® brand women's products due to our decision in the third quarter of 2014 to exit that business in the United States. Additionally, lower sales of both Levi's® and Dockers® brand men's products were offset by growth in Signature and Denizen® brands and at retail in Canada and Mexico.

*Europe.* Net revenues in Europe decreased on a reported basis but increased on a constant-currency basis, with currency affecting net revenues unfavorably by approximately $200 million.

Net revenues increased from the expansion and performance of our company-operated retail network, particularly in the U.K. and Russia markets.

*Asia.* Net revenues in Asia increased on both reported and constant-currency bases, with currency affecting net revenues unfavorably by approximately $50 million.

The increase in net revenues was primarily due to the expansion of our company-operated retail network as well as increased promotional activity across channels, primarily in China and India.



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***Gross profit***

The following table shows consolidated gross profit and gross margin for the periods indicated and the changes in these items from period to period:

| | Year Ended | | |
|---|---|---|---|
| | November 29, 2015 | November 30, 2014 | % Increase (Decrease) |
| | (Dollars in millions) | | |
| Net revenues | $ 4,494.5 | $ 4,754.0 | (5.5)% |
| Cost of goods sold | 2,225.5 | 2,405.6 | (7.5)% |
| Gross profit | $ 2,269.0 | $ 2,348.4 | (3.4)% |
| *Gross margin* | 50.5% | 49.4% | |

Currency translation unfavorably impacted gross profit by approximately $166 million. Gross margin improved primarily due to lower negotiated product costs and streamlined supply chain operations as well as price increases, partially offset by the unfavorable transactional impact of currency and product investment costs. Gross margin also benefited from our international retail growth.

***Selling, general and administrative expenses***

The following table shows our SG&A for the periods indicated, the changes in these items from period to period and these items expressed as a percentage of net revenues:

| | Year Ended | | | | |
|---|---|---|---|---|---|
| | November 29, 2015 | November 30, 2014 | % Increase (Decrease) | November 29, 2015 % of Net Revenues | November 30, 2014 % of Net Revenues |
| | (Dollars in millions) | | | | |
| Selling | $ 734.1 | $ 730.9 | 0.4 % | 16.3% | 15.4% |
| Advertising and promotion | 276.4 | 272.8 | 1.3 % | 6.1% | 5.7% |
| Administration | 364.4 | 377.7 | (3.5)% | 8.1% | 7.9% |
| Other | 418.3 | 466.4 | (10.3)% | 9.3% | 9.8% |
| Restructuring-related charges | 30.7 | 27.6 | 11.3 % | 0.7% | 0.6% |
| Lump-sum pension settlement loss | — | 30.7 | (100.0)% | — | 0.6% |
| Total SG&A | $ 1,823.9 | $ 1,906.1 | (4.3)% | 40.6% | 40.1% |

Currency affected SG&A favorably by approximately $113 million as compared to the prior year. The constant-currency increase in SG&A reflected our strategic investments in our growth initiatives: direct-to-consumer retail and advertising. The constant-currency decline in our administrative and other costs reflected savings resulting from our global productivity initiative.

Selling. Currency impacted selling expenses favorably by approximately $62 million as compared to the prior year. Higher selling expenses primarily reflected costs associated with the expansion of our company-operated store network and investment in our ecommerce business. We had 91 more company-operated stores at the end of 2015 than we did at the end of 2014.

Advertising and promotion. Currency impacted advertising and promotion expense favorably by approximately $15 million as compared to the prior year. The increase as a percentage of net revenues reflected higher advertising spend as compared to the prior-year period, and in line with our constant-currency revenue growth.

Administration. Currency impacted administration expenses favorably by approximately $16 million as compared to the prior year.

Other. Other SG&A includes distribution, information resources, and marketing organization costs. Currency impacted other SG&A expenses favorably by approximately $20 million as compared to the prior year. Lower costs primarily reflected information resources and marketing organization savings resulting from our global productivity initiative. Lower costs also reflected a gain of $7.5 million in conjunction with the sale of our finishing and distribution facility in Turkey in the second quarter of 2015.



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Restructuring-related charges. Restructuring-related charges consist primarily of consulting fees incurred for our centrally-led cost-savings and productivity projects, as well as transition costs associated with our decision to outsource certain global business service activities. These related charges represent costs incurred associated with ongoing operations which will benefit future periods and thus were recorded in SG&A in our consolidated statements of income.

Lump-sum pension settlement loss. Settlement loss consists of a noncash pension settlement charge taken in the fourth quarter of 2014 related to an early pension settlement for our U.S. pension plans.

***Restructuring, net***

For the year ended November 29, 2015, we recognized restructuring charges, net, of $14.1 million, as compared to $128.4 million for the same period in 2014, related to the global productivity initiative, consisting primarily of severance benefits, consulting fees and noncash pension and postretirement curtailment gains or losses.

***Operating income***

The following table shows operating income by reporting segment and corporate expenses for the periods indicated, the changes in these items from period to period and these items expressed as a percentage of net revenues:

| | Year Ended | | | | |
|---|---|---|---|---|---|
| | November 29, 2015 | November 30, 2014 | % Increase (Decrease) | November 29, 2015 % of Net Revenues | November 30, 2014 % of Net Revenues |
| | (Dollars in millions) | | | | |
| Operating income: | | | | | |
| Americas | $ 523.7 | $ 531.1 | (1.4)% | 19.2% | 18.6% |
| Europe | 184.4 | 181.0 | 1.8 % | 18.1% | 15.8% |
| Asia | 121.6 | 108.5 | 12.1 % | 16.2% | 14.5% |
| Total regional operating income | 829.7 | 820.6 | 1.1 % | 18.5% * | 17.3% * |
| Corporate: | | | | | |
| Restructuring, net | 14.1 | 128.4 | (89.0)% | 0.3% * | 2.7% * |
| Restructuring-related charges | 30.7 | 27.6 | 11.3 % | 0.7% * | 0.6% * |
| Lump-sum pension settlement loss | — | 30.7 | (100.0)% | — * | 0.6% * |
| Other corporate staff costs and expenses | 353.9 | 320.0 | 10.6 % | 7.9% * | 6.7% * |
| Corporate expenses | 398.7 | 506.7 | (21.3)% | 8.9% * | 10.7% * |
| Total operating income | $ 431.0 | $ 313.9 | 37.3 % | 9.6% * | 6.6% * |
| *Operating margin* | 9.6% | 6.6% | | | |

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* Percentage of consolidated net revenues

Currency translation unfavorably affected total operating income by approximately $41 million as compared to the prior year.

Regional operating income.

- *Americas.* Currency translation unfavorably affected operating income in the region by approximately $13 million as compared to the prior year. Higher constant-currency operating income and operating margin primarily reflected an improvement in the region's gross margin, partially offset by increased investment in retail and advertising and lower net revenues in the region.
- *Europe.* Currency translation unfavorably affected operating income by approximately $39 million as compared to the prior year. Operating income and operating margin increased primarily due to the region's higher net revenues, partially offset by increased investment in retail in the region.



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- *Asia*. Currency translation unfavorably affected operating income by approximately $8 million as compared to the prior year. The improvement in operating income and operating margin primarily reflected an improvement in the region's gross margin as well as the region's higher revenues, partially offset by increased investment in retail and advertising in the region.

*Corporate*. Corporate expenses represent costs that are not attributed to any of our regional operating segments. Included in corporate expenses are restructuring charges, the consulting fees incurred for our centrally-led cost-savings and productivity projects, other corporate staff costs, and in 2014, the noncash pension settlement charge. Currency translation favorably affected corporate expenses by approximately $19 million.

As compared to the prior year, other corporate staff costs and expenses increased primarily due to foreign currency transaction losses in 2015 related to our global sourcing organization's procurement of inventory on behalf of our foreign subsidiaries, of which approximately $25 million related to our Europe region and $6 million related to our Asia region; such amounts were immaterial in 2014.

***Interest expense***

Interest expense was $81.2 million for the year ended November 29, 2015, as compared to $117.6 million in the prior year. The decrease in interest expense was primarily due to lower average debt balances and lower average borrowing rates in 2015, resulting from our debt reduction and refinancing activities in 2014 and 2015.

The weighted-average interest rate on average borrowings outstanding for 2015 was 6.72%, as compared to 7.58% for 2014.

***Loss on early extinguishment of debt***

For the year ended November 29, 2015, we recorded a loss of $14.0 million on early extinguishment of debt as a result of our debt refinancing activities during 2015. The loss was comprised of tender and redemption premiums of $7.5 million, and the write-off of $3.5 million of unamortized debt issuance costs, and $3.0 million of other costs.

For the year ended November 30, 2014, we recorded a loss of $20.3 million on early extinguishment of debt as a result of our debt refinancing activities during 2014. The loss was comprised of redemption premiums of $15.2 million and the write-off of $5.1 million of unamortized debt issuance costs.

***Other income (expense), net***

Other income (expense), net, primarily consists of foreign exchange management activities and transactions. For the year ended November 29, 2015, we recorded net expense of $25.4 million as compared to $22.1 million for the prior year. The net expense in 2015 reflected net losses on our foreign currency denominated balances, partially offset by net gains on foreign exchange derivatives. The expense in 2014 reflected losses on our foreign currency denominated balances as well as losses on foreign exchange derivatives.

***Income tax expense***

Income tax expense was $100.5 million for the year ended November 29, 2015, compared to $49.6 million for the prior year. Our effective income tax rate was 32.4% for the year ended November 29, 2015, compared to 32.2% for the prior year.

The increase in the effective tax rate in 2015 was primarily due to a one-time, incremental annual tax benefit associated with multi-year California Enterprise Zone credits recognized in 2014, partially offset by a $8.0 million discrete tax benefit recognized in 2015 attributable to deductions taken for losses on the investment in a consolidated subsidiary.

The effective tax rate in 2014 included a tax benefit that we recorded in 2014 as a result of reversing a deferred tax liability associated with the change in assertion during the period to indefinitely reinvest certain undistributed foreign earnings.

For the year ended November 29, 2015, management asserted indefinite reinvestment on $100.0 million of undistributed foreign earnings, as management determined that this amount is required to meet ongoing working capital needs in certain foreign subsidiaries; no U.S. income taxes have been provided for such earnings. If the Company were to repatriate such foreign earnings to the United States, the deferred tax liability associated with such earnings would have been approximately $26.5 million.



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***2014 compared to 2013***

The following table summarizes, for the periods indicated, our consolidated statements of income, the changes in these items from period to period and these items expressed as a percentage of net revenues:

| | Year Ended | | | | |
|---|---|---|---|---|---|
| | November 30, 2014 | November 24, 2013 | % Increase (Decrease) | November 30, 2014 % of Net Revenues | November 24, 2013 % of Net Revenues |
| | (Dollars in millions) | | | | |
| Net revenues | $ 4,754.0 | $ 4,681.7 | 1.5 % | 100.0 % | 100.0 % |
| Cost of goods sold | 2,405.6 | 2,331.2 | 3.2 % | 50.6 % | 49.8 % |
| Gross profit | 2,348.4 | 2,350.5 | (0.1)% | 49.4 % | 50.2 % |
| Selling, general and administrative expenses | 1,906.1 | 1,885.0 | 1.1 % | 40.1 % | 40.3 % |
| Restructuring, net | 128.4 | — | — | 2.7 % | — |
| Operating income | 313.9 | 465.5 | (32.6)% | 6.6 % | 9.9 % |
| Interest expense | (117.6) | (129.0) | (8.9)% | (2.5)% | (2.8)% |
| Loss on early extinguishment of debt | (20.3) | (0.7) | 2,852.5 % | (0.4)% | — |
| Other income (expense), net | (22.1) | (13.2) | 67.3 % | (0.5)% | (0.3)% |
| Income before income taxes | 153.9 | 322.6 | (52.3)% | 3.2 % | 6.9 % |
| Income tax expense | 49.6 | 94.5 | (47.6)% | 1.0 % | 2.0 % |
| Net income | 104.3 | 228.1 | (54.3)% | 2.2 % | 4.9 % |
| Net loss attributable to noncontrolling interest | 1.8 | 1.1 | 67.4 % | — | — |
| Net income attributable to Levi Strauss & Co. | $ 106.1 | $ 229.2 | (53.7)% | 2.2 % | 4.9 % |



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***Net revenues***

The following table presents net revenues by reporting segment for the periods indicated and the changes in net revenues by reporting segment on both reported and constant-currency bases from period to period:

| | Year Ended | | | |
|---|---|---|---|---|
| | | | % Increase (Decrease) | |
| | November 30, 2014 | November 24, 2013 | As Reported | Constant Currency |
| | (Dollars in millions) | | | |
| Net revenues: | | | | |
| Americas | $ 2,862.9 | $ 2,851.0 | 0.4% | 1.0% |
| Europe | 1,143.3 | 1,103.5 | 3.6% | 4.1% |
| Asia | 747.8 | 727.2 | 2.8% | 6.7% |
| Total net revenues | $ 4,754.0 | $ 4,681.7 | 1.5% | 2.6% |

As compared to the same period in the prior year, total net revenues were affected unfavorably by changes in foreign currency exchange rates across all regions.

*Americas*. Net revenues in our Americas region increased on both reported and constant-currency bases, with currency affecting net revenues unfavorably by approximately $16 million.

Net revenues increased due to the inclusion of an additional sales week, since 2014 had 53 fiscal weeks compared to 52 weeks in 2013. Declines at wholesale in sales of Levi's® women's and Dockers® products were, partially offset by a higher volume of sales at our company-operated retail network on increased promotional activity.

*Europe*. Net revenues in Europe increased on both reported and constant-currency bases, with currency affecting net revenues unfavorably by approximately $5 million, and with respect to the fourth quarter, by approximately $19 million.

Net revenues increased from the expansion and performance of our company-operated retail network, as well as the inclusion of an additional sales week in 2014.

*Asia*. Net revenues in Asia increased on both reported and constant-currency bases, with currency affecting net revenues unfavorably by approximately $26 million.

The increase in net revenues was primarily due to higher promotional activity across the region, with improved product availability during the Chinese New Year sales season. Higher traditional wholesale revenues, particularly in Japan due to changes in customer discount programs as well as inventory disposition efforts, was partially offset by the liquidation in the prior year of Denizen® brand products as we exited that business in Asia.

***Gross profit***

The following table shows consolidated gross profit and gross margin for the periods indicated and the changes in these items from period to period:

| | Year Ended | | |
|---|---|---|---|
| | November 30, 2014 | November 24, 2013 | % Increase (Decrease) |
| | (Dollars in millions) | | |
| Net revenues | $ 4,754.0 | $ 4,681.7 | 1.5 % |
| Cost of goods sold | 2,405.6 | 2,331.2 | 3.2 % |
| Gross profit | $ 2,348.4 | $ 2,350.5 | (0.1)% |
| *Gross margin* | 49.4% | 50.2% | |

Currency affected gross profit unfavorably by approximately $22 million. Gross margin declined primarily due to higher discounted sales across channels, reflecting a promotional marketplace and our efforts to manage our inventory to more appropriate levels, as well as product investment costs. Higher cost inflation was mitigated by improvements in supply chain operations as a result of the global productivity initiative. Offsetting the decline in gross margin was increased revenue contribution from company-operated retail network.



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***Selling, general and administrative expenses***

The following table shows our SG&A for the periods indicated, the changes in these items from period to period and these items expressed as a percentage of net revenues:

| | Year Ended | | | | |
|---|---|---|---|---|---|
| | November 30, 2014 | November 24, 2013 | % Increase (Decrease) | November 30, 2014 % of Net Revenues | November 24, 2013 % of Net Revenues |
| | | | (Dollars in millions) | | |
| Selling | $ 730.9 | $ 719.2 | 1.6 % | 15.4% | 15.4% |
| Advertising and promotion | 272.8 | 274.0 | (0.4)% | 5.7% | 5.9% |
| Administration | 377.7 | 399.8 | (5.5)% | 7.9% | 8.5% |
| Other | 466.4 | 492.0 | (5.2)% | 9.8% | 10.5% |
| Restructuring-related charges | 27.6 | — | — | 0.6% | — |
| Lump-sum pension settlement loss | 30.7 | — | — | 0.6% | — |
| Total SG&A | $ 1,906.1 | $ 1,885.0 | 1.1 % | 40.1% | 40.3% |

Currency affected SG&A favorably by approximately $15 million as compared to the prior year.

*Selling*. We had 36 more company-operated stores at the end of 2014 than we did at the end of 2013. Higher expenses associated with the expansion of our company-operated store network were partially offset by savings resulting from our global productivity initiative.

*Advertising and promotion*. The decrease as a percentage of net revenues reflected lower advertising spend, particularly in the fourth quarter as compared to the prior-year period.

*Administration*. Administration expenses decreased primarily due to savings resulting from our global productivity initiative as well as lower amortization expense for intangible assets, as certain intangible assets became fully amortized beginning in 2014.

*Other*. Other SG&A includes distribution, information resources, and marketing organization costs. Lower costs primarily reflected information resources and marketing organization savings resulting from our global productivity initiative.

*Restructuring-related charges.* Restructuring-related charges consist primarily of consulting fees incurred for our centrally-led cost-savings and productivity projects. These related charges represent costs incurred associated with ongoing operations to benefit future periods and were recorded in SG&A in our consolidated statements of income.

*Lump-sum pension settlement loss.* Settlement loss consist of a noncash pension settlement charge taken in the fourth quarter related to an early pension settlement for our U.S. pension plans.

***Restructuring, net***

For the year ended November 30, 2014, the Company recognized restructuring charges, net, of $128.4 million related to the global productivity initiative, consisting primarily of severance benefits, consulting fees and noncash pension and postretirement curtailment gains or losses.



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***Operating income***

The following table shows operating income by reporting segment and corporate expenses for the periods indicated, the changes in these items from period to period and these items expressed as a percentage of net revenues:

| | Year Ended | | | | |
|---|---|---|---|---|---|
| | November 30, 2014 | November 24, 2013 | % Increase (Decrease) | November 30, 2014 % of Net Revenues | November 24, 2013 % of Net Revenues |
| | | | (Dollars in millions) | | |
| Operating income: | | | | | |
| Americas | $ 531.1 | $ 510.5 | 4.0 % | 18.6% | 17.9% |
| Europe | 181.0 | 167.6 | 8.0 % | 15.8% | 15.2% |
| Asia | 108.5 | 123.7 | (12.3)% | 14.5% | 17.0% |
| Total regional operating income | 820.6 | 801.8 | 2.3 % | 17.3% * | 17.1% * |
| Corporate: | | | | | |
| Restructuring, net | 128.4 | — | — | 2.7% * | — * |
| Restructuring-related charges | 27.6 | — | — | 0.6% * | — * |
| Lump-sum pension settlement loss | 30.7 | — | — | 0.6% * | — * |
| Other corporate staff costs and expenses | 320.0 | 336.3 | (4.8)% | 6.7% * | 7.2% * |
| Corporate expenses | 506.7 | 336.3 | 50.7 % | 10.7% * | 7.2% * |
| Total operating income | $ 313.9 | $ 465.5 | (32.6)% | 6.6% * | 9.9% * |
| *Operating margin* | 6.6% | 9.9% | | | |

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* Percentage of consolidated net revenues

Currency unfavorably affected total operating income by approximately $7 million.

Regional operating income.

- *Americas.* The increase in operating income and operating margin primarily reflected the region's lower SG&A, reflecting savings from our global productivity initiative and the lower amortization expense for intangible assets, partially offset by lower gross margin.
- *Europe.* The increase in operating income and operating margin primarily reflected the region's higher revenues.
- *Asia.* The decrease in operating income and operating margin primarily reflected the region's lower gross margin.

Corporate. Corporate expenses are SG&A that are not attributed to any of our regional operating segments. Included in corporate expenses are restructuring charges, the consulting fees incurred for our centrally-led cost-savings and productivity projects, and the noncash pension settlement charge. As compared to the prior year, other corporate staff costs and expenses decreased primarily due to savings resulting from our global productivity initiative.

***Interest expense***

Interest expense was $117.6 million for the year ended November 30, 2014, as compared to $129.0 million in the prior year. The decrease in 2014 was due to lower average debt balances in 2014, which resulted from our redemption of Euro Senior Notes due in 2018 in two tranches, the first of which was redeemed in May 2014, and the remainder was redeemed in November 2014. Interest expense also decreased due to lower interest expense on our deferred compensation plans.

The weighted-average interest rate on average borrowings outstanding for 2014 was 7.63%, as compared to 7.52% for 2013.

***Loss on early extinguishment of debt***

For the year ended November 30, 2014, we recorded a loss of $20.3 million on early extinguishment of debt as a result of our debt refinancing activities during 2014. The loss was comprised of redemption premiums of $15.2 million and the write-off of $5.1 million unamortized debt issuance costs.



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For the year ended November 24, 2013, we recorded a loss of $0.7 million on early extinguishment of debt as a result of our debt refinancing activities during the second quarter of 2013. The loss was comprised of the write-off of the remaining unamortized discount and unamortized debt issuance costs.

***Other income (expense), net***

Other income (expense), net, primarily consists of foreign exchange management activities and transactions. For the year ended November 30, 2014, we recorded expense of $22.1 million as compared to $13.2 million for the prior year. The expense in 2014 reflected losses on our foreign currency denominated balances as well as losses on foreign exchange derivatives, which economically hedge future foreign currency cash flow obligations. The expense in 2013 primarily reflected losses on our foreign currency denominated balances.

***Income tax expense***

Income tax expense was $49.6 million for the year ended November 30, 2014, compared to $94.5 million for the prior year. Our effective income tax rate was 32.2% for the year ended November 30, 2014, compared to 29.3% for the prior year.

The increase in the effective tax rate in 2014 was primarily due to a $15.2 million discrete tax benefit recognized in 2013, attributable to the finalization in July 2013 of the U.S. federal tax audit of tax years 2003 – 2008, and an unfavorable impact in the mix of foreign earnings, partially offset by a $3.7 million tax benefit that we recorded during the year ended November 30, 2014, as a result of reversing a deferred tax liability associated with undistributed foreign earnings.

For the year ended November 30, 2014, management asserted indefinite reinvestment on $100.0 million of undistributed foreign earnings, as management determined that this amount is required to meet ongoing working capital needs in certain foreign subsidiaries; no U.S. income taxes have been provided for such earnings. If the Company were to repatriate such foreign earnings to the United States, the deferred tax liability associated with such earnings would have been approximately $27.3 million.

## Liquidity and Capital Resources

***Liquidity outlook***

We believe we will have adequate liquidity over the next twelve months to operate our business and to meet our cash requirements.

***Cash sources***

We are a privately-held corporation. We have historically relied primarily on cash flows from operations, borrowings under credit facilities, issuances of notes and other forms of debt financing. We regularly explore financing and debt reduction alternatives, including new credit agreements, unsecured and secured note issuances, equity financing, equipment and real estate financing, securitizations and asset sales.

We are borrowers under a senior secured revolving credit facility. The facility is an asset-based facility, in which the borrowing availability is primarily based on the value of our U.S. Levi's® trademarks and the levels of accounts receivable and inventory in the United States and Canada. The maximum availability under the facility is $850 million, of which $800 million is available to us for revolving loans in U.S. Dollars and $50 million is available to us for revolving loans either in U.S. Dollars or Canadian Dollars.

As of November 29, 2015, we had borrowings of $99.0 million under the credit facility, all of which is classified as short-term debt. Unused availability under the facility was $658.6 million, as our total availability of $718.7 million, based on collateral levels as defined by the agreement, was reduced by $60.1 million of other credit-related instruments.

As of November 29, 2015, we had cash and cash equivalents totaling approximately $318.6 million, resulting in a total liquidity position (unused availability and cash and cash equivalents) of $977.2 million.

***Cash uses***

Our principal cash requirements include working capital, capital expenditures, payments of principal and interest on our debt, payments of taxes, contributions to our pension plans and payments for postretirement health benefit plans, settlement of shares issued under our 2006 Equity Incentive Plan, as amended to date ("EIP") and, if market conditions warrant, occasional investments in, or acquisitions of, business ventures in our line of business. In addition, we regularly evaluate our ability to pay dividends or repurchase stock, all consistent with the terms of our debt agreements.



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The following table presents selected cash uses in 2015 and the related projected cash uses for these items in 2016 as of November 29, 2015:

| | Cash Used in 2015 | Projected Cash Uses in 2016 |
|---|---|---|
| | (Dollars in millions) | |
| Capital expenditures[1] | $ 102 | $ 130 |
| Interest | 78 | 67 |
| Federal, foreign and state taxes (net of refunds) | 61 | 60 |
| Pension plans[2] | 37 | 33 |
| Postretirement health benefit plans | 15 | 15 |
| Dividend[3] | 50 | 60 |
| Total selected cash requirements | $ 343 | $ 365 |

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(1) Capital expenditures consist primarily of costs associated with information technology investments for ecommerce and investment in company-operated retail stores.

(2) The 2016 pension contribution amounts will be recalculated at the end of the plans' fiscal years, which for our U.S. pension plan is at the beginning of the Company's third fiscal quarter. Accordingly, actual contributions may differ materially from those presented here, based on factors such as changes in discount rates and the valuation of pension assets.

(3) Subsequent to the fiscal year end, our Board of Directors declared a cash dividend of $60.0 million.



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The following table provides information about our significant cash contractual obligations and commitments as of November 29, 2015:

| | Payments due or projected by period | | | | | | |
|---|---|---|---|---|---|---|---|
| | Total | 2016 | 2017 | 2018 | 2019 | 2020 | Thereafter |
| | (Dollars in millions) | | | | | | |
| **Contractual and Long-term Liabilities:** | | | | | | | |
| Short-term and long-term debt obligations | $ 1,167 | $ 148 | $ — | $ — | $ — | $ — | $ 1,019 |
| Interest[(1)] | 526 | 67 | 66 | 64 | 64 | 62 | 203 |
| Capital lease obligations | 34 | 5 | 4 | 4 | 5 | 5 | 11 |
| Operating leases[(2)] | 624 | 150 | 117 | 93 | 75 | 58 | 131 |
| Purchase obligations[(3)] | 877 | 507 | 68 | 61 | 49 | 28 | 164 |
| Postretirement obligations[(4)] | 114 | 15 | 14 | 13 | 12 | 12 | 48 |
| Pension obligations[(5)] | 256 | 33 | 34 | 36 | 38 | 32 | 83 |
| Long-term employee related benefits[(6)] | 99 | 27 | 15 | 12 | 7 | 6 | 32 |
| Total | $ 3,697 | $ 952 | $ 318 | $ 283 | $ 250 | $ 203 | $ 1,691 |

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(1) Interest obligations are computed using constant interest rates until maturity.

(2) Amounts reflect contractual obligations relating to our existing leased facilities as of November 29, 2015, and therefore do not reflect our planned future openings of company-operated retail stores. For more information, see "Item 2 – Properties."

(3) Amounts reflect estimated commitments of $388 million for inventory purchases, $212 million for sponsorship, naming rights and related benefits with respect to the Levi's® Stadium, and $277 million for human resources, advertising, information technology and other professional services.

(4) The amounts presented in the table represent an estimate for the next ten years of our projected payments, based on information provided by our plans' actuaries, and have not been reduced by estimated Medicare subsidy receipts, the amounts of which are not material. Our policy is to fund postretirement benefits as claims and premiums are paid. For more information, see Note 8 to our audited consolidated financial statements included in this report.

(5) The amounts presented in the table represent an estimate of our projected contributions to the plans for the next ten years based on information provided by our plans' actuaries. For U.S. qualified plans, these estimates can exceed the projected annual minimum required contributions in an effort to level out potential future funding requirements and provide annual funding flexibility. The 2016 contribution amounts will be recalculated at the end of the plans' fiscal years, which for our U.S. pension plan is at the beginning of the Company's third fiscal quarter. Accordingly, actual contributions may differ materially from those presented here, based on factors such as changes in discount rates and the valuation of pension assets. For more information, see Note 8 to our audited consolidated financial statements included in this report.

(6) Long-term employee-related benefits primarily relate to the current and non-current portion of deferred compensation arrangements and workers' compensation. We estimated these payments based on prior experience and forecasted activity for these items. For more information, see Note 12 to our audited consolidated financial statements included in this report.

This table does not include amounts related to our uncertain tax positions of $32.7 million. We do not anticipate a material effect on our liquidity as a result of payments in future periods of liabilities for uncertain tax positions. The table also does not include amounts related to potential cash settlement of stock appreciation rights ("SARs") put to the Company under the terms of our EIP. Based on the fair value of the Company's stock and the number of shares outstanding as of November 29, 2015, future payments under the terms of the EIP could range up to approximately $70 million, of which up to approximately $60 million could become payable in 2016. These payments are contingent on the Company's liquidity and the Board's discretion.

Information in the two preceding tables reflects our estimates of future cash payments. These estimates and projections are based upon assumptions that are inherently subject to significant economic, competitive, legislative and other uncertainties and contingencies, many of which are beyond our control. Accordingly, our actual expenditures and liabilities may be materially higher or lower than the estimates and projections reflected in these tables. The inclusion of these projections and estimates should not be regarded as a representation by us that the estimates will prove to be correct.



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***Cash flows***

The following table summarizes, for the periods indicated, selected items in our consolidated statements of cash flows:

| | Year Ended | | |
|---|---|---|---|
| | November 29, 2015 | November 30, 2014 | November 24, 2013 |
| | (Dollars in millions) | | |
| Cash provided by operating activities | $ 218.3 | $ 232.9 | $ 411.3 |
| Cash used for investing activities | (80.8) | (71.8) | (92.8) |
| Cash used for financing activities | (94.9) | (341.7) | (230.5) |
| Cash and cash equivalents | 318.6 | 298.3 | 489.3 |

***2015 as compared to 2014***

*Cash flows from operating activities*

Cash provided by operating activities was $218.3 million for 2015, as compared to $232.9 million for 2014. Cash provided by operating activities decreased compared to the prior year primarily due to higher payments to vendors and higher pension payments, partially offset by an increase in cash received from customers, reflecting our higher beginning accounts receivable balance, lower cash used for inventory purchases, and lower interest payments.

*Cash flows from investing activities*

Cash used for investing activities was $80.8 million for 2015, as compared to $71.8 million for 2014. The increase in cash used for investing activities as compared to the prior year primarily reflects increased investment in information technology projects and retail expansion.

*Cash flows from financing activities*

Cash used for financing activities was $94.9 million for 2015, as compared to $341.7 million for 2014. Cash used in both periods primarily related to our refinancing activities and debt reduction in each year.

***2014 as compared to 2013***

*Cash flows from operating activities*

Cash provided by operating activities was $232.9 million for 2014, as compared to $411.3 million for 2013. Cash provided by operating activities decreased compared to the prior year due to cash payments for our global productivity initiative, a decrease in cash received from customers, reflecting our lower beginning accounts receivable balance, higher cash used for inventory purchases, and higher payments to vendors. Partially offsetting the declines in cash provided by operating activities were our higher net revenues and lower pension payments.

*Cash flows from investing activities*

Cash used for investing activities was $71.8 million for 2014, as compared to $92.8 million for 2013. The decrease in cash used for investing activities as compared to the prior year primarily reflects lower spend on facilities, partially offset by increased cash used toward information technology projects.

*Cash flows from financing activities*

Cash used for financing activities was $341.7 million for 2014, as compared to cash provided of $230.5 million for 2013. Cash used in both periods primarily related to our refinancing activities and debt reduction in each year.

***Indebtedness***

The borrower of substantially all of our debt is Levi Strauss & Co., the parent and U.S. operating company. Of our total debt of $1.2 billion as of November 29, 2015, we had fixed-rate debt of $1.1 billion (91% of total debt) and variable-rate debt of $0.1 billion (9% of total debt). As of November 29, 2015, our required aggregate debt principal payments on our unsecured long-term debt were $32.6 million in 2016 and the remaining $1.0 billion in years after 2016. Short-term debt of $99.0 million borrowed under our senior secured revolving credit facility was expected to be repaid over the next twelve months, and short-term borrowings of $16.0 million at various foreign subsidiaries were expected to be either paid over the next twelve months or refinanced at the end of their applicable terms.



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Our long-term debt agreements contain customary covenants restricting our activities as well as those of our subsidiaries. As of November 29, 2015, we were in compliance with all of these covenants.

**Effects of Inflation**

We believe that inflation in the regions where most of our sales occur has not had a significant effect on our net revenues or profitability.

**Off-Balance Sheet Arrangements, Guarantees and Other Contingent Obligations**

*Off-balance sheet arrangements and other.* We have contractual commitments for non-cancelable operating leases; for more information, see Note 14 to our audited consolidated financial statements included in this report. We participate in a multiemployer pension plan; however, our exposure to risks arising from participation in the plan and the extent to which we can be liable to the plan for other participating employers' obligations are not material. We have no other material non-cancelable guarantees or commitments, and no material special-purpose entities or other off-balance sheet debt obligations.

*Indemnification agreements.* In the ordinary course of our business, the Company enters into agreements containing indemnification provisions under which the Company agrees to indemnify the other party for specified claims and losses. For example, the Company's trademark license agreements, real estate leases, consulting agreements, logistics outsourcing agreements, securities purchase agreements and credit agreements typically contain such provisions. This type of indemnification provision obligates the Company to pay certain amounts associated with claims brought against the other party as the result of trademark infringement, negligence or willful misconduct of Company employees, breach of contract by the Company including inaccuracy of representations and warranties, specified lawsuits in which the Company and the other party are co-defendants, product claims and other matters. These amounts generally are not readily quantifiable; the maximum possible liability or amount of potential payments that could arise out of an indemnification claim depends entirely on the specific facts and circumstances associated with the claim. The Company has insurance coverage that minimizes the potential exposure to certain of such claims. The Company also believes that the likelihood of material payment obligations under these agreements to third parties is remote.

**Critical Accounting Policies, Estimates and Assumptions**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the related notes. We believe that the following discussion addresses our critical accounting policies, which are those that are most important to the portrayal of our financial condition and results of operations and require management's most difficult, subjective and complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Changes in such estimates, based on newly available information, or different assumptions or conditions, may affect amounts reported in future periods.

We summarize our critical accounting policies below.

*Revenue recognition.* Net sales is primarily comprised of sales of products to wholesale customers, including franchised stores, and direct sales to consumers at our company-operated and online stores and at our company-operated shop-in-shops located within department stores. We recognize revenue on sale of product when the goods are shipped or delivered and title to the goods passes to the customer provided that: there are no uncertainties regarding customer acceptance; persuasive evidence of an arrangement exists; the sales price is fixed or determinable; and collectability is reasonably assured. Revenue is recorded net of an allowance for estimated returns, discounts and retailer promotions and other similar incentives. Licensing revenues from the use of our trademarks in connection with the manufacturing, advertising, and distribution of trademarked products by third-party licensees are earned and recognized as products are sold by licensees based on royalty rates as set forth in the licensing agreements.

We recognize allowances for estimated returns in the period in which the related sale is recorded. We recognize allowances for estimated discounts, retailer promotions and other similar incentives at the later of the period in which the related sale is recorded or the period in which the sales incentive is offered to the customer. We estimate non-volume based allowances based on historical rates as well as customer and product-specific circumstances. Actual allowances may differ from estimates due to changes in sales volume based on retailer or consumer demand and changes in customer and product-specific circumstances. Sales and value-added taxes collected from customers and remitted to governmental authorities are presented on a net basis in the accompanying consolidated statements of income.

*Inventory valuation.* We value inventories at the lower of cost or market value. Inventory cost is generally determined using the first-in first-out method. We include product costs, labor and related overhead, sourcing costs, inbound freight, internal transfers, and the cost of operating our remaining manufacturing facilities, including the related depreciation expense, in the cost of inventories. We estimate quantities of slow-moving and obsolete inventory by reviewing on-hand quantities, outstanding purchase obligations and forecasted sales. In determining inventory market values, substantial consideration is given to the expected product



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selling price. We estimate expected selling prices based on our historical recovery rates for sale of slow-moving and obsolete inventory and other factors, such as market conditions, expected channel of disposition, and current consumer preferences. Estimates may differ from actual results due to changes in resale or market value, avenues of disposition, consumer and retailer preferences and economic conditions.

*Impairment.* We review our goodwill and other non-amortized intangible assets for impairment annually in the fourth quarter of our fiscal year, or more frequently as warranted by events or changes in circumstances which indicate that the carrying amount may not be recoverable. We qualitatively assess goodwill impairment for certain reporting units and impairment for other non-amortized intangible assets to determine whether it is more likely than not that the fair value of a reporting unit or other non-amortized intangible asset is less than its carrying amount. The reporting units and non-amortized intangibles selected for the qualitative assessment approach have fair values that are significantly higher than their carrying values and remote risk of impairment. For goodwill and other non-amortized intangible assets not qualitatively assessed, a two-step quantitative approach is utilized. In the first step, we compare the carrying value of the reporting unit or applicable asset to its fair value, which we estimate using a discounted cash flow analysis or by comparison to the market values of similar assets. If the carrying amount of the reporting unit or asset exceeds its estimated fair value, we perform the second step, and determine the impairment loss, if any, as the excess of the carrying value of the goodwill or intangible asset over its fair value. The assumptions used in such valuations are subject to volatility and may differ from actual results; however, based on the carrying value of our goodwill and other non-amortized intangible assets as of November 29, 2015, relative to their estimated fair values, we do not anticipate any material impairment charges in the near-term.

We review our other long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. If the carrying amount of an other long-lived asset exceeds the expected future undiscounted cash flows, we measure and record an impairment loss for the excess of the carrying value of the asset over its fair value.

To determine the fair value of impaired assets, we utilize the valuation technique or techniques deemed most appropriate based on the nature of the impaired asset and the data available, which may include the use of quoted market prices, prices for similar assets or other valuation techniques such as discounted future cash flows or earnings.

*Income tax assets and liabilities.* The future effective tax rate will ultimately depend on the mix of earnings between domestic and foreign operations, the impact of certain undistributed foreign earnings for which no U.S. taxes have been provided because such earnings are planned to be indefinitely reinvested outside of the United States, changes in tax laws and regulations and potential resolutions on tax examinations, refund claims and litigation. Remittances of foreign earnings to the United States are planned based on projected cash flow, working capital and investment needs of our foreign and domestic operations. Based on these assumptions, we estimate the amount that will be distributed to the United States and provide U.S. federal taxes on these amounts. Material changes in our estimates as to how much of our foreign earnings will be distributed to the United States or tax legislation that limits or restricts the amount of undistributed foreign earnings that we consider indefinitely reinvested outside the United States could materially impact our income tax provision and effective tax rate. Significant judgment is required in determining our worldwide income tax provision. In the ordinary course of a global business, there are many transactions and calculations where the ultimate tax outcome is uncertain. Some of these uncertainties arise from examinations in various jurisdictions and assumptions and estimates used in evaluating the need for valuation allowance.

We are subject to income taxes in both the United States and numerous foreign jurisdictions. We compute our provision for income taxes using the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities and for operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using the currently enacted tax rates that are expected to apply to taxable income for the years in which those tax assets and liabilities are expected to be realized or settled. Significant judgments are required in order to determine the realizability of these deferred tax assets. In assessing the need for a valuation allowance, we evaluate all significant available positive and negative evidence, including historical operating results, estimates of future taxable income and the existence of prudent and feasible tax planning strategies. Changes in the expectations regarding the realization of deferred tax assets could materially impact income tax expense in future periods.

We continuously review issues raised in connection with all ongoing examinations and open tax years to evaluate the adequacy of our tax liabilities. We evaluate uncertain tax positions under a two-step approach. The first step is to evaluate the uncertain tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained upon examination based on its technical merits. The second step is, for those positions that meet the recognition criteria, to measure the tax benefit as the largest amount that is more than fifty percent likely of being realized. We believe our recorded tax liabilities are adequate to cover all open tax years based on our assessment. This assessment relies on estimates and assumptions and involves significant judgments about future events. To the extent that our view as to the outcome of these matters changes, we will adjust income tax expense in the period in which such determination is made. We classify interest and penalties related to income taxes as income tax expense.



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***Employee benefits and incentive compensation***

*Pension and postretirement benefits.* We have several non-contributory defined benefit retirement plans covering eligible employees. We also provide certain health care benefits for U.S. employees who meet age, participation and length of service requirements at retirement. In addition, we sponsor other retirement or post-employment plans for our foreign employees in accordance with local government programs and requirements. We retain the right to amend, curtail or discontinue any aspect of the plans, subject to local regulations. Any of these actions, either individually or in combination, could have a material impact on our consolidated financial statements and on our future financial performance.

We recognize either an asset or liability for any plan's funded status in our consolidated balance sheets. We measure changes in funded status using actuarial models which utilize an attribution approach that generally spreads individual events either over the estimated service lives of the remaining employees in the plan, or, for plans where participants will not earn additional benefits by rendering future service, over the plan participants' estimated remaining lives. The attribution approach assumes that employees render service over their service lives on a relatively smooth basis and as such, presumes that the income statement effects of pension or postretirement benefit plans should follow the same pattern. Our policy is to fund our pension plans based upon actuarial recommendations and in accordance with applicable laws, income tax regulations and credit agreements.

Net pension and postretirement benefit income or expense is generally determined using assumptions which include expected long-term rates of return on plan assets, discount rates, compensation rate increases and medical trend and mortality rates. We use a mix of actual historical rates, expected rates and external data to determine the assumptions used in the actuarial models. For example, we utilized a yield curve constructed from a portfolio of high-quality corporate bonds with various maturities to determine the appropriate discount rate to use for our U.S. benefit plans. Under this model, each year's expected future benefit payments are discounted to their present value at the appropriate yield curve rate, thereby generating the overall discount rate. We utilized country-specific third-party bond indices to determine appropriate discount rates to use for benefit plans of our foreign subsidiaries. Changes in actuarial assumptions and estimates, either individually or in combination, could have a material impact on our consolidated financial statements and on our future financial performance. For example, as of November 29, 2015, a 25 basis point change in the discount rate would yield an approximately four percent change in the projected benefit obligation and an approximately two percent change in the annual service cost of our pension plans, and an approximately three percent change in the projected benefit obligation and annual service cost of our postretirement benefit plan.

*Employee incentive compensation.* We maintain short-term and long-term employee incentive compensation plans. For our short-term plans, the amount of the cash bonus earned depends upon business unit and corporate financial results as measured against pre-established targets, and also depends upon the performance and job level of the individual. Our long-term plans are intended to reward certain levels of management for its long-term impact on our total earnings performance. Performance is measured at the end of a three-year period based on our performance over the period measured against certain pre-established targets such as the compound annual growth rates over the periods for net revenues and average margin of net earnings adjusted for certain items such as interest and taxes. We accrue the related compensation expense over the period of the plan, and changes in our projected future financial performance could have a material impact on our accruals.

**Recently Issued Accounting Standards**

See Note 1 to our audited consolidated financial statements included in this report for recently issued accounting standards, including the expected dates of adoption and expected impact to our consolidated financial statements upon adoption.

**FORWARD-LOOKING STATEMENTS**

Certain matters discussed in this report, including (without limitation) statements under “Management's Discussion and Analysis of Financial Condition and Results of Operations” contain forward-looking statements. Although we believe that, in making any such statements, our expectations are based on reasonable assumptions, any such statement may be influenced by factors that could cause actual outcomes and results to be materially different from those projected.

These forward-looking statements include statements relating to our anticipated financial performance and business prospects, including constant-currency revenue and gross margin expectations, and/or statements preceded by, followed by or that include the words “believe”, “will”, “so we can”, “when”, “anticipate”, “intend”, “estimate”, “expect”, “project”, “could”, “plans”, “seeks” and similar expressions. These forward-looking statements speak only as of the date stated and we do not undertake any obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, even if experience or future events make it clear that any expected results expressed or implied by these forward-looking statements will not be realized. Although we believe that the expectations reflected in these forward-looking statements are reasonable, these expectations may not prove to be correct or we may not achieve the financial results, savings or other benefits anticipated in the forward-looking statements. These forward-looking statements are necessarily estimates reflecting the best judgment of our senior



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management and involve a number of risks and uncertainties, some of which may be beyond our control, that could cause actual results to differ materially from those suggested by the forward-looking statements and include, without limitation:

- changes in general economic and financial conditions, and the resulting impact on the level of discretionary consumer spending for apparel and pricing trend fluctuations, and our ability to plan for and respond to the impact of those changes;
- our ability to timely and effectively implement our global productivity initiative as planned, which is intended to increase productivity and efficiency in our global operations, take advantage of lower-cost service-delivery models in our distribution network and streamline our procurement practices to maximize efficiency in our global operations, without business disruption or mitigation to such disruptions;
- consequences of impacts to the businesses of our wholesale customers, including a significant decline in a wholesale customer's financial condition, leading to restructuring actions, bankruptcies, liquidations or other unfavorable events for our wholesale customers, caused by factors such as inability to secure financing, decreased discretionary consumer spending, inconsistent traffic patterns and an increase in promotional activity as a result of decreased traffic, pricing fluctuations, general economic and financial conditions and changing consumer preferences;
- our and our wholesale customers' decisions to modify strategies and adjust product mix and pricing, and our ability to manage any resulting product transition costs, including liquidating inventory or increasing promotional activity;
- our ability to purchase products through our independent contract manufacturers that are made with quality raw materials and our ability to mitigate the variability of costs related to manufacturing, sourcing, and raw materials supply and to manage consumer response to such mitigating actions;
- our ability to gauge and adapt to changing U.S. and international retail environments and fashion trends and changing consumer preferences in product, price-points, as well as in-store and digital shopping experiences;
- our ability to respond to price, innovation and other competitive pressures in the global apparel industry, on and from our key customers and in our key markets;
- our ability to increase the number of dedicated stores for our products, including through opening and profitably operating company-operated stores;
- consequences of foreign currency exchange and interest rate fluctuations;
- our ability to successfully prevent or mitigate the impacts of data security breaches;
- our ability to attract and retain key executives and other key employees;
- our ability to protect our trademarks and other intellectual property;
- the impact of the variables that affect the net periodic benefit cost and future funding requirements of our postretirement benefits and pension plans;
- our dependence on key distribution channels, customers and suppliers;
- our ability to utilize our tax credits and net operating loss carryforwards;
- ongoing or future litigation matters and disputes and regulatory developments;
- changes in or application of trade and tax laws; and
- political, social and economic instability, or natural disasters, in countries where we or our customers do business.

Our actual results might differ materially from historical performance or current expectations. We do not undertake any obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.



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## Item 7A. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

**Investment and Credit Availability Risk**

We manage cash and cash equivalents in various institutions at levels beyond FDIC coverage limits, and we purchase investments not guaranteed by the FDIC. Accordingly, there may be a risk that we will not recover the full principal of our investments or that their liquidity may be diminished. To mitigate this risk, our investment policy emphasizes preservation of principal and liquidity.

Multiple financial institutions are committed to provide loans and other credit instruments under our amended and restated senior secured revolving credit facility. There may be a risk that some of these institutions cannot deliver against these obligations in a timely manner, or at all.

**Foreign Exchange Risk**

The global scope of our business operations exposes us to the risk of fluctuations in foreign currency markets. This exposure is the result of certain product sourcing activities, some intercompany sales, foreign subsidiaries' royalty payments, interest payments, earnings repatriations, net investment in foreign operations and funding activities. Our foreign currency management objective is to minimize the effect of fluctuations in foreign exchange rates on nonfunctional currency cash flows of the Company and its subsidiaries and selected assets or liabilities of the Company and its subsidiaries without exposing the Company to additional risk associated with transactions that could be regarded as speculative.

We use a centralized currency management operation to take advantage of potential opportunities to naturally offset exposures against each other. For any residual exposures under management, we may enter into various financial instruments, including forward exchange contracts, to hedge certain forecasted transactions, as well as certain firm commitments, including third-party and intercompany transactions.

Our foreign exchange risk management activities are governed by a foreign exchange risk management policy approved by our Treasury committee. Members of our Treasury committee, comprised of a group of our senior financial executives, review our foreign exchange activities to monitor compliance with our policies. The operating policies and guidelines outlined in the foreign exchange risk management policy provide a framework that allows for a managed approach to the management of currency exposures while ensuring the activities are conducted within established parameters. Our policy includes guidelines for the organizational structure of our treasury risk management function and for internal controls over foreign exchange risk management activities, including various measurements for monitoring compliance. We monitor foreign exchange risk and related derivatives using different techniques, including a review of market value, sensitivity analysis and a value-at-risk model. We use the market approach to estimate the fair value of our foreign exchange derivative contracts.

We use derivative instruments to manage certain but not all exposures to foreign currencies. Our approach to managing foreign currency exposures is consistent with that applied in previous years. As of November 29, 2015, we had forward foreign exchange contracts to buy $883.7 million and to sell $481.6 million against various foreign currencies. These contracts are at various exchange rates and expire at various dates through February 2017.

As of November 30, 2014, we had forward foreign exchange contracts to buy $470.5 million and to sell $305.7 million against various foreign currencies. These contracts were at various exchange rates and expired at various dates through February 2016.

**Derivative Financial Instruments**

We are exposed to market risk primarily related to foreign currencies. We manage foreign currency risks with the objective to minimize the effect of fluctuations in foreign exchange rates on nonfunctional currency cash flows of the Company and its subsidiaries and selected assets or liabilities of the Company and its subsidiaries without exposing the Company to additional risk associated with transactions that could be regarded as speculative.

We are exposed to credit loss in the event of nonperformance by the counterparties to the over-the-counter forward foreign exchange contracts. However, we believe that our exposures are appropriately diversified across counterparties and that these counterparties are creditworthy financial institutions. We monitor the creditworthiness of our counterparties in accordance with our foreign exchange and investment policies. In addition, we have International Swaps and Derivatives Association, Inc. (“ISDA”) master agreements in place with our counterparties to mitigate the credit risk related to the outstanding derivatives. These agreements provide the legal basis for over-the-counter transactions in many of the world's commodity and financial markets.



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The following table presents the currency, average forward exchange rate, notional amount and fair values for our outstanding forward contracts as of November 29, 2015, and November 30, 2014. The average forward exchange rate is the weighted average of the forward rates of the contracts for the indicated currency. The notional amount represents the U.S. Dollar equivalent amount of the foreign currency at the inception of the contracts, and is the net sum of all buy and sell transactions for the indicated currency. A net positive notional amount represents a position to buy the U.S. Dollar versus the exposure currency, while a net negative notional amount represents a position to sell the U.S. Dollar versus the exposure currency. All transactions will mature before the end of February 2017.

| | As of November 29, 2015 | | | As of November 30, 2014 | | |
|---|---|---|---|---|---|---|
| | Average Forward Exchange Rate | Notional Amount | Fair Value | Average Forward Exchange Rate | Notional Amount | Fair Value |
| | (Dollars in thousands) | | | | | |
| **Currency** | | | | | | |
| Australian Dollar | 0.75 | $ 6,455 | $ 988 | 0.87 | $ 6,393 | $ 200 |
| Brazilian Real | — | — | — | 2.46 | 704 | (72) |
| Canadian Dollar | 1.27 | 23,899 | 2,476 | 1.12 | 42,224 | 1,212 |
| Swiss Franc | 0.99 | (12,264) | (299) | 0.93 | (12,121) | 166 |
| Czech Koruna | 24.54 | (366) | (14) | 21.91 | 292 | 4 |
| Danish Krone | 6.80 | (1,311) | (39) | 5.84 | (1,258) | (29) |
| Euro | 1.11 | 180,379 | 9,795 | 1.28 | (38,235) | (2,900) |
| British Pound Sterling | 1.53 | 53,569 | 602 | 1.61 | (23,766) | (613) |
| Hong Kong Dollar | 7.75 | (1,107) | — | 7.76 | (2,571) | 1 |
| Hungarian Forint | 287.35 | (823) | (17) | 244.56 | (1,452) | (17) |
| Indonesian Rupiah | — | — | — | 13,310.00 | 3,276 | (266) |
| Indian Rupee | — | — | — | 66.79 | 599 | (41) |
| Japanese Yen | 118.59 | 32,590 | 1,227 | 106.79 | 46,375 | 5,165 |
| South Korean Won | 1,115.95 | 13,332 | 504 | 1,088.39 | 26,613 | 197 |
| Mexican Peso | 15.84 | 92,270 | 5,914 | 13.43 | 73,099 | 2,783 |
| Malaysian Ringgit | 3.46 | 65 | 65 | 3.31 | 11,290 | 284 |
| Norwegian Krone | 8.55 | (1,327) | (20) | 6.67 | 2,881 | 164 |
| New Zealand Dollar | 0.66 | (2,890) | (53) | 0.78 | (3,352) | (22) |
| Philippine Peso | — | — | — | 45.20 | 3,908 | (6) |
| Polish Zloty | 3.93 | (8,827) | (237) | 3.36 | (514) | (79) |
| Russian Ruble | — | — | — | — | — | — |
| Swedish Krona | 8.48 | 13,603 | 266 | 7.41 | 11,935 | (7) |
| Singapore Dollar | 1.38 | (763) | (187) | 1.27 | (3,051) | (135) |
| Turkish Lira | — | — | — | 2.22 | 1,281 | 8 |
| New Taiwan Dollar | — | — | — | 29.68 | 3,669 | 146 |
| South African Rand | 12.84 | 15,620 | 2,268 | 11.52 | 16,558 | (175) |
| Total | | $ 402,104 | $ 23,239 | | $ 164,777 | $ 5,968 |



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**Interest rate risk**

The following table provides information about our financial instruments that may be sensitive to changes in interest rates. The table presents principal (face amount) outstanding balances of our debt instruments and the related weighted-average interest rates for the years indicated based on expected maturity dates. All amounts are stated in U.S. Dollar equivalents.

| | As of November 29, 2015 | | | | | | | As of November 30, 2014 |
|---|---|---|---|---|---|---|---|---|
| | Expected Maturity Date | | | | | | | |
| | 2016 | 2017 | 2018 | 2019 | 2020 | Thereafter | Total | Total |
| | (Dollars in thousands) | | | | | | | |
| **Debt Instruments** | | | | | | | | |
| Fixed Rate (US$) | $ — | $ — | $ — | $ — | $ — | $ 1,025,000 | $ 1,025,000 | $ 1,050,000 |
| Average Interest Rate | — | — | — | — | — | 5.96% | 5.96% | |
| Fixed Rate (Yen 4.0 billion) | 32,634 | — | — | — | — | — | 32,634 | 33,985 |
| Average Interest Rate | 4.25% | — | — | — | — | — | 4.25% | |
| Fixed Rate (Euro 300 million) | — | — | — | — | — | — | — | — |
| Average Interest Rate | — | — | — | — | — | — | — | |
| Variable Rate (US$) | — | — | — | — | — | — | — | — |
| Average Interest Rate | — | — | — | — | — | — | — | |
| Total Principal (face amount) of our debt instruments(1) | $ 32,634 | $ — | $ — | $ — | $ — | $ 1,025,000 | $ 1,057,634 | $ 1,083,985 |

_______________

(1) Amounts presented in this table exclude short-term, variable-rate debt of $99.0 million as of November 29, 2015, borrowed under our senior secured revolving credit facility, which was expected to be repaid over the next twelve months. Also excluded from this table are other short-term borrowings of $16.0 million as of November 29, 2015, consisting of term loans and revolving credit facilities at various foreign subsidiaries which we expect to either pay over the next twelve months or refinance at the end of their applicable terms. Of the $16.0 million, $14.8 million was fixed-rate debt and $1.2 million was variable-rate debt.



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**Item 8.** ***FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA***

**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders of
Levi Strauss & Co.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, comprehensive income, stockholders' equity (deficit), and of cash flows present fairly, in all material respects, the financial position of Levi Strauss & Co. and its subsidiaries at November 29, 2015 and November 30, 2014, and the results of their operations and their cash flows for each of the three years in the period ended November 29, 2015, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the related financial statement schedule listed in the index appearing under Item 15(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and the financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

San Francisco, CA
February 11, 2016



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## LEVI STRAUSS & CO. AND SUBSIDIARIES
## CONSOLIDATED BALANCE SHEETS

| | November 29, 2015 | November 30, 2014 |
|---|---|---|
| | (Dollars in thousands) | |
| **ASSETS** | | |
| Current Assets: | | |
| Cash and cash equivalents | $ 318,571 | $ 298,255 |
| Trade receivables, net of allowance for doubtful accounts of $11,025 and $12,704 | 498,196 | 481,981 |
| Inventories: | | |
| Raw materials | 3,368 | 4,501 |
| Work-in-process | 3,031 | 5,056 |
| Finished goods | 600,460 | 591,359 |
| Total inventories | 606,859 | 600,916 |
| Other current assets | 104,523 | 99,347 |
| Total current assets | 1,528,149 | 1,480,499 |
| Property, plant and equipment, net of accumulated depreciation of $811,013 and $784,493 | 390,829 | 392,062 |
| Goodwill | 235,041 | 238,921 |
| Other intangible assets, net | 43,350 | 45,898 |
| Non-current deferred tax assets, net | 580,640 | 663,619 |
| Other non-current assets | 106,386 | 85,902 |
| **Total assets** | $ 2,884,395 | $ 2,906,901 |
| **LIABILITIES, TEMPORARY EQUITY AND STOCKHOLDERS' EQUITY** | | |
| Current Liabilities: | | |
| Short-term debt | $ 114,978 | $ 131,524 |
| Current maturities of long-term debt | 32,625 | — |
| Accounts payable | 238,309 | 234,892 |
| Accrued salaries, wages and employee benefits | 182,430 | 178,470 |
| Restructuring liabilities | 20,141 | 57,817 |
| Accrued interest payable | 5,510 | 5,679 |
| Accrued income taxes | 6,567 | 9,432 |
| Other accrued liabilities | 245,607 | 259,483 |
| Total current liabilities | 846,167 | 877,297 |
| Long-term debt | 1,004,938 | 1,078,100 |
| Long-term capital leases | 12,320 | 11,619 |
| Postretirement medical benefits | 105,240 | 122,213 |
| Pension liability | 358,443 | 406,398 |
| Long-term employee related benefits | 73,342 | 80,066 |
| Long-term income tax liabilities | 26,312 | 35,821 |
| Other long-term liabilities | 56,987 | 63,268 |
| Total liabilities | 2,483,749 | 2,674,782 |
| Commitments and contingencies | | |
| Temporary equity | 68,783 | 77,664 |
| Stockholders' Equity: | | |
| Levi Strauss & Co. stockholders' equity | | |
| Common stock — $.01 par value; 270,000,000 shares authorized; 37,460,145 shares and 37,430,283 shares issued and outstanding | 375 | 374 |
| Additional paid-in capital | 3,291 | — |
| Retained earnings | 705,668 | 528,209 |
| Accumulated other comprehensive loss | (379,066) | (375,340) |
| Total Levi Strauss & Co. stockholders' equity | 330,268 | 153,243 |
| Noncontrolling interest | 1,595 | 1,212 |
| Total stockholders' equity | 331,863 | 154,455 |
| **Total liabilities, temporary equity and stockholders' equity** | $ 2,884,395 | $ 2,906,901 |

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The accompanying notes are an integral part of these consolidated financial statements.



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**LEVI STRAUSS & CO. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF INCOME**

| | Year Ended | | |
|---|---|---|---|
| | November 29, 2015 | November 30, 2014 | November 24, 2013 |
| | (Dollars in thousands) | | |
| Net revenues | $ 4,494,493 | $ 4,753,992 | $ 4,681,691 |
| Cost of goods sold | 2,225,512 | 2,405,552 | 2,331,219 |
| Gross profit | 2,268,981 | 2,348,440 | 2,350,472 |
| Selling, general and administrative expenses | 1,823,863 | 1,906,164 | 1,884,965 |
| Restructuring, net | 14,071 | 128,425 | — |
| Operating income | 431,047 | 313,851 | 465,507 |
| Interest expense | (81,214) | (117,597) | (129,024) |
| Loss on early extinguishment of debt | (14,002) | (20,343) | (689) |
| Other income (expense), net | (25,433) | (22,057) | (13,181) |
| Income before income taxes | 310,398 | 153,854 | 322,613 |
| Income tax expense | 100,507 | 49,545 | 94,477 |
| Net income | 209,891 | 104,309 | 228,136 |
| Net (income) loss attributable to noncontrolling interest | (455) | 1,769 | 1,057 |
| Net income attributable to Levi Strauss & Co. | $ 209,436 | $ 106,078 | $ 229,193 |

The accompanying notes are an integral part of these consolidated financial statements.



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**LEVI STRAUSS & CO. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

| | Year Ended | | |
|---|---|---|---|
| | November 29, 2015 | November 30, 2014 | November 24, 2013 |
| | (Dollars in thousands) | | |
| Net income | $ 209,891 | $ 104,309 | $ 228,136 |
| Other comprehensive income (loss), net of related income taxes: | | | |
| Pension and postretirement benefits | 25,114 | (34,682) | 104,189 |
| Net investment hedge gains (losses) | 3,474 | 4,978 | (7,846) |
| Foreign currency translation (losses) gains | (32,032) | (34,904) | 4,965 |
| Unrealized (losses) gains on marketable securities | (354) | 968 | 252 |
| Total other comprehensive (loss) income | (3,798) | (63,640) | 101,560 |
| Comprehensive income | 206,093 | 40,669 | 329,696 |
| Comprehensive (income) loss attributable to noncontrolling interest | (383) | 2,098 | 2,103 |
| Comprehensive income attributable to Levi Strauss & Co. | $ 205,710 | $ 42,767 | $ 331,799 |

The accompanying notes are an integral part of these consolidated financial statements.



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**LEVI STRAUSS & CO. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)**

| | Levi Strauss & Co. Stockholders | | | | | |
|---|---|---|---|---|---|---|
| | Common Stock | Additional Paid-In Capital | Accumulated Earnings | Accumulated Other Comprehensive Loss | Noncontrolling Interest | Total Stockholders' Equity (Deficit) |
| | (Dollars in thousands) | | | | | |
| **Balance at November 25, 2012** | $ 374 | $ 33,365 | $ 273,975 | $ (414,635) | $ 5,413 | $ (101,508) |
| Net income (loss) | — | — | 229,193 | — | (1,057) | 228,136 |
| Other comprehensive income (loss), net of tax | — | — | — | 102,606 | (1,046) | 101,560 |
| Stock-based compensation and dividends, net | — | 8,272 | (23) | — | — | 8,249 |
| Reclassification to temporary equity | — | (30,641) | — | — | — | (30,641) |
| Repurchase of common stock | — | (3,635) | (2,109) | — | — | (5,744) |
| Cash dividends paid | — | — | (25,076) | — | — | (25,076) |
| **Balance at November 24, 2013** | 374 | 7,361 | 475,960 | (312,029) | 3,310 | 174,976 |
| Net income (loss) | — | — | 106,078 | — | (1,769) | 104,309 |
| Other comprehensive loss, net of tax | — | — | — | (63,311) | (329) | (63,640) |
| Stock-based compensation and dividends, net | — | 13,290 | (23) | — | — | 13,267 |
| Reclassification to temporary equity | — | (19,298) | (19,842) | — | — | (39,140) |
| Repurchase of common stock | — | (1,353) | (3,961) | — | — | (5,314) |
| Cash dividends paid | — | — | (30,003) | — | — | (30,003) |
| **Balance at November 30, 2014** | 374 | — | 528,209 | (375,340) | 1,212 | 154,455 |
| Net income | — | — | 209,436 | — | 455 | 209,891 |
| Other comprehensive loss, net of tax | — | — | — | (3,726) | (72) | (3,798) |
| Stock-based compensation and dividends, net | 1 | 16,674 | (66) | — | — | 16,609 |
| Reclassification to temporary equity | — | (10,961) | 19,842 | — | — | 8,881 |
| Repurchase of common stock | — | (2,422) | (1,753) | — | — | (4,175) |
| Cash dividends paid | — | — | (50,000) | — | — | (50,000) |
| **Balance at November 29, 2015** | $ 375 | $ 3,291 | $ 705,668 | $ (379,066) | $ 1,595 | $ 331,863 |

The accompanying notes are an integral part of these consolidated financial statements.



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## LEVI STRAUSS & CO. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Year Ended | | |
|---|---|---|---|
| | November 29, 2015 | November 30, 2014 | November 24, 2013 |
| | (Dollars in thousands) | | |
| **Cash Flows from Operating Activities:** | | | |
| Net income | $ 209,891 | $ 104,309 | $ 228,136 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 102,044 | 109,474 | 115,720 |
| Asset impairments | 2,616 | 6,531 | 8,330 |
| Gain on disposal of assets | (8,626) | (197) | (2,112) |
| Unrealized foreign exchange (gains) losses | (371) | 5,392 | 4,573 |
| Realized (gain) loss on settlement of forward foreign exchange contracts not designated for hedge accounting | (14,720) | 6,184 | 2,904 |
| Employee benefit plans' amortization from accumulated other comprehensive loss and settlement losses | 16,983 | 45,787 | 22,686 |
| Employee benefit plans' curtailment gain, net | — | — | (564) |
| Noncash loss on extinguishment of debt, net of write-off of unamortized debt issuance costs | 3,448 | 5,103 | 689 |
| Noncash restructuring charges | 658 | 3,347 | — |
| Amortization of premium, discount and debt issuance costs | 2,150 | 2,331 | 3,287 |
| Stock-based compensation | 15,137 | 12,441 | 8,249 |
| Allowance for doubtful accounts | 1,875 | 662 | 1,158 |
| Deferred income taxes | 58,386 | (28,177) | 37,520 |
| Change in operating assets and liabilities: | | | |
| Trade receivables | 4,060 | (51,367) | 65,955 |
| Inventories | 28,566 | (6,184) | (63,920) |
| Other current assets | (3,061) | 5,377 | 32,808 |
| Other non-current assets | (21,375) | 1,509 | 9,871 |
| Accounts payable and other accrued liabilities | (80,224) | (28,871) | 3,107 |
| Restructuring liabilities | (36,711) | 66,574 | — |
| Income tax liabilities | (9,680) | 19,224 | (23,832) |
| Accrued salaries, wages and employee benefits and long-term employee related benefits | (44,714) | (42,878) | (51,974) |
| Other long-term liabilities | (10,902) | (3,740) | 8,618 |
| Other, net | 2,902 | 78 | 59 |
| Net cash provided by operating activities | 218,332 | 232,909 | 411,268 |
| **Cash Flows from Investing Activities:** | | | |
| Purchases of property, plant and equipment | (102,308) | (73,396) | (91,771) |
| Proceeds from sale of assets | 9,026 | 8,049 | 2,277 |
| Proceeds (payments) on settlement of forward foreign exchange contracts not designated for hedge accounting | 14,720 | (6,184) | (2,904) |
| Acquisitions, net of cash acquired | (2,271) | (318) | (400) |
| Net cash used for investing activities | (80,833) | (71,849) | (92,798) |
| **Cash Flows from Financing Activities:** | | | |
| Proceeds from issuance of long-term debt | 500,000 | — | 140,000 |
| Repayments of long-term debt and capital leases | (528,104) | (395,853) | (327,281) |
| Proceeds from senior revolving credit facility | 345,000 | 265,000 | — |
| Repayments of senior revolving credit facility | (346,000) | (165,000) | — |
| Proceeds from short-term credit facilities | 23,936 | 24,372 | 46,187 |
| Repayments of short-term credit facilities | (21,114) | (24,000) | (53,726) |
| Other short-term borrowings, net | (12,919) | (10,080) | (3,711) |
| Debt issuance costs | (4,605) | (2,684) | (2,557) |
| Change in restricted cash, net | 1,615 | 1,060 | (139) |
| Repurchase of common stock | (4,175) | (5,314) | (5,744) |
| Excess tax benefits from stock-based compensation | 1,471 | 826 | 1,538 |
| Dividend to stockholders | (50,000) | (30,003) | (25,076) |
| Net cash used for financing activities | (94,895) | (341,676) | (230,509) |
| Effect of exchange rate changes on cash and cash equivalents | (22,288) | (10,387) | (4,837) |
| Net increase (decrease) in cash and cash equivalents | 20,316 | (191,003) | 83,124 |
| Beginning cash and cash equivalents | 298,255 | 489,258 | 406,134 |

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| | | | |
|---|---|---|---|
| **Ending cash and cash equivalents** | $ 318,571 | $ 298,255 | $ 489,258 |
| | | | |
| **Noncash Investing Activity:** | | | |
| Purchases of property, plant and equipment not yet paid at end of period | $ 23,958 | $ 19,728 | $ 13,816 |
| | | | |
| **Supplemental disclosure of cash flow information:** | | | |
| Cash paid for interest during the period | $ 77,907 | $ 110,029 | $ 121,827 |
| Cash paid for income taxes during the period, net of refunds | 61,456 | 60,525 | 47,350 |

The accompanying notes are an integral part of these consolidated financial statements.



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LEVI STRAUSS & CO. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED NOVEMBER 29, 2015, NOVEMBER 30, 2014, AND NOVEMBER 24, 2013

## NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

### Nature of Operations

Levi Strauss & Co. (the "Company") is one of the world's largest brand-name apparel companies. The Company designs, markets and sells – directly or through third parties and licensees – products that include jeans, casual and dress pants, tops, shorts, skirts, jackets, footwear and related accessories, for men, women and children around the world under the Levi's®, Dockers®, Signature by Levi Strauss & Co.™ and Denizen® brands. The Company operates its business through three geographic regions: Americas, Europe and Asia.

### Basis of Presentation and Principles of Consolidation

The consolidated financial statements of the Company and its wholly-owned and majority-owned foreign and domestic subsidiaries are prepared in conformity with generally accepted accounting principles in the United States ("U.S. GAAP"). All significant intercompany balances and transactions have been eliminated. The Company is privately held primarily by descendants of the family of its founder, Levi Strauss, and their relatives.

The Company's fiscal year ends on the last Sunday of November in each year, although the fiscal years of certain foreign subsidiaries end on November 30. Fiscal 2015 and 2013 were 52-week years, ending on November 29, 2015, and November 24, 2013, respectively. Fiscal 2014 was a 53-week year ending on November 30, 2014. Each quarter of fiscal years 2015, 2014 and 2013 consists of 13 weeks, with the exception of the fourth quarter of 2014, which consisted of 14 weeks. All references to years relate to fiscal years rather than calendar years.

Subsequent events have been evaluated through the issuance date of these financial statements.

### Out-of-period Adjustments

The Company's results for the year ended November 30, 2014, include out-of-period adjustments which, on a year-to-date basis, decreased income before income taxes and net income by $1.3 million and $6.9 million, respectively. These adjustments were comprised of $1.3 million of pre-tax items, principally related to duty accruals, and $5.6 million of additional tax expense, all associated with prior years. The correction of certain of these items during the fourth quarter of 2014 decreased fourth quarter 2014 income before income taxes and net income by approximately $4.0 million and $6.0 million, respectively. Management has evaluated these items in relation to the current period as well as the periods in which they originated, and believes these items are immaterial to both the consolidated quarterly and annual financial statements.

### Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the related notes to the consolidated financial statements. Estimates are based upon historical factors, current circumstances and the experience and judgment of the Company's management. Management evaluates its estimates and assumptions on an ongoing basis and may employ outside experts to assist in its evaluations. Changes in such estimates, based on more accurate future information, or different assumptions or conditions, may affect amounts reported in future periods.

### Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents are stated at fair value.

### Restricted Cash

Restricted cash primarily relates to required cash deposits for customs and rental guarantees to support the Company's international operations. As restricted cash is not material in any period presented, it is included in "Other current assets" and "Other non-current assets" on the consolidated balance sheets.



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**Accounts Receivable, Net**

The Company extends credit to its customers that satisfy pre-defined credit criteria. Accounts receivable are recorded net of an allowance for doubtful accounts. The Company estimates the allowance for doubtful accounts based upon an analysis of the aging of accounts receivable at the date of the consolidated financial statements, assessments of collectability based on historic trends, customer-specific circumstances, and an evaluation of economic conditions. Actual write-off of receivables may differ from estimates due to changes in customer and economic circumstances.

**Inventory Valuation**

The Company values inventories at the lower of cost or market value. Inventory cost is determined using the first-in first-out method. The Company includes product costs, labor and related overhead, inbound freight, internal transfers, and the cost of operating its remaining manufacturing facilities, including the related depreciation expense, in the cost of inventories. The Company estimates quantities of slow-moving and obsolete inventory, by reviewing on-hand quantities, outstanding purchase obligations and forecasted sales. The Company determines inventory market values by estimating expected selling prices based on the Company's historical recovery rates for slow-moving and obsolete inventory and other factors, such as market conditions, expected channel of distribution and current consumer preferences.

**Income Tax Assets and Liabilities**

The future effective tax rate will ultimately depend on the mix of earnings between domestic and foreign operations, the impact of certain undistributed foreign earnings for which no U.S. taxes have been provided because such earnings are planned to be indefinitely reinvested outside of the United States, changes in tax laws and regulations and potential resolutions on tax examinations, refund claims and litigation. Remittances of foreign earnings to the United States are planned based on projected cash flow, working capital and investment needs of our foreign and domestic operations. Based on these assumptions, the Company estimates the amount that will be distributed to the United States and provides U.S. federal taxes on these amounts. Material changes in the Company's estimates as to how much of the Company's foreign earnings will be distributed to the United States or tax legislation that limits or restricts the amount of undistributed foreign earnings that the Company considers indefinitely reinvested outside the United States could materially impact the Company's income tax provision and effective tax rate. Significant judgment is required in determining the Company's worldwide income tax provision. In the ordinary course of a global business, there are many transactions and calculations where the ultimate tax outcome is uncertain. Some of these uncertainties arise from examinations in various jurisdictions and assumptions and estimates used in evaluating the need for valuation allowance.

The Company is subject to income taxes in both the United States and numerous foreign jurisdictions. The Company computes its provision for income taxes using the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities and for operating loss and tax credit carryforwards. In conjunction with the early adoption of Accounting Standards Update No. 2015-17, *"Income Taxes (Topic 740) – Balance Sheet Classification of Deferred Taxes,"* ("ASU 2015-17"), all deferred income taxes are classified as non-current on the Company's consolidated balance sheets. Deferred tax assets and liabilities are measured using the currently enacted tax rates that are expected to apply to taxable income for the years in which those tax assets and liabilities are expected to be realized or settled. Significant judgments are required in order to determine the realizability of these deferred tax assets. In assessing the need for a valuation allowance, the Company's management evaluates all significant available positive and negative evidence, including historical operating results, estimates of future taxable income and the existence of prudent and feasible tax planning strategies.

The Company continuously reviews issues raised in connection with all ongoing examinations and open tax years to evaluate the adequacy of its tax liabilities. The Company evaluates uncertain tax positions under a two-step approach. The first step is to evaluate the uncertain tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained upon examination based on its technical merits. The second step, for those positions that meet the recognition criteria, is to measure the tax benefit as the largest amount that is more than fifty percent likely to be realized. The Company believes that its recorded tax liabilities are adequate to cover all open tax years based on its assessment. This assessment relies on estimates and assumptions and involves significant judgments about future events. To the extent that the Company's view as to the outcome of these matters change, the Company will adjust income tax expense in the period in which such determination is made. The Company classifies interest and penalties related to income taxes as income tax expense.



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**Property, Plant and Equipment**

Property, plant and equipment are carried at cost, less accumulated depreciation. The cost is depreciated on a straight-line basis over the estimated useful lives of the related assets. Costs relating to internal-use software development are capitalized when incurred during the application development phase. Buildings are depreciated over 20 to 40 years, and leasehold improvements are depreciated over the lesser of the life of the improvement or the initial lease term. Machinery and equipment includes furniture and fixtures, automobiles and trucks, and networking communication equipment, and is depreciated over a range from three to 20 years. Capitalized internal-use software is depreciated over periods ranging from three to seven years.

**Goodwill and Other Intangible Assets**

Goodwill resulted primarily from a 1985 acquisition of the Company by Levi Strauss Associates Inc., a former parent company that was subsequently merged into the Company in 1996, and the Company's 2009 acquisitions. Goodwill is not amortized. Intangible assets are comprised of owned trademarks with indefinite useful lives which are not being amortized as well as acquired contractual rights and customers lists with finite lives which are being amortized over periods ranging from four to eight years. The amortization of these intangible assets is included in "Selling, general, and administrative expenses" in the Company's consolidated statements of income.

**Impairment**

The Company reviews its goodwill and other non-amortized intangible assets for impairment annually in the fourth quarter of its fiscal year, or more frequently as warranted by events or changes in circumstances which indicate that the carrying amount may not be recoverable. The Company qualitatively assesses goodwill impairment for certain reporting units and impairment for other non-amortized intangible assets to determine whether it is more likely than not that the fair value of a reporting unit or other non-amortized intangible asset is less than its carrying amount. For goodwill and other non-amortized intangible assets not assessed qualitatively, a two-step quantitative approach is utilized. In the first step, the Company compares the carrying value of the reporting unit or applicable asset to its fair value, which the Company estimates using a discounted cash flow analysis or by comparison with the market values of similar assets. If the carrying amount of the reporting unit or asset exceeds its estimated fair value, the Company performs the second step, and determines the impairment loss, if any, as the excess of the carrying value of the goodwill or intangible asset over its fair value.

The Company reviews its other long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. If the carrying amount of an asset exceeds the expected future undiscounted cash flows, the Company measures and records an impairment loss for the excess of the carrying value of the asset over its fair value.

To determine the fair value of impaired assets, the Company utilizes the valuation technique or techniques deemed most appropriate based on the nature of the impaired asset and the data available, which may include the use of quoted market prices, prices for similar assets or other valuation techniques such as discounted future cash flows or earnings.

**Debt Issuance Costs**

In conjunction with the early adoption of Accounting Standards Update No. 2015-03, "*Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs,"* ("ASU 2015-03") and Accounting Standards Update No. 2015-15, *"Interest – Imputation Of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements,"* ("ASU 2015-15"), the Company capitalizes debt issuance costs on its Senior Revolving Credit Facility, which are included in “Other non-current assets” on the Company's consolidated balance sheets. Capitalized debt issuance costs on the Company's unsecured long-term debt are presented as a reduction to the debt outstanding on the Company's consolidated balance sheets. The unsecured long-term debt issuance costs are generally amortized utilizing the effective interest method whereas the senior revolving credit facility issuance costs are amortized utilizing the straight-line method. Amortization of debt issuance costs is included in “Interest expense” in the consolidated statements of income.



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**Restructuring Liabilities**

Upon approval of a restructuring plan, the Company records restructuring liabilities for employee severance and related termination benefits when they become probable and estimable for formal and pre-existing severance arrangements. The Company records other costs associated with exit activities as they are incurred. The long-term portion of restructuring liabilities is included in "Other long-term liabilities" on the Company's consolidated balance sheets.

**Deferred Rent**

The Company is obligated under operating leases of property for manufacturing, finishing and distribution facilities, office space, retail stores and equipment. Rental expense relating to operating leases are recognized on a straight-line basis over the lease term after consideration of lease incentives and scheduled rent escalations beginning as of the date the Company takes physical possession or control of the property. Differences between rental expense and actual rental payments are recorded as deferred rent liabilities included in "Other accrued liabilities" and "Other long-term liabilities" on the consolidated balance sheets.

**Fair Value of Financial Instruments**

The fair values of the Company's financial instruments reflect the amounts that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The fair value estimates presented in this report are based on information available to the Company as of November 29, 2015, and November 30, 2014.

The carrying values of cash and cash equivalents, trade receivables and short-term borrowings approximate fair value. The Company has estimated the fair value of its other financial instruments using the market and income approaches. Rabbi trust assets and forward foreign exchange contracts are carried at their fair values. The Company's debt instruments are carried at historical cost and adjusted for amortization of premiums, discounts, or deferred financing costs, foreign currency fluctuations and principal payments.

**Pension and Postretirement Benefits**

The Company has several non-contributory defined benefit retirement plans covering eligible employees. The Company also provides certain health care benefits for U.S. employees who meet age, participation and length of service requirements at retirement. In addition, the Company sponsors other retirement or post-employment plans for its foreign employees in accordance with local government programs and requirements. The Company retains the right to amend, curtail or discontinue any aspect of the plans, subject to local regulations.

The Company recognizes either an asset or a liability for any plan's funded status in its consolidated balance sheets. The Company measures changes in funded status using actuarial models which utilize an attribution approach that generally spreads individual events over the estimated service lives of the remaining employees in the plan. For plans where participants will not earn additional benefits by rendering future service, which includes the Company's U.S. plans, individual events are spread over the plan participants' estimated remaining lives. The Company's policy is to fund its retirement plans based upon actuarial recommendations and in accordance with applicable laws, income tax regulations and credit agreements. Net pension and postretirement benefit income or expense is generally determined using assumptions which include expected long-term rates of return on plan assets, discount rates, compensation rate increases and medical and mortality trend rates. The Company considers several factors including historical rates, expected rates and external data to determine the assumptions used in the actuarial models.

At the end of 2015, the Company elected to adopt the spot-rate approach to determine the interest cost component of pension and postretirement expense. Under the spot-rate approach, the interest cost is calculated by applying interest to the discounted cash flow expected at each payment date. For this purpose, the interest is determined using the same spot rate along the yield curve used to determine the present value of the associated payment. This approach will be used starting with the 2016 expense, rather than using a single weighted-average rate which had been utilized in prior years, for all plans with a yield curve available for discount rate setting purposes. The effect of this adoption will have an impact on interest cost estimates on a prospective basis. There is no impact on the 2015 consolidated financial statements as a result of this adoption.



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**Employee Incentive Compensation**

The Company maintains short-term and long-term employee incentive compensation plans. Provisions for employee incentive compensation are recorded in “Accrued salaries, wages and employee benefits” and “Long-term employee related benefits” on the Company's consolidated balance sheets. The Company accrues the related compensation expense over the period of the plan and changes in the liabilities for these incentive plans generally correlate with the Company's financial results and projected future financial performance.

**Stock-Based Compensation**

The Company has stock-based incentive plans which reward certain employees and directors with cash or equity. Compensation cost for these awards is based on the fair value of the Company's common stock and generally reflects the number of awards that vest or are expected to vest. Compensation cost is recognized over the period that an employee provides service for that award, which generally is the vesting period.

The Company's common stock is not listed on any established stock exchange. Accordingly, the stock's fair value is approved by the Company's board of directors (the "Board") and determined based upon a valuation performed by an independent third-party, Evercore Group LLC (“Evercore”). Determining the fair value of the Company's stock requires complex judgments. The valuation process includes comparison of the Company's historical and estimated future financial results with selected publicly-traded companies and application of an appropriate discount for the illiquidity of the stock to derive the fair value of the stock. The Company uses this valuation for, among other things, making determinations under its stock-based compensation plans, such as the grant date fair value of awards.

The fair value of equity awards granted to employees is estimated on the date of grant based on the Black-Scholes option pricing model. The fair value of equity awards granted to directors is based on the fair value of the common stock at the date of grant. The fair value of liability awards granted prior to 2013 is based on the Black-Scholes option pricing model at each quarter end. Beginning in 2013, the fair value of liability awards granted is based on the fair value of the common stock at each quarter end.

The Black-Scholes option pricing model requires the input of highly subjective assumptions including volatility. Due to the fact that the Company's common stock is not publicly traded, the computation of expected volatility is based on the average of the historical and implied volatilities, over the expected life of the awards, of comparable companies from a representative peer group of publicly-traded entities, selected based on industry and financial attributes. Other assumptions include expected life, risk-free rate of interest and dividend yield. For equity awards with a service condition, the expected life is derived based on historical experience and expected future post-vesting termination and exercise patterns. For equity awards with a performance condition, the expected life is computed using the simplified method until historical experience is available. The risk-free interest rate is based on zero coupon U.S. Treasury bond rates corresponding to the expected life of the awards. Dividend assumptions are based on historical experience.

Due to the job function of the award recipients, the Company has included stock-based compensation cost in “Selling, general and administrative expenses” in the consolidated statements of income.

**Self-Insurance**

Up to certain limits, the Company self-insures various loss exposures primarily relating to workers' compensation risk and employee and eligible retiree medical health benefits. The Company carries insurance policies covering claim exposures which exceed predefined amounts, per occurrence and/or in the aggregate. Accruals for losses are made based on the Company's claims experience and actuarial assumptions followed in the insurance industry, including provisions for incurred but not reported losses.

**Derivative Financial Instruments and Hedging Activities**

The Company recognizes all derivatives as assets and liabilities at their fair values, which are included in "Other current assets", "Other non-current assets" or "Other accrued liabilities" on the Company's consolidated balance sheets. The Company uses derivatives to manage exposures that are sensitive to changes in market conditions, such as foreign currency risk. Additionally, some of the Company's contracts contain provisions that are accounted for as embedded derivative instruments. The Company does not designate its derivative instruments for hedge accounting; changes in the fair values of these instruments are recorded in



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"Other income (expense), net" in the Company's consolidated statements of income. The non-derivative instruments the Company designates and that qualify for hedge accounting treatment hedge the Company's net investment position in certain of its foreign subsidiaries. For these instruments, the Company documents the hedge designation by identifying the hedging instrument, the nature of the risk being hedged and the approach for measuring hedge effectiveness. The ineffective portions of these hedges are recorded in "Other income (expense), net" in the Company's consolidated statements of income. The effective portions of these hedges are recorded in "Accumulated other comprehensive loss" on the Company's consolidated balance sheets and are not reclassified to earnings until the related net investment position has been liquidated.

**Foreign Currency**

The functional currency for most of the Company's foreign operations is the applicable local currency. For those operations, assets and liabilities are translated into U.S. Dollars using period-end exchange rates, income and expenses are translated at average monthly exchange rates, and equity accounts are translated at historical rates. Net changes resulting from such translations are recorded as a component of translation adjustments in "Accumulated other comprehensive loss" on the Company's consolidated balance sheets.

Foreign currency transactions are transactions denominated in a currency other than the entity's functional currency. At each balance sheet date, each entity remeasures the recorded balances related to foreign-currency transactions using the period-end exchange rate. Unrealized gains or losses arising from the remeasurement of these balances are recorded in "Other income (expense), net" in the Company's consolidated statements of income. In addition, at the settlement date of foreign currency transactions, the realized foreign currency gains or losses are recorded in "Other income (expense), net" in the Company's consolidated statements of income to reflect the difference between the rate effective at the settlement date and the historical rate at which the transaction was originally recorded.

**Noncontrolling Interest**

Noncontrolling interest includes a 16.4% minority interest of third parties in Levi Strauss Japan K.K., the Company's Japanese subsidiary.

**Revenue Recognition**

Net sales is primarily comprised of sales of products to wholesale customers, including franchised stores, and direct sales to consumers at the Company's company-operated and online stores and at the Company's company-operated shop-in-shops located within department stores. The Company recognizes revenue on sale of product when the goods are shipped or delivered and title to the goods passes to the customer provided that: there are no uncertainties regarding customer acceptance; persuasive evidence of an arrangement exists; the sales price is fixed or determinable; and collectability is reasonably assured. The revenue is recorded net of an allowance for estimated returns, discounts and retailer promotions and other similar incentives. Licensing revenues from the use of the Company's trademarks in connection with the manufacturing, advertising, and distribution of trademarked products by third-party licensees are earned and recognized as products are sold by licensees based on royalty rates set forth in the licensing agreements.

The Company recognizes allowances for estimated returns in the period in which the related sale is recorded. The Company recognizes allowances for estimated discounts, retailer promotions and other similar incentives at the later of the period in which the related sale is recorded or the period in which the sales incentive is offered to the customer. The Company estimates non-volume based allowances based on historical rates as well as customer and product-specific circumstances. Sales and value-added taxes collected from customers and remitted to governmental authorities are presented on a net basis in the Company's consolidated statements of income.

Net sales to the Company's ten largest customers totaled approximately 31% of net revenues for each of 2015, 2014 and 2013. No customer represented 10% or more of net revenues in any of these years.

**Cost of Goods Sold**

Cost of goods sold includes the expenses incurred to acquire and produce inventory for sale, including product costs, labor and related overhead, inbound freight, internal transfers, and the cost of operating the Company's remaining manufacturing facilities, including the related depreciation expense.



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**Selling, General and Administrative Expenses**

Selling, general and administrative expenses ("SG&A") are primarily comprised of costs relating to advertising, marketing, selling, distribution, information technology and other corporate functions. Costs relating to the Company's licensing activities are also included in SG&A. Selling costs include, among other things, all occupancy costs associated with company-operated stores and with the Company's company-operated shop-in-shops located within department stores. The Company expenses advertising costs as incurred. For 2015, 2014 and 2013, total advertising expense was $276.4 million, $272.8 million and $274.0 million, respectively. Distribution costs include costs related to receiving and inspection at distribution centers, warehousing, shipping to the Company's customers, handling and certain other activities associated with the Company's distribution network. These expenses totaled $159.7 million, $168.7 million and $171.7 million for 2015, 2014 and 2013, respectively.

**Changes In Accounting Principle**

In the fourth quarter of 2015, the Company early adopted the following accounting standards:

- ASU 2015-03, which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts, and ASU 2015-15, which noted that the SEC staff would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement. Prior periods have been retrospectively adjusted to present debt issuance costs on our unsecured long-term debt as a reduction of debt outstanding. As permitted by ASU 2015-15, the debt issuance costs related to line-of-credit arrangements continues to be classified as a non-current asset on the consolidated balance sheets. The impact of the adoption was a reduction of $14.4 million at November 30, 2014, to "Other non-current assets" and "Long-term debt".
- ASU 2015-17, which eliminates the current asset and current liability classifications for deferred income taxes and requires that all deferred income taxes be classified as non-current assets or non-current liabilities. Prior periods have been retrospectively adjusted to reflect all deferred tax assets and liabilities as non-current on the consolidated balance sheets. The impact of the adoption of ASU 2015-17 was a reduction to "Total current assets" by $178.0 million, an increase to "Non-current deferred tax assets, net" by $175.2 million, a reduction to "Other accrued liabilities" by $3.7 million, and an increase to "Other long-term liabilities" by $0.9 million at November 30, 2014.

**Recently Issued Accounting Standards**

The following recently issued accounting standards have been grouped by their required effective dates for the Company:

*First Quarter of 2017*

- In April 2015, the FASB issued Accounting Standards Update No. 2015-04, *"Compensation – Retirement Benefits (Topic 715): Practical Expedient for the Measurement Date of an Employer's Defined Benefit Obligation and Plan Assets,"* ("ASU 2015-04"). ASU 2015-04 provides the use of a practical expedient that permits the entity to measure defined benefit plan assets and obligations using the month-end that is closest to the entity's fiscal year-end and apply that practical expedient consistently from year to year. Further, if a contribution or significant event occurs between the month-end date used to measure defined benefit plan assets and obligations and an entity's fiscal year-end, the entity should adjust the measurement of defined benefit plan assets and obligations to reflect the effects of those contributions or significant events. However, an entity should not adjust the measurement of defined benefit plan assets and obligations for other events that occur between the month-end measurement and the entity's fiscal year-end that are not caused by the entity. The Company is currently assessing whether to adopt this standard. Should the Company elect to adopt this standard, it does not anticipate that the adoption of this standard will have a material impact on its consolidated financial statements and footnote disclosures.



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- In April 2015, the FASB issued Accounting Standards Update No. 2015-05, *"Intangibles – Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement,"* ("ASU 2015-05"). ASU 2015-05 provides guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software license. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The guidance will not change GAAP for a customer's accounting for service contracts. The Company is currently assessing the impact that adopting this new accounting standard will have on its consolidated financial statements and footnote disclosures.

*First Quarter of 2018*

- In July 2015, the FASB issued Accounting Standards Update No. 2015-11, *"Inventory (Topic 330): Simplifying the Measurement of Inventory,"* ("ASU 2015-11"). An entity using an inventory method other than last-in, first out ("LIFO") or the retail inventory method should measure inventory at the lower of cost and net realizable value. The new guidance clarifies that net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The Company does not anticipate that the adoption of this standard will have a material impact on its consolidated financial statements and footnote disclosures.

*First Quarter of 2019*

- In May 2014, the FASB issued Accounting Standards Update No. 2014-09, *"Revenue from Contracts with Customers (Topic 606),"* ("ASU 2014-09"). ASU 2014-09 outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry specific guidance. This new revenue recognition model provides a five-step analysis in determining when and how revenue is recognized. The new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration a company expects to receive in exchange for those goods or services. In August 2015, the FASB issued Accounting Standards Update No. 2015-14, *"Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date,"* ("ASU 2015-14"). The amendment in this update defers the effective date of ASU 2014-09 for all entities by one year. The Company is currently assessing the impact that adopting these new accounting standards will have on its consolidated financial statements and footnote disclosures.

## NOTE 2: PROPERTY, PLANT AND EQUIPMENT

The components of property, plant and equipment (“PP&E”) were as follows:

| | November 29, 2015 | November 30, 2014 |
|---|---|---|
| | (Dollars in thousands) | |
| Land | $ 13,180 | $ 14,111 |
| Buildings and leasehold improvements | 384,228 | 382,787 |
| Machinery and equipment | 393,806 | 417,414 |
| Capitalized internal-use software | 378,643 | 334,168 |
| Construction in progress | 31,985 | 28,075 |
| Subtotal | 1,201,842 | 1,176,555 |
| Accumulated depreciation | (811,013) | (784,493) |
| PP&E, net | $ 390,829 | $ 392,062 |

Depreciation expense for the years ended November 29, 2015, November 30, 2014, and November 24, 2013, was $99.8 million, $106.5 million and $104.6 million, respectively.



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)
FOR THE YEARS ENDED NOVEMBER 29, 2015, NOVEMBER 30, 2014, AND NOVEMBER 24, 2013

## NOTE 3: GOODWILL AND OTHER INTANGIBLE ASSETS

The changes in the carrying amount of goodwill by business segment for the years ended November 29, 2015, and November 30, 2014, were as follows:

| | Americas | Europe | Asia | Total |
|---|---|---|---|---|
| | (Dollars in thousands) | | | |
| Balance, November 24, 2013 | $ 207,423 | $ 32,110 | $ 1,695 | $ 241,228 |
| Additions | — | 182 | — | 182 |
| Foreign currency fluctuation | (4) | (2,355) | (130) | (2,489) |
| Balance, November 30, 2014 | 207,419 | 29,937 | 1,565 | 238,921 |
| Additions | 424 | 137 | — | 561 |
| Foreign currency fluctuation | (27) | (4,050) | (364) | (4,441) |
| Balance, November 29, 2015 | $ 207,816 | $ 26,024 | $ 1,201 | $ 235,041 |

Other intangible assets, net, were as follows:

| | November 29, 2015 | | | November 30, 2014 | | |
|---|---|---|---|---|---|---|
| | Gross Carrying Value | Accumulated Amortization | Total | Gross Carrying Value | Accumulated Amortization | Total |
| | (Dollars in thousands) | | | | | |
| Non-amortized intangible assets: | | | | | | |
| Trademarks | $ 42,743 | $ — | $ 42,743 | $ 42,743 | $ — | $ 42,743 |
| Amortized intangible assets: | | | | | | |
| Acquired contractual rights | 6,954 | (6,347) | 607 | 7,596 | (6,469) | 1,127 |
| Customer lists | 15,915 | (15,915) | — | 18,701 | (16,673) | 2,028 |
| Total | $ 65,612 | $ (22,262) | $ 43,350 | $ 69,040 | $ (23,142) | $ 45,898 |

For the years ended November 29, 2015, November 30, 2014, and November 24, 2013, amortization of these intangible assets was $2.1 million, $2.8 million and $10.5 million, respectively. The amortization of these intangible assets in the succeeding fiscal years is immaterial.

As of November 29, 2015, there was no impairment to the carrying value of the Company's goodwill or non-amortized intangible assets.



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## NOTE 4: FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the Company's financial instruments that are carried at fair value:

| | November 29, 2015 | | | November 30, 2014 | | |
|---|---|---|---|---|---|---|
| | | Fair Value Estimated Using | | | Fair Value Estimated Using | |
| | Fair Value | Level 1 Inputs(1) | Level 2 Inputs(2) | Fair Value | Level 1 Inputs(1) | Level 2 Inputs(2) |
| | (Dollars in thousands) | | | | | |
| **Financial assets carried at fair value** | | | | | | |
| Rabbi trust assets | $ 26,013 | $ 26,013 | $ — | $ 25,891 | $ 25,891 | $ — |
| Forward foreign exchange contracts, net(3) | 27,131 | — | 27,131 | 10,511 | — | 10,511 |
| Total | $ 53,144 | $ 26,013 | $ 27,131 | $ 36,402 | $ 25,891 | $ 10,511 |
| **Financial liabilities carried at fair value** | | | | | | |
| Forward foreign exchange contracts, net(3) | $ 7,809 | $ — | $ 7,809 | $ 10,353 | $ — | $ 10,353 |

(1) Fair values estimated using Level 1 inputs are inputs which consist of quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. Rabbi trust assets consist of a diversified portfolio of equity, fixed income and other securities. See Note 12 for more information on rabbi trust assets.

(2) Fair values estimated using Level 2 inputs are inputs, other than quoted prices, that are observable for the asset or liability, either directly or indirectly and include among other things, quoted prices for similar assets or liabilities in markets that are active or inactive as well as inputs other than quoted prices that are observable. For forward foreign exchange contracts, inputs include foreign currency exchange and interest rates and, where applicable, credit default swap prices.

(3) The Company's over-the-counter forward foreign exchange contracts are subject to International Swaps and Derivatives Association, Inc. master agreements. These agreements permit the net-settlement of these contracts on a per-institution basis.

The following table presents the carrying value – including related accrued interest – and estimated fair value of the Company's financial instruments that are carried at adjusted historical cost:

| | November 29, 2015 | | November 30, 2014 | |
|---|---|---|---|---|
| | Carrying Value | Estimated Fair Value | Carrying Value | Estimated Fair Value |
| | (Dollars in thousands) | | | |
| **Financial liabilities carried at adjusted historical cost** | | | | |
| Senior revolving credit facility | $ 99,020 | $ 99,020 | $ 100,098 | $ 100,098 |
| 4.25% Yen-denominated Eurobonds due 2016(1) | 32,736 | 33,593 | 34,088 | 35,362 |
| 7.625% senior notes due 2020(1) | — | — | 520,529 | 550,357 |
| 6.875% senior notes due 2022(1) | 527,715 | 570,355 | 528,394 | 575,022 |
| 5.00% senior notes due 2025(1) | 482,145 | 480,945 | — | — |
| Short-term borrowings | 15,996 | 15,996 | 31,742 | 31,742 |
| Total | $ 1,157,612 | $ 1,199,909 | $ 1,214,851 | $ 1,292,581 |

(1) Fair values are estimated using Level 1 inputs and incorporate mid-market price quotes. Level 1 inputs are inputs which consist of quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.



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LEVI STRAUSS & CO. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)

FOR THE YEARS ENDED NOVEMBER 29, 2015, NOVEMBER 30, 2014, AND NOVEMBER 24, 2013

## NOTE 5: DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company's foreign currency management objective is to minimize the effect of fluctuations in foreign exchange rates on nonfunctional currency cash flows of the Company and its subsidiaries and selected assets or liabilities of the Company and its subsidiaries without exposing the Company to additional risk associated with transactions that could be regarded as speculative. Forward exchange contracts on various currencies are entered into to manage foreign currency exposures associated with certain product sourcing activities, some intercompany sales, foreign subsidiaries' royalty payments, interest payments, earnings repatriations, net investment in foreign operations and funding activities. The Company manages certain forecasted foreign currency exposures and uses a centralized currency management operation to take advantage of potential opportunities to naturally offset foreign currency exposures against each other. The Company designates a portion of its outstanding Yen-denominated Eurobonds as a net investment hedge to manage foreign currency exposures in its foreign operations. The Company does not apply hedge accounting to its derivative transactions. As of November 29, 2015, the Company had forward foreign exchange contracts to buy $883.7 million and to sell $481.6 million against various foreign currencies. These contracts are at various exchange rates and expire at various dates through February 2017.

The table below provides data about the carrying values of derivative instruments and non-derivative instruments:

| | November 29, 2015 | | | November 30, 2014 | | |
|---|---|---|---|---|---|---|
| | Assets | (Liabilities) | | Assets | (Liabilities) | |
| | Carrying Value | Carrying Value | Derivative Net Carrying Value | Carrying Value | Carrying Value | Derivative Net Carrying Value |
| | (Dollars in thousands) | | | | | |
| **Derivatives not designated as hedging instruments** | | | | | | |
| Forward foreign exchange contracts(1) | $ 31,808 | $ (4,677) | $ 27,131 | $ 15,587 | $ (5,076) | $ 10,511 |
| Forward foreign exchange contracts(2) | 253 | (8,062) | (7,809) | 1,833 | (12,186) | (10,353) |
| Total | $ 32,061 | $ (12,739) | | $ 17,420 | $ (17,262) | |
| **Non-derivatives designated as hedging instruments** | | | | | | |
| Yen-denominated Eurobonds | $ — | $ (7,832) | | $ — | $ (10,195) | |

_______________

(1) Included in “Other current assets” or “Other non-current assets” on the Company’s consolidated balance sheets.

(2) Included in “Other accrued liabilities” on the Company’s consolidated balance sheets.



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)

FOR THE YEARS ENDED NOVEMBER 29, 2015, NOVEMBER 30, 2014, AND NOVEMBER 24, 2013

The Company's over-the-counter forward foreign exchange contracts are subject to International Swaps and Derivatives Association, Inc. master agreements. These agreements permit the net-settlement of these contracts on a per-institution basis. The table below presents, by type of financial instrument, the gross amounts of the Company's derivative instruments, amounts offset due to master netting arrangements with the Company's various counterparties, and the net amounts recognized on the Company's consolidated balance sheets:

| | November 29, 2015 | | | November 30, 2014 | | |
|---|---|---|---|---|---|---|
| | Gross Amounts of Recognized Assets / (Liabilities) | Gross Amounts Offset in the Statement of Financial Position | Net Amounts of Assets / (Liabilities) Presented in the Statement of Financial Position | Gross Amounts of Recognized Assets / (Liabilities) | Gross Amounts Offset in the Statement of Financial Position | Net Amounts of Assets / (Liabilities) Presented in the Statement of Financial Position |
| | (Dollars in thousands) | | | | | |
| **Over-the-counter forward foreign exchange contracts** | | | | | | |
| Financial assets | $ 30,837 | $ (4,930) | $ 25,907 | $ 15,555 | $ (6,908) | $ 8,647 |
| Financial liabilities | (7,599) | 4,930 | (2,669) | (9,587) | 6,908 | (2,679) |
| Total | | | $ 23,238 | | | $ 5,968 |
| **Embedded derivative contracts** | | | | | | |
| Financial assets | $ 1,224 | $ — | $ 1,224 | $ 1,865 | $ — | $ 1,865 |
| Financial liabilities | (5,140) | — | (5,140) | (7,675) | — | (7,675) |
| Total | | | $ (3,916) | | | $ (5,810) |



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)

FOR THE YEARS ENDED NOVEMBER 29, 2015, NOVEMBER 30, 2014, AND NOVEMBER 24, 2013

The table below provides data about the amount of gains and losses related to derivative instruments and non-derivative instruments designated as net investment hedges included in “Accumulated other comprehensive loss” (“AOCI”) on the Company’s consolidated balance sheets, and in “Other income (expense), net” in the Company’s consolidated statements of income:

| | Gain or (Loss) Recognized in AOCI (Effective Portion) | | Gain or (Loss) Recognized in Other Income (Expense), net (Ineffective Portion and Amount Excluded from Effectiveness Testing) | | |
|---|---|---|---|---|---|
| | As of | As of | Year Ended | | |
| | November 29, 2015 | November 30, 2014 | November 29, 2015 | November 30, 2014 | November 24, 2013 |
| | (Dollars in thousands) | | | | |
| Forward foreign exchange contracts | $ 4,637 | $ 4,637 | | | |
| Yen-denominated Eurobonds | (18,982) | (19,367) | $ 965 | $ 3,767 | $ 3,839 |
| Euro senior notes | (15,751) | (15,751) | — | — | — |
| Cumulative income taxes | 11,849 | 8,760 | | | |
| Total | $ (18,247) | $ (21,721) | | | |

The table below provides data about the amount of gains and losses related to derivatives not designated as hedging instruments included in “Other income (expense), net” in the Company’s consolidated statements of income:

| | Gain or (Loss) | | |
|---|---|---|---|
| | Year Ended | | |
| | November 29, 2015 | November 30, 2014 | November 24, 2013 |
| | (Dollars in thousands) | | |
| Forward foreign exchange contracts: | | | |
| Realized | $ 14,720 | $ (6,184) | $ (2,904) |
| Unrealized | 19,386 | (4,920) | 2,365 |
| Total | $ 34,106 | $ (11,104) | $ (539) |



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**NOTE 6: DEBT**

| | November 29, 2015 | November 30, 2014 |
|---|---|---|
| | (Dollars in thousands) | |
| **Long-term debt** | | |
| Unsecured: | | |
| 4.25% Yen-denominated Eurobonds due 2016 | $ — | $ 33,964 |
| 7.625% senior notes due 2020 | — | 518,750 |
| 6.875% senior notes due 2022 | 524,807 | 525,386 |
| 5.00% senior notes due 2025 | 480,131 | — |
| Total unsecured | 1,004,938 | 1,078,100 |
| Total long-term debt | $ 1,004,938 | $ 1,078,100 |
| **Short-term debt and current maturities of long-term debt** | | |
| Secured: | | |
| Senior revolving credit facility | $ 99,000 | $ 100,000 |
| Unsecured: | | |
| Current maturities of 4.25% Yen-denominated Eurobonds due 2016 | 32,625 | — |
| Short-term borrowings | 15,978 | 31,524 |
| Total short-term debt and current maturities of long-term debt | $ 147,603 | $ 131,524 |
| Total debt | $ 1,152,541 | $ 1,209,624 |

**Senior Revolving Credit Facility**

The Company is a party to a credit agreement for a senior secured revolving credit facility. The credit facility, which was amended and restated on March 21, 2014, as further described below, provides for an asset-based facility, in which the borrowing availability is primarily based on the value of the U.S. Levi's® trademarks and the levels of accounts receivable and inventory in the United States and Canada, as further described below.

*Availability, interest and maturity.* The maximum availability under the credit facility is $850.0 million, of which $800.0 million is available to the Company for revolving loans in U.S. Dollars and $50.0 million is available to the Company for revolving loans either in U.S. Dollars or Canadian Dollars. Subject to the availability under the borrowing base, the Company may make and repay borrowings from time to time until the maturity of the credit facility. The Company may make voluntary prepayments of borrowings at any time and must make mandatory prepayments if certain events occur. On March 21, 2014, the Company amended and restated its senior secured revolving credit facility to extend the term to March 21, 2019. The terms of the amended and restated credit facility are similar to the terms under the original credit facility, except that of the maximum availability of $850.0 million, $350.0 million is secured by the U.S. Levi's® trademarks, an increase from the $250.0 million in original credit facility. The interest rate for borrowing under the credit facility was reduced from LIBOR plus 150 to 275 basis points to LIBOR 125 to 200 basis points, depending on borrowing base availability, and the range of the rate for undrawn availability was reduced from 37.5 to 50 basis points to 25 to 30 basis points (depending on the Company's credit ratings). Upon the maturity date, all of the obligations outstanding under the credit agreement become due.

The Company's unused availability under its amended and restated senior secured revolving credit facility was $658.6 million at November 29, 2015, as the Company's total availability of $718.7 million, based on the collateral levels discussed above, was reduced by $60.1 million of letters of credit and other credit usage allocated under the facility. The $60.1 million was comprised of $2.8 million of other credit usage and $57.3 million of stand-by letters of credit with various international banks which serve as guarantees to cover U.S. workers' compensation claims and the working capital requirements for certain subsidiaries, primarily India.



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*Guarantees and security.* The Company's obligations under the credit agreement are guaranteed by its domestic subsidiaries. The obligations under the agreement are secured by, among other domestic assets, certain U.S. trademarks associated with the Levi's® brand and accounts receivable, goods and inventory in the United States. Additionally, the obligations of Levi Strauss & Co. (Canada) Inc. under the credit agreement are secured by Canadian accounts receivable, goods, inventory and other Canadian assets. The lien on the U.S. Levi's® trademarks and related intellectual property may be released at the Company's discretion so long as it meets certain conditions; such release would reduce the borrowing base.

*Covenants.* The credit agreement contains customary covenants restricting the Company's activities as well as those of the Company's subsidiaries, including limitations on the ability to sell assets; engage in mergers; enter into transactions involving related parties or derivatives; incur or prepay indebtedness or grant liens or negative pledges on the Company's assets; make loans or other investments; pay dividends or repurchase stock or other securities; guaranty third-party obligations; and make changes in the Company's corporate structure. There are exceptions to these covenants, and some are only applicable when unused availability falls below specified thresholds. In addition, the credit agreement includes, as a financial covenant, a springing fixed charge coverage ratio of 1.0:1.0, which arises when availability falls below a specified threshold.

*Events of default.* The credit agreement contains customary events of default, including payment failures; failure to comply with covenants; failure to satisfy other obligations under the credit agreements or related documents; defaults in respect of other indebtedness; bankruptcy, insolvency and inability to pay debts when due; material judgments; pension plan terminations or specified underfunding; substantial stock ownership changes; and specified changes in the composition of the Board. The cross-default provisions in the agreement apply if a default occurs on other indebtedness in excess of $50.0 million and the applicable grace period in respect of the indebtedness has expired, such that the lenders of or trustee for the defaulted indebtedness have the right to accelerate. If an event of default occurs under the credit agreement, the lenders may terminate their commitments, declare immediately payable all borrowings under the agreement and foreclose on the collateral.

**Yen-denominated Eurobonds due 2016**

In 1996, the Company issued ¥20 billion principal amount Eurobonds (equivalent to approximately $180.0 million at the time of issuance) due in November 2016, with interest payable at 4.25% per annum. The bond is redeemable at the option of the Company at a make-whole redemption price. The Company repurchased a portion of the Yen-denominated Eurobonds due 2016 in May 2010, and again in May 2012, as described below.

The agreement governing these bonds contains customary events of default and restricts the Company's ability and the ability of its subsidiaries and future subsidiaries to incur liens; engage in sale and leaseback transactions and engage in mergers and sales of assets. The agreement contains a cross-acceleration event of default that applies if any of the Company's debt in excess of $25.0 million is accelerated and the debt is not discharged or acceleration rescinded within 30 days after the Company's receipt of a notice of default from the fiscal agent or from the holders of at least 25% of the principal amount of the bond.

**Senior Notes due 2020**

The Company issued $525.0 million in aggregate principal amount of 7.625% senior notes due 2020 (the “Senior Notes due 2020”) to qualified institutional buyers in May 2010. The notes were unsecured obligations that ranked equally with all of the Company's other existing and future unsecured and unsubordinated debt. On April 20, 2015, the company commenced a cash tender offer for the outstanding amount of its Senior Notes due 2020. The tender offer expired April 24, 2015, and the Company redeemed all the remaining notes that were not tendered in the offer on May 28, 2015.

**Senior Notes due 2022**

*Principal, interest and maturity*. On May 8, 2012, the Company issued $385.0 million in aggregate principal amount of 6.875% senior notes due 2022 (the “Original Senior Notes due 2022”) to qualified institutional buyers and to purchasers outside the United States in compliance with the Securities Act of 1933, as amended (the “Securities Act”).



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On March 14, 2013, the Company issued an additional $140.0 million in 6.875% senior notes due 2022 (the “Additional Senior Notes due 2022”) to qualified institutional buyers in compliance with the Securities Act (the Additional Senior Notes due 2022 along with the Original Senior Notes due 2022, hereinafter referred to as the "Senior Notes due 2022"). The Additional Senior Notes due 2022 were offered at a premium of $11.2 million, which will be amortized as a reduction to interest expense over the term of the notes. Costs of approximately $2.6 million associated with the issuance of the Additional Senior Notes due 2022, representing underwriting fees and other expenses, are also amortized to interest expense over the term of the notes.

The notes are unsecured obligations that rank equally with all of the Company's other existing and future unsecured and unsubordinated debt. The Senior Notes due 2022 mature on May 1, 2022. Interest on the notes is payable semi-annually in arrears on May 1 and November 1, commencing on November 1, 2012. The Company may redeem some or all of the Senior Notes due 2022 prior to May 1, 2017, at a price equal to 100% of the principal amount plus accrued and unpaid interest and a “make-whole” premium. On or after May 1, 2017, the Company may redeem all or any portion of the notes, at once or over time, at redemption prices specified in the indenture governing the notes, plus accrued and unpaid interest, if any, to the date of redemption. Costs of approximately $7.4 million associated with the issuance of the notes, representing underwriting fees and other expenses, are amortized to interest expense over the term of the notes.

*Covenants and other terms*. The Additional Senior Notes due 2022 and the Original Senior Notes due 2022 are treated as a single class for all purposes under the indenture governing the Company's Senior Notes due 2022. The indenture governing the notes contains covenants that limit, among other things, the Company's and certain of the Company's subsidiaries' ability to incur additional debt; make certain restricted payments; consummate specified asset sales; enter into transactions with affiliates; incur liens; impose restrictions on the ability of its subsidiaries to pay dividends or make payments to the Company and its restricted subsidiaries; enter into sale and leaseback transactions; merge or consolidate with another person; and dispose of all or substantially all of the Company's assets. The indenture provides for customary events of default (subject in certain cases to customary grace and cure periods), which include nonpayment, breach of covenants in the indenture, payment defaults or acceleration of other indebtedness, a failure to pay certain judgments and certain events of bankruptcy and insolvency. Generally, if an event of default occurs, the trustee under the indenture or holders of at least 25% in principal amount of the then outstanding notes may declare all notes to be due and payable immediately. Upon the occurrence of a change in control (as defined in the indenture), each holder of notes may require the Company to repurchase all or a portion of the notes in cash at a price equal to 101% of the principal amount of notes to be repurchased, plus accrued and unpaid interest, if any, thereon to the date of purchase.

*Use of Proceeds*. The proceeds from the issuance of the Original Senior Notes due 2022 were used to repurchase and repay all of the Company's then-existing Senior Notes due 2016. The proceeds were also used to repurchase ¥5,116,500,000 in aggregate principal amount tendered of the Yen-denominated Eurobonds due 2016 for total consideration of $56.4 million including interest. The Company used the net proceeds from the offering of the Additional Senior Notes due 2022, together with cash on hand, to prepay in full its then-existing Senior Term Loan due 2014.

**Issuance of Senior Notes due 2025**

*Principal, interest, and maturity*. On April 27, 2015, the Company issued $500.0 million in aggregate principal amount of 5.00% senior notes due 2025 (the “Senior Notes due 2025”) to qualified institutional buyers and to purchasers outside the United States in compliance with the Securities Act. The notes are unsecured obligations that rank equally with all of the Company’s other existing and future unsecured and unsubordinated debt. The Senior Notes due 2025 will mature on May 1, 2025. Interest on the notes is payable semi-annually in arrears on May 1 and November 1, commencing on November 1, 2015. The Company may redeem some or all of the Senior Notes due 2025 prior to May 1, 2020, at a price equal to 100% of the principal amount, plus accrued and unpaid interest, if any, to the date of redemption, and a “make-whole” premium; on or after this date, the Company may redeem all or any portion of the notes, at once or over time, at redemption prices specified in the indenture governing the notes, plus accrued and unpaid interest, if any, to the date of redemption. In addition, at any time prior to May 1, 2018, the Company may redeem up to a maximum of 40% of the original aggregate principal amount of the Senior Notes due 2025 with the proceeds of certain equity offerings at a redemption price of 105.00% of the principal amount of the Senior Notes due 2025, plus accrued and unpaid interest, if any, to the date of redemption. The Company recorded a discount of $13.9 million in conjunction with the issuance of the Senior Notes due 2025, related to tender and redemption premiums paid to certain holders of the Senior Notes due 2020 who participated in the issuance of the Senior Notes due 2025, which will be amortized to interest expense over the term of the notes. Costs of approximately $6.9 million associated with the issuance of the



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notes, representing underwriting fees and other expenses, were capitalized and will be amortized to interest expense over the term of the notes.

*Exchange offer.* In accordance with a registration rights agreement, the Company conducted an exchange offer to allow holders of the Senior Notes due 2025 to exchange the notes for new notes in the same principal amount with substantially identical terms, except that the new notes were registered under the Securities Act.

*Covenants.* The indenture contains covenants that limit, among other things, the Company's and certain of the Company's subsidiaries' ability to incur additional debt, make certain restricted payments, consummate specified asset sales, enter into transactions with affiliates, incur liens, impose restrictions on the ability of its subsidiaries to pay dividends or make payments to the Company and its restricted subsidiaries, merge or consolidate with another person, and dispose of all or substantially all of the Company's assets. The indenture provides for customary events of default (subject in certain cases to customary grace and cure periods), which include nonpayment, breach of covenants in the indenture, payment defaults or acceleration of other indebtedness, a failure to pay certain judgments and certain events of bankruptcy and insolvency. Generally, if an event of default occurs, the trustee under the indenture or holders of at least 25% in principal amount of the then outstanding Senior Notes due 2025 may declare all the Senior Notes due 2025 to be due and payable immediately. Upon the occurrence of a change in control (as defined in the indenture), each holder of notes may require the Company to repurchase all or a portion of the notes in cash at a price equal to 101% of the principal amount of notes to be repurchased, plus accrued and unpaid interest, if any, thereon to the date of purchase.

*Use of Proceeds.* On April 20, 2015, the Company commenced a cash tender offer for the outstanding amount of its Senior Notes due 2020. The tender offer expired April 24, 2015, and the Company redeemed all the remaining notes that were not tendered in the offer on May 27, 2015.

The tender offer and redemption, as well as underwriting fees associated with the new issuance, were primarily funded with the proceeds from the issuance of the Senior Notes due 2025, as well as borrowings under the Company's senior secured revolving credit facility.

**Short-term Borrowings**

Short-term borrowings consist of term loans and revolving credit facilities at various foreign subsidiaries which the Company expects to either pay over the next twelve months or refinance at the end of their applicable terms. Certain of these borrowings are guaranteed by stand-by letters of credit allocated under the Company's amended and restated senior secured revolving credit facility.

**Loss on Early Extinguishment of Debt**

During the year ended November 29, 2015, the Company recorded a $14.0 million loss on early extinguishment of debt, comprised of tender and redemption premiums of $7.5 million, and the write-off of $3.5 million of unamortized debt issuance costs, and $3.0 million of other costs.

During the year ended November 30, 2014, the Company amended and restated its senior secured revolving credit facility and redeemed its Euro Notes due in 2018. The Company recorded a loss of $20.3 million on early extinguishment of debt as a result of our debt refinancing activities during the period. The loss was comprised of redemption premiums of $15.2 million and the write-off of $5.1 million of unamortized debt issuance costs.



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**Principal Payments on Short-term and Long-term Debt**

The table below sets forth, as of November 29, 2015, the Company's required aggregate short-term and long-term debt principal payments (inclusive of premium and discount) for the next five fiscal years and thereafter.

| | (Dollars in thousands) |
|---|---|
| 2016 | $ 147,612 |
| 2017 | — |
| 2018 | — |
| 2019 | — |
| 2020 | — |
| Thereafter | 1,018,769 |
| Total future debt principal payments | $ 1,166,381 |

**Interest Rates on Borrowings**

The Company's weighted-average interest rate on average borrowings outstanding during 2015, 2014 and 2013 was 6.72%, 7.58% and 7.62%, respectively. The weighted-average interest rate on average borrowings outstanding includes the amortization of capitalized bank fees and underwriting fees, and excludes interest on obligations to participants under deferred compensation plans.

**Dividends and Restrictions**

The terms of certain of the indentures relating to the Company's unsecured notes and its amended and restated senior secured revolving credit facility agreement contain covenants that restrict the Company's ability to pay dividends to its stockholders. For information about the Company's dividend payments, see Note 15. As of November 29, 2015, and at the time the dividends were paid, the Company met the requirements of its debt instruments. Subsidiaries of the Company that are not wholly-owned subsidiaries are permitted under the indentures to pay dividends to all stockholders either on a pro rata basis or on a basis that results in the receipt by the Company of dividends or distributions of greater value than it would receive on a pro rata basis. The Company has not entered into any arrangements that would restrict the transfer of the assets of the Company's subsidiaries to the Company in the form of loans, advances or cash dividends.

**NOTE 7: GUARANTEES**

*Indemnification agreements.* In the ordinary course of business, the Company enters into agreements containing indemnification provisions under which the Company agrees to indemnify the other party for specified claims and losses. For example, the Company's trademark license agreements, real estate leases, consulting agreements, logistics outsourcing agreements, securities purchase agreements and credit agreements typically contain such provisions. This type of indemnification provision obligates the Company to pay certain amounts associated with claims brought against the other party as the result of trademark infringement, negligence or willful misconduct of Company employees, breach of contract by the Company including inaccuracy of representations and warranties, specified lawsuits in which the Company and the other party are co-defendants, product claims and other matters. These amounts generally are not readily quantifiable; the maximum possible liability or amount of potential payments that could arise out of an indemnification claim depends entirely on the specific facts and circumstances associated with the claim. The Company has insurance coverage that minimizes the potential exposure to certain of such claims. The Company also believes that the likelihood of material payment obligations under these agreements to third parties is low.

*Covenants.* The Company's long-term debt agreements contain customary covenants restricting its activities as well as those of its subsidiaries, including limitations on its, and its subsidiaries', ability to sell assets; engage in mergers; enter into capital leases or certain leases not in the ordinary course of business; enter into transactions involving related parties or derivatives; incur or prepay indebtedness or grant liens or negative pledges on its assets; make loans or other investments; pay dividends or repurchase stock or other securities; guaranty third-party obligations; make capital expenditures; and make changes in its corporate structure. For additional information see Note 6. As of November 29, 2015, the Company was in compliance with all of these covenants.



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## NOTE 8: EMPLOYEE BENEFIT PLANS

*Pension plans.* The Company has several non-contributory defined benefit retirement plans covering eligible employees. Plan assets are invested in a diversified portfolio of securities including stocks, bonds, real estate investment funds, cash equivalents, and alternative investments. Benefits payable under the plans are based on years of service, final average compensation, or both. The Company retains the right to amend, curtail or discontinue any aspect of the plans, subject to local regulations.

*Postretirement plans.* The Company maintains plans that provide postretirement benefits to eligible employees, principally health care, to substantially all U.S. retirees and their qualified dependents. These plans were established with the intention that they would continue indefinitely. However, the Company retains the right to amend, curtail or discontinue any aspect of the plans at any time. The plans are contributory and contain certain cost-sharing features, such as deductibles and coinsurance. The Company's policy is to fund postretirement benefits as claims and premiums are paid.

The following tables summarize activity of the Company's defined benefit pension plans and postretirement benefit plans:

| | Pension Benefits | | Postretirement Benefits | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | (Dollars in thousands) | | | |
| **Change in benefit obligation:** | | | | |
| Benefit obligation at beginning of year | $ 1,289,337 | $ 1,233,799 | $ 134,084 | $ 135,595 |
| Service cost | 8,352 | 8,397 | 251 | 255 |
| Interest cost | 47,179 | 54,958 | 4,588 | 5,199 |
| Plan participants' contribution | 534 | 700 | 4,512 | 4,658 |
| Actuarial (gain) loss[1] | (56,352) | 166,664 | (5,918) | 6,455 |
| Net curtailment loss | 300 | 2,093 | — | 733 |
| Impact of foreign currency changes | (21,306) | (12,532) | — | — |
| Plan settlements[2] | (4,145) | (102,021) | — | — |
| Special termination benefits | — | 35 | — | — |
| Net benefits paid | (69,534) | (62,756) | (19,777) | (18,811) |
| Benefit obligation at end of year | $ 1,194,365 | $ 1,289,337 | $ 117,740 | $ 134,084 |
| **Change in plan assets:** | | | | |
| Fair value of plan assets at beginning of year | 878,823 | 903,033 | — | — |
| Actual return on plan assets[3] | 10,185 | 128,281 | — | — |
| Employer contribution | 36,151 | 20,046 | 15,265 | 14,153 |
| Plan participants' contributions | 534 | 700 | 4,512 | 4,658 |
| Plan settlements[2] | (4,145) | (102,021) | — | — |
| Impact of foreign currency changes | (13,463) | (8,460) | — | — |
| Net benefits paid | (69,534) | (62,756) | (19,777) | (18,811) |
| Fair value of plan assets at end of year | 838,551 | 878,823 | — | — |
| Unfunded status at end of year | $ (355,814) | $ (410,514) | $ (117,740) | $ (134,084) |

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(1) Actuarial gains in 2015 and actuarial losses in 2014 in the Company's pension benefit plans resulted from changes in mortality and discount rate assumptions, primarily for the Company's U.S. plans. Changes in financial markets during 2015 and 2014, including an increase and decrease, respectively, in corporate bond yield indices, resulted in a decrease and increase in benefit obligations, respectively.



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(2) The decrease in pension plan settlements in 2015 was primarily due to a voluntary lump-sum, cash-out program offered to vested, terminated U.S. pension plan participants in the last half of 2014. The extent of the funding from the cash-out program exceeded the settlement accounting threshold, and as such in 2014, these activities have been categorized as settlements. Pension plan assets were utilized to settle pension obligations for deferred participants that elected to participate in the program.

(3) The decrease in return on plan assets in 2015 was primarily due to the poor investment performance in 2015 of U.S. and international equity securities, as compared to better-than-expected asset performance in 2014, caused by the decrease in interest rates which resulted in higher returns on fixed income securities in 2014.

Amounts recognized in the Company's consolidated balance sheets as of November 29, 2015, and November 30, 2014, consist of the following:

| | Pension Benefits | | Postretirement Benefits | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | (Dollars in thousands) | | | |
| Prepaid benefit cost | $ 8,842 | $ 1,587 | $ — | $ — |
| Accrued benefit liability – current portion | (9,044) | (8,926) | (12,500) | (11,871) |
| Accrued benefit liability – long-term portion | (355,612) | (403,175) | (105,240) | (122,213) |
| | $ (355,814) | $ (410,514) | $ (117,740) | $ (134,084) |
| | | | | |
| Accumulated other comprehensive loss: | | | | |
| Net actuarial loss | $ (365,657) | $ (394,090) | $ (26,076) | $ (36,505) |
| Net prior service benefit | 471 | 548 | — | — |
| | $ (365,186) | $ (393,542) | $ (26,076) | $ (36,505) |

The accumulated benefit obligation for all defined benefit plans was $1.2 billion and $1.3 billion at November 29, 2015, and November 30, 2014, respectively. Information for the Company's defined benefit plans with an accumulated or projected benefit obligation in excess of plan assets is as follows:

| | Pension Benefits | |
|---|---|---|
| | 2015 | 2014 |
| | (Dollars in thousands) | |
| Accumulated benefit obligations in excess of plan assets: | | |
| Aggregate accumulated benefit obligation | $ 1,053,493 | $ 1,123,972 |
| Aggregate fair value of plan assets | 694,440 | 728,844 |
| | | |
| Projected benefit obligations in excess of plan assets: | | |
| Aggregate projected benefit obligation | $ 1,087,588 | $ 1,202,714 |
| Aggregate fair value of plan assets | 722,931 | 790,614 |



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**LEVI STRAUSS & CO. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)**
**FOR THE YEARS ENDED NOVEMBER 29, 2015, NOVEMBER 30, 2014, AND NOVEMBER 24, 2013**

The components of the Company's net periodic benefit cost were as follows:

| | Pension Benefits | | | Postretirement Benefits | | |
|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2013 | 2015 | 2014 | 2013 |
| | (Dollars in thousands) | | | | | |
| **Net periodic benefit cost:** | | | | | | |
| Service cost | $ 8,352 | $ 8,397 | $ 8,707 | $ 251 | $ 255 | $ 376 |
| Interest cost | 47,179 | 54,958 | 51,984 | 4,588 | 5,199 | 4,957 |
| Expected return on plan assets | (50,825) | (55,521) | (56,183) | — | — | — |
| Amortization of prior service benefit | (61) | (53) | (80) | — | (5) | (488) |
| Amortization of actuarial loss | 12,578 | 10,932 | 16,311 | 4,511 | 4,201 | 6,765 |
| Curtailment loss (gain) | 656 | 2,614 | (564) | — | 733 | — |
| Special termination benefit | — | 35 | 98 | — | — | — |
| Net settlement (gain) loss | (45) | 30,558 | 517 | — | — | — |
| Net periodic benefit cost | 17,834 | 51,920 | 20,790 | 9,350 | 10,383 | 11,610 |
| **Changes in accumulated other comprehensive loss:** | | | | | | |
| Actuarial (gain) loss | (15,228) | 92,544 | | (5,918) | 6,453 | |
| Amortization of prior service benefit | 61 | 53 | | — | 5 | |
| Amortization of actuarial loss | (12,578) | (10,932) | | (4,511) | (4,201) | |
| Curtailment (loss) gain | (656) | 113 | | — | — | |
| Net settlement gain (loss) | 45 | (30,712) | | — | — | |
| Total recognized in accumulated other comprehensive loss | (28,356) | 51,066 | | (10,429) | 2,257 | |
| Total recognized in net periodic benefit cost and accumulated other comprehensive loss | $ (10,522) | $ 102,986 | | $ (1,079) | $ 12,640 | |

The amounts that will be amortized from "Accumulated other comprehensive loss" into net periodic benefit cost in 2016 for the Company's defined benefit pension and postretirement benefit plans are expected to be $12.0 million and $3.0 million, respectively.



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**LEVI STRAUSS & CO. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)**

**FOR THE YEARS ENDED NOVEMBER 29, 2015, NOVEMBER 30, 2014, AND NOVEMBER 24, 2013**

Assumptions used in accounting for the Company's benefit plans were as follows:

| | Pension Benefits | | Postretirement Benefits | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Weighted-average assumptions used to determine net periodic benefit cost: | | | | |
| Discount rate | 3.8% | 4.6% | 3.6% | 4.2% |
| Expected long-term rate of return on plan assets | 5.9% | 6.3% | | |
| Rate of compensation increase | 3.4% | 3.7% | | |
| | | | | |
| Weighted-average assumptions used to determine benefit obligations: | | | | |
| Discount rate | 4.0% | 3.8% | 3.8% | 3.6% |
| Rate of compensation increase | 3.4% | 3.4% | | |
| | | | | |
| Assumed health care cost trend rates were as follows: | | | | |
| Health care trend rate assumed for next year | | | 6.4% | 7.0% |
| Rate trend to which the cost trend is assumed to decline | | | 4.4% | 4.5% |
| Year that rate reaches the ultimate trend rate | | | 2038 | 2028 |

For the Company's U.S. benefit plans, the discount rate used to determine the present value of the future pension and postretirement plan obligations was based on a yield curve constructed from a portfolio of high quality corporate bonds with various maturities. Each year's expected future benefit payments are discounted to their present value at the appropriate yield curve rate, thereby generating the overall discount rate. The Company utilized a variety of country-specific third-party bond indices to determine the appropriate discount rates to use for the benefit plans of its foreign subsidiaries.

The Company bases the overall expected long-term rate of return on assets on anticipated long-term returns of individual asset classes and each pension plans' target asset allocation strategy based on current economic conditions. For the U.S. pension plan, the expected long-term returns for each asset class are determined through a mean-variance model to estimate 20-year returns for the plan.

Health care cost trend rate assumptions are a significant input in the calculation of the amounts reported for the Company's postretirement benefits plans. A one percentage-point change in assumed health care cost trend rates would have no significant effect on the total service and interest cost components or on the postretirement benefit obligation.

Consolidated pension plan assets relate primarily to the U.S. pension plan. The Company utilizes the services of independent third-party investment managers to oversee the management of U.S. pension plan assets. The Company's investment strategy is to invest plan assets in a diversified portfolio of domestic and international equity securities, fixed income securities and real estate and other alternative investments with the objective of generating long-term growth in plan assets at a reasonable level of risk. Prohibited investments for the U.S. pension plan include certain privately placed or other non-marketable debt instruments, letter stock, commodities or commodity contracts and derivatives of mortgage-backed securities, such as interest-only, principal-only or inverse floaters. The current target allocation percentages for the Company's U.S. pension plan assets are 40-44% for equity securities, 48-52% for fixed income securities and 6-10% for other alternative investments, including real estate.



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**LEVI STRAUSS & CO. AND SUBSIDIARIES**
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**FOR THE YEARS ENDED NOVEMBER 29, 2015, NOVEMBER 30, 2014, AND NOVEMBER 24, 2013**

The fair value of the Company's pension plan assets by asset class are as follows:

| Asset Class | Year Ended November 29, 2015 | | | |
|---|---|---|---|---|
| | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| | (Dollars in thousands) | | | |
| Cash and cash equivalents | $ 1,706 | $ 1,706 | $ — | $ — |
| Equity securities[1] | | | | |
| U.S. large cap | 185,526 | — | 185,526 | — |
| U.S. small cap | 31,935 | — | 31,935 | — |
| International | 133,298 | — | 133,298 | — |
| Fixed income securities[2] | 415,228 | — | 415,228 | — |
| Other alternative investments | | | | |
| Real estate[3] | 58,364 | — | 58,364 | — |
| Private equity[4] | 1,720 | — | — | 1,720 |
| Hedge fund[5] | 7,488 | — | 7,488 | — |
| Other[6] | 3,286 | — | 3,286 | — |
| Total investments at fair value | $ 838,551 | $ 1,706 | $ 835,125 | $ 1,720 |

| Asset Class | Year Ended November 30, 2014 | | | |
|---|---|---|---|---|
| | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| | (Dollars in thousands) | | | |
| Cash and cash equivalents | $ 2,348 | $ 2,348 | $ — | $ — |
| Equity securities[1] | | | | |
| U.S. large cap | 172,702 | — | 172,702 | — |
| U.S. small cap | 30,775 | — | 30,775 | — |
| International | 135,434 | — | 135,434 | — |
| Fixed income securities[2] | 464,685 | — | 464,685 | — |
| Other alternative investments | | | | |
| Real estate[3] | 58,214 | — | 58,214 | — |
| Private equity[4] | 2,471 | — | — | 2,471 |
| Hedge fund[5] | 7,273 | — | 7,273 | — |
| Other[6] | 4,921 | — | 4,921 | — |
| Total investments at fair value | $ 878,823 | $ 2,348 | $ 874,004 | $ 2,471 |

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(1) Primarily comprised of equity index funds that track various market indices.

(2) Predominantly includes bond index funds that invest in long-term U.S. government and investment grade corporate bonds.

(3) Primarily comprised of investments in U.S. Real Estate Investment Trusts.

(4) Represents holdings in a diversified portfolio of private equity funds and direct investments in companies located primarily in North America. Fair values are determined by investment fund managers using primarily unobservable market data.

(5) Primarily invested in a diversified portfolio of equities, bonds, alternatives and cash with a low tolerance for capital loss.

(6) Primarily relates to accounts held and managed by a third-party insurance company for employee-participants in Belgium. Fair values are based on accumulated plan contributions plus a contractually-guaranteed return plus a share of any incremental investment fund profits.



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The fair value of plan assets are composed of U.S. plan assets of $694.5 million and non-U.S. plan assets of $144.1 million. The fair values of the substantial majority of the equity, fixed income and real estate investments are based on the net asset value of comingled trust funds that passively track various market indices.

The Company's estimated future benefit payments to participants, which reflect expected future service, as appropriate are anticipated to be paid as follows:

| Fiscal year | Pension Benefits | Postretirement Benefits | Total |
|---|---|---|---|
| | | (Dollars in thousands) | |
| 2016 | $ 65,769 | $ 14,977 | $ 80,746 |
| 2017 | 64,679 | 13,928 | 78,607 |
| 2018 | 65,678 | 13,077 | 78,755 |
| 2019 | 65,481 | 12,169 | 77,650 |
| 2020 | 66,193 | 11,429 | 77,622 |
| 2021-2023 | 347,959 | 48,168 | 396,127 |

At November 29, 2015, the Company's contributions to its pension plans in 2016 were estimated to be approximately $31.5 million.

## NOTE 9: EMPLOYEE INVESTMENT PLANS

The Company's Employee Savings and Investment Plan ("ESIP") is a qualified plan that covers eligible home office employees. The Company matches 125% of ESIP participant's contributions to all funds maintained under the qualified plan up to the first 6.0% of eligible compensation. Total amounts charged to expense for the Company's employee investment plans for the years ended November 29, 2015, November 30, 2014, and November 24, 2013, were $11.5 million, $12.1 million and $12.2 million, respectively.

## NOTE 10: EMPLOYEE INCENTIVE COMPENSATION PLANS

### Annual Incentive Plan

The Annual Incentive Plan ("AIP") provides a cash bonus that is earned based upon the Company's business unit and consolidated financial results as measured against pre-established internal targets and upon the performance and job level of the individual. Total amounts charged to expense for this plan for the years ended November 29, 2015, November 30, 2014, and November 24, 2013, were $65.7 million, $68.3 million and $76.6 million, respectively. As of November 29, 2015, and November 30, 2014, the Company had accrued $69.9 million and $70.5 million, respectively, for the AIP.

### Long-Term Incentive Plans

*2006 Equity Incentive Plan ("EIP").* In July 2006, the Board adopted, and the stockholders approved, the EIP. The EIP was subsequently amended by the Board of Directors in 2011 and 2014, and approved by the stockholders in April 2014. For more information on this plan, see Note 11.

*2005 Long-Term Incentive Plan ("LTIP").* The Company established a long-term cash incentive plan effective at the beginning of 2005. Executive officers are not participants in this plan. Performance will be measured at the end of a three-year period based on the Company's performance against the following pre-established targets: (i) the target compound annual growth rate in the Company's net revenues over the three-year period; and (ii) the Company's average margin of net earnings over the three-year period adjusted for certain items such as interest and taxes. Beginning in 2015, the Company introduced an additional target: total shareholder return over the three-year period relative to an expanded peer group. Awards will be paid out in the quarter following the end of the three-year period based on Company performance against the pre-established targets.



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The Company recorded expense for the LTIP of $4.3 million, $2.3 million, and $2.8 million for the years ended November 29, 2015, November 30, 2014, and November 24, 2013, respectively. As of November 29, 2015, and November 30, 2014, the Company had accrued a total of $8.8 million and $4.5 million, respectively, for the LTIP.

**NOTE 11: STOCK-BASED INCENTIVE COMPENSATION PLANS**

The Company recognized stock-based compensation expense of $25.6 million, $24.8 million and $18.6 million, and related income tax benefits of $9.8 million, $9.6 million and $5.6 million, respectively, for the years ended November 29, 2015, November 30, 2014 and November 24, 2013, respectively. As of November 29, 2015, there was $32.4 million of total unrecognized compensation cost related to unvested equity and liability awards, which cost is expected to be recognized over a weighted-average period of 2.06 years. No stock-based compensation cost has been capitalized in the accompanying consolidated financial statements.

**2006 Equity Incentive Plan**

Under the Company's EIP, a variety of stock awards, including stock options, restricted stock, restricted stock units (“RSUs”), and stock appreciation rights (“SARs”) may be granted. The EIP also provides for the grant of performance awards in the form of cash or equity. The aggregate number of shares of common stock authorized for issuance under the EIP is 6,000,000 shares. At November 29, 2015, 1,524,780 shares remained available for issuance.

Under the EIP, stock awards have a maximum contractual term of ten years and generally must have an exercise price at least equal to the fair market value of the Company's common stock on the date the award is granted. The Company's common stock is not listed on any stock exchange. Accordingly, as provided by the EIP, the stock's fair market value is determined by the Board based upon a stock valuation performed by Evercore. Awards generally vest according to terms determined at the time of grant. Unvested stock awards are subject to forfeiture upon termination of employment prior to vesting, but are subject in some cases to early vesting upon specified events, including certain corporate transactions as defined in the EIP or as otherwise determined by the Board in its discretion. In addition, certain awards that did not meet specific vesting terms could be subject to vesting, as determined by the Board in its discretion, in accordance with the EIP. Some stock awards are payable in either shares of the Company's common stock or cash at the discretion of the Board as determined at the time of grant.

Upon the exercise of a SAR, the participant will receive shares of common stock. The number of shares of common stock issued per SAR unit exercised is equal to (i) the excess of the per-share fair market value of the Company's common stock on the date of exercise over the exercise price of the SAR, divided by (ii) the per-share fair market value of the Company's common stock on the date of exercise.

Only non-employee members of the Board have received RSUs. Each recipient's initial grant of RSUs is converted to a share of common stock six months after discontinuation of service with the Company for each fully vested RSU held at that date. Subsequent grants of RSUs provide recipients with the opportunity to make deferral elections regarding when the shares of the Company's common stock are to be delivered in settlement of vested RSUs. If the recipient does not elect to defer the receipt of common stock, then the RSUs are immediately converted to common stock upon vesting. The RSUs additionally have “dividend equivalent rights,” of which dividends paid by the Company on its common stock are credited by the equivalent addition of RSUs.

Shares of common stock will be issued from the Company's authorized but unissued shares and are subject to the Stockholders Agreement that governs all shares.

*Put rights.* Prior to an initial public offering (“IPO”) of the Company's common stock, a participant (or estate or other beneficiary of a deceased participant) may require the Company to repurchase shares of the common stock held by the participant at then-current fair market value (a “put right”). Put rights may be exercised only with respect to shares of the Company's common stock that have been held by a participant for at least six months following their issuance date, thus exposing the holder to the risk and rewards of ownership for a reasonable period of time. Accordingly, the SARs and RSUs are classified as equity awards, and are reported in “Stockholders' equity” in the accompanying consolidated balance sheets.

*Call rights.* Prior to an IPO, the Company also has the right to repurchase shares of its common stock held by a participant (or estate or other beneficiary of a deceased participant, or other permitted transferee) at then-current fair market value (a “call right”). Call rights apply to an award as well as any shares of common stock acquired pursuant to the award. If the award or common stock is transferred to another person, that person is subject to the call right. As with the put rights, call rights may be



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exercised only with respect to shares of common stock that have been held by a participant for at least six months following their issuance date.

*Temporary equity.* Equity-classified stock-based awards that may be settled in cash at the option of the holder are presented on the balance sheet outside permanent equity. Accordingly, "Temporary equity" on the face of the accompanying consolidated balance sheets includes the portion of the intrinsic value of these awards generally relating to the elapsed service period since the grant date as well as the fair value of common stock issued pursuant to the EIP. The decrease in temporary equity from the year ended November 30, 2014, to November 29, 2015, was primarily due to a decrease in the fair value of the Company's common stock.

**Equity Awards**

*SARs.* The Company grants SARs, which include service or performance conditions, to a small group of the Company's senior executives. Beginning in 2013, the Company issued cliff vesting performance awards ("performance-based SARs") to align with the achievement of three-year financial performance goals. SARs activity during the years ended November 29, 2015, and November 30, 2014, was as follows:

| | Service SARs | | | Performance-based SARs | | |
|---|---|---|---|---|---|---|
| | Units | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Life (Years) | Units | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Life (Years) |
| | (Units in thousands) | | | | | |
| Outstanding at November 24, 2013 | 2,013 | $ 35.51 | 5.5 | 644 | $ 40.32 | 6.3 |
| Granted | 508 | 64.71 | | 507 | 64.71 | |
| Exercised | (96) | 36.10 | | — | | |
| Forfeited | (59) | 44.30 | | (46) | 48.49 | |
| Expired | (16) | 68.00 | | — | | |
| Outstanding at November 30, 2014 | 2,350 | $ 41.36 | 4.9 | 1,105 | $ 51.18 | 5.8 |
| Granted | 479 | 74.38 | | 479 | 74.38 | |
| Exercised | (121) | 38.32 | | — | | |
| Forfeited | (39) | 68.93 | | (50) | 67.98 | |
| Outstanding at November 29, 2015 | 2,669 | $ 47.02 | 4.3 | 1,534 | $ 57.88 | 5.2 |
| Vested and expected to vest at November 29, 2015 | 2,621 | $ 46.61 | 4.3 | 1,333 | $ 56.21 | 5.1 |
| Exercisable at November 29, 2015 | 1,722 | $ 37.94 | 3.6 | — | $ — | 0 |

SARs with service conditions ("service SARs") vest from three-and-a-half to four years, and have maximum contractual lives ranging from seven to ten years. The performance-based SARs vest at varying unit amounts, up to 150% of those awarded, based on the attainment of certain three-year cumulative performance goals and have maximum contractual lives of seven years. In addition, approximately one-seventh of the performance-based SARs granted and outstanding also require the attainment of a specified common stock value as of the end of the three-year performance period in order to vest. The total intrinsic value of service SARs exercised during the year ended November 29, 2015, and November 30, 2014, was $4.7 million and $2.9 million, respectively. The total fair value of service SARs vested as of November 29, 2015, and November 30, 2014, was $51.8 million and $57.6 million, respectively. Unrecognized future compensation costs as of November 29, 2015, of $12.0 million for service SARs and $7.5 million for performance-based SARs are expected to be recognized over weighted-average periods of 2.57 years and 1.80 years, respectively. The Company believes it is probable that the performance-based SARs will vest.



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**LEVI STRAUSS & CO. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)**

**FOR THE YEARS ENDED NOVEMBER 29, 2015, NOVEMBER 30, 2014, AND NOVEMBER 24, 2013**

The weighted-average grant date fair value of SARs was estimated using the Black-Scholes option valuation model. The weighted-average grant date fair values and corresponding weighted-average assumptions used in the model were as follows:

| | Service SARs Granted | | | Performance-based SARs Granted | | |
|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2013 | 2015 | 2014 | 2013 |
| Weighted-average grant date fair value | $ 18.24 | $ 14.62 | $ 12.21 | $ 18.73 | $ 15.75 | $ 12.54 |
| Weighted-average assumptions: | | | | | | |
| Expected life (in years) | 4.7 | 4.7 | 4.6 | 5.0 | 5.0 | 5.0 |
| Expected volatility[1] | 31.8% | 31.8% | 43.2% | 31.8% | 33.1% | 42.6% |
| Risk-free interest rate | 1.2% | 1.5% | 0.8% | 1.3% | 1.6% | 0.9% |
| Expected dividend | 1.6% | 1.2% | 1.7% | 1.6% | 1.2% | 1.7% |

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(1) On an annual basis, the Company reviews and modifies the representative peer group based on changes to the Company's business and changes to the businesses of the companies within the peer group. The decrease in expected volatility in 2014, as compared to 2013, is primarily driven by the addition or removal of certain companies in the representative peer group to ensure that the peer group is representative of the Company's current operations.

*RSUs*. The Company grants RSUs to certain members of its Board. RSU activity during the years ended November 29, 2015, and November 30, 2014, was as follows:

| | Units | Weighted-Average Fair Value |
|---|---|---|
| | (Units in thousands) | |
| Outstanding at November 24, 2013 | 75 | $ 44.66 |
| Granted | 20 | 67.29 |
| Converted | (23) | 44.85 |
| Outstanding at November 30, 2014 | 72 | $ 50.75 |
| Granted | 18 | 77.14 |
| Converted | (24) | 49.55 |
| Outstanding, vested and expected to vest at November 29, 2015 | 66 | $ 58.51 |

The weighted-average grant date fair value of RSUs was estimated using the Evercore stock valuation. The total fair value of RSUs outstanding, vested and expected to vest as of November 29, 2015, and November 30, 2014, was $4.5 million and $5.9 million, respectively.

RSUs vest in a series of three equal installments at thirteen months, twenty-four months and thirty-six months following the date of grant. However, if the recipient's continuous service terminates for a reason other than cause after the first vesting installment, but prior to full vesting, then the remaining unvested portion of the award becomes fully vested as of the date of such termination.



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**Liability Awards**

Cash settled liability awards provide long-term incentive compensation for select levels of the Company's management. The common stock values used in the determination of the cash settled awards and payouts are approved by the Board based on the Evercore stock valuation. Unvested awards are subject to forfeiture upon termination of employment, but are subject in some cases to early vesting upon specified events, as defined in the agreement. From 2008 through 2012, the Company's Total Shareholder Return Plan ("TSRP") provided grants of units that vest over a three-year performance period. Upon vesting of a TSRP unit, the participant will receive a cash payout in an amount equal to the excess of the per-share value of the Company's common stock at the end of the three-year performance period over the per-share value at the date of grant. In 2013, the Company replaced the TSRP with the Phantom Restricted Stock Unit Plan ("PRSU"). The PRSU provides for grants of units, with actual number of units vesting subject to a minimum and maximum, based on the fair value of the common stock at the end of a three-year performance period. Upon vesting of a PRSU unit, the participant will receive a cash payout in an amount equal to the vested units multiplied by the fair value of the Company's common stock at the end of the three-year performance period. Unrecognized future compensation cost as of November 29, 2015, for PRSUs is $12.9 million and is expected to be recognized over a weighted-average period of 1.72 years. The Company believes it is probable that the liability awards will vest.

Liability award activity during the years ended November 29, 2015, and November 30, 2014, was as follows:

| | TSRPs | | | PRSUs | | |
|---|---|---|---|---|---|---|
| | Units | Weighted-Average Exercise Price | Weighted-Average Fair Value At Period End | Units | Weighted-Average Exercise Price | Weighted-Average Fair Value At Period End |
| | (Units in thousands) | | | | | |
| Outstanding at November 24, 2013 | 416 | $ 36.96 | $ 25.42 | 404 | $ 38.19 | $ 62.75 |
| Granted | — | — | | 222 | 64.57 | |
| Exercised | (174) | 42.65 | | — | — | |
| Performance adjustment of PRSU | — | — | | 58 | 46.16 | |
| Forfeited | (104) | 33.85 | | (207) | 43.76 | |
| Outstanding at November 30, 2014 | 138 | $ 32.14 | $ 49.78 | 477 | $ 49.00 | $ 82.00 |
| Granted | — | — | | 244 | 74.34 | |
| Exercised | (134) | 32.13 | | — | — | |
| Performance adjustment of PRSU | — | — | | (18) | 62.00 | |
| Forfeited | (4) | 32.76 | | (77) | 52.93 | |
| Outstanding at November 29, 2015 | — | $ — | $ — | 626 | $ 57.92 | $ 68.00 |
| Vested and expected to vest at November 29, 2015 | — | $ — | $ — | 538 | $ 55.87 | $ 68.00 |
| Exercisable at November 29, 2015 | — | $ — | $ — | — | $ — | $ — |



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**LEVI STRAUSS & CO. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)**

**FOR THE YEARS ENDED NOVEMBER 29, 2015, NOVEMBER 30, 2014, AND NOVEMBER 24, 2013**

As of November 29, 2015, there were no TSRP awards outstanding, vested, or expected to vest, due to the replacement of the TSRP with the PRSU. The total intrinsic value of TSRPs exercised during the year ended November 29, 2015, and November 30, 2014, was $5.6 million and $3.5 million, respectively. The total fair value of TSRPs vested as of November 30, 2014, and November 24, 2013, was $6.9 million and $3.8 million, respectively. The weighted-average fair value of TSRPs at November 30, 2014 and November 24, 2013, was estimated using the Black-Scholes option valuation model. The weighted-average fair value of PRSUs at the grant date was estimated using the Evercore stock valuation while the PRSUs fair value at November 29, 2015, was estimated using an internally derived calculation consistent with Evercore's calculation methodology. The weighted-average assumptions used in the TSRPs Black-Scholes model were as follows:

| | TSRPs Outstanding at | |
|---|---|---|
| | November 30, 2014 | November 24, 2013 |
| Weighted-average assumptions: | | |
| Expected life (in years) | 0.1 | 0.6 |
| Expected volatility | 27.3% | 30.8% |
| Risk-free interest rate | — | 0.1% |
| Expected dividend | 1.2% | 1.1% |

## NOTE 12: LONG-TERM EMPLOYEE RELATED BENEFITS

Long-term employee-related benefit liabilities primarily consist of the Company's liabilities for its deferred compensation plans.

*Deferred compensation plan for executives and outside directors, established January 1, 2003.* The Company has a non-qualified deferred compensation plan for executives and outside directors that was established on January 1, 2003 and amended thereafter. The deferred compensation plan obligations are payable in cash upon retirement, termination of employment and/or certain other times in a lump-sum distribution or in installments, as elected by the participant in accordance with the plan. As of November 29, 2015, and November 30, 2014, these plan liabilities totaled $24.2 million and $24.0 million, respectively, of which $1.5 million and $1.1 million was included in "Accrued salaries, wages and employee benefits" as of November 29, 2015, and November 30, 2014, respectively. The Company held funds of approximately $26.0 million and $25.9 million in an irrevocable grantor's rabbi trust as of November 29, 2015, and November 30, 2014, respectively, related to this plan. Rabbi trust assets are classified as available-for-sale marketable securities and are included in "Other current assets" or "Other non-current assets" on the Company's consolidated balance sheets. Unrealized gains and losses on these marketable securities are reported as a separate component of stockholders' equity and included in AOCI on the Company's consolidated balance sheets.

*Deferred compensation plan for executives, prior to January 1, 2003.* The Company also maintains a non-qualified deferred compensation plan for certain management employees relating to compensation deferrals for the period prior to January 1, 2003. The rabbi trust is not a feature of this plan. As of November 29, 2015, and November 30, 2014, liabilities for this plan totaled $35.1 million and $37.5 million, respectively, of which $3.8 million and $4.6 million, respectively, was included in "Accrued salaries, wages and employee benefits" on the Company's consolidated balance sheets.

Interest earned by the participants in deferred compensation plans was $1.9 million, $5.3 million and $8.7 million for the years ended November 29, 2015, November 30, 2014, and November 24, 2013, respectively. The charges were included in "Interest expense" in the Company's consolidated statements of income.



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**NOTE 13: RESTRUCTURING**

In 2014, the Company announced and began to implement a global productivity initiative designed to streamline operations and fuel long-term profitable growth. The Company expects that the majority of the actions related to the global productivity initiative will be implemented through the end of 2016, with a focus on redesigning business processes and identifying opportunities to reduce costs, increase efficiencies and further streamline processes in supporting functions, supply chain and planning.

For the year ended November 29, 2015, the Company recognized restructuring charges, net, of $14.1 million, as compared to $128.4 million for the same period in 2014. These restructuring charges were recorded in "Restructuring, net" in the Company's consolidated statements of income. Related charges of $30.7 million for the year ended November 29, 2015, as compared to $27.6 million for the same period in 2014, consist primarily of consulting fees for the Company's centrally-led cost-savings and productivity projects, as well as transition costs associated with the Company's decision to outsource certain global business service activities. These related charges represent costs incurred associated with ongoing operations which will benefit future periods and thus were recorded in "Selling, general and administrative expenses" in the Company's consolidated statements of income. Cash payments for charges recognized to date are expected to continue through 2016.

The table below summarizes the components of charges included in “Restructuring, net” in the Company’s consolidated statements of income:

| | Year Ended | |
|---|---|---|
| | November 29, 2015 | November 30, 2014 |
| | (Dollars in thousands) | |
| Restructuring, net: | | |
| Severance and employee-related benefits[1] | $ 14,819 | $ 104,398 |
| Adjustments to severance and employee-related benefits | (4,182) | (5,697) |
| Lease and other contract termination costs | 516 | — |
| Other[2] | 2,727 | 25,027 |
| Adjustments to other | (467) | 1,350 |
| Noncash pension and postretirement curtailment losses, net[3] | 658 | 3,347 |
| Total | $ 14,071 | $ 128,425 |

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(1) Severance and employee-related benefits relate to items such as severance, based on separation benefits provided by Company policy or statutory benefit plans, out-placement services and career counseling for employees affected by the global productivity initiative.

(2) Other restructuring costs are expensed as incurred and primarily relate to consulting fees and legal expenses associated with the execution of the restructuring initiative.

(3) Noncash pension and postretirement curtailment gains or losses resulting from the global productivity initiative are included in restructuring charges, with the associated liabilities included in "Pension liability" and "Postretirement medical benefits" on the Company's consolidated balance sheets.

The Company is unable at this time to make a good faith determination of cost estimates, or ranges of cost estimates, for additional actions associated with the global productivity initiative. Final estimates for headcount, timing and charges in certain areas of the international business are subject to completion of applicable local works council and other consultative processes.



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**LEVI STRAUSS & CO. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)**

**FOR THE YEARS ENDED NOVEMBER 29, 2015, NOVEMBER 30, 2014, AND NOVEMBER 24, 2013**

The following table summarizes the activities associated with restructuring liabilities for the years ended November 29, 2015, and November 30, 2014. In the table below, "Charges" represents the initial charge related to the restructuring activity. "Adjustments" includes revisions of estimates related to severance, employee-related benefits, lease and other contract termination costs, and other restructuring costs. "Payments" consists of cash payments for severance, employee-related benefits, lease and other contract termination costs, and other restructuring costs.

| | Year Ended November 29, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Liabilities November 30, 2014 | Charges | Adjustments | Payments | Foreign Currency Fluctuation | Liabilities November 29, 2015 |
| | (Dollars in thousands) | | | | | |
| Severance and employee-related benefits | $ 56,963 | $ 14,819 | $ (4,182) | $ (41,907) | $ (4,919) | $ 20,774 |
| Lease and other contract termination costs | — | 516 | — | (521) | 5 | — |
| Other | 6,400 | 2,727 | (467) | (7,696) | | 964 |
| **Total** | $ 63,363 | $ 18,062 | $ (4,649) | $ (50,124) | $ (4,914) | $ 21,738 |
| Current portion | $ 57,817 | | | | | $ 20,141 |
| Long-term portion | 5,546 | | | | | 1,597 |
| **Total** | $ 63,363 | | | | | $ 21,738 |

| | Year Ended November 30, 2014 | | | | | |
|---|---|---|---|---|---|---|
| | Liabilities November 24, 2013 | Charges | Adjustments | Payments | Foreign Currency Fluctuation | Liabilities November 30, 2014 |
| | (Dollars in thousands) | | | | | |
| Severance and employee-related benefits | $ — | $ 104,398 | $ (5,697) | $ (38,527) | $ (3,211) | $ 56,963 |
| Lease and other contract termination costs | — | — | — | — | — | — |
| Other | — | 25,027 | 1,350 | (19,977) | — | 6,400 |
| **Total** | $ — | $ 129,425 | $ (4,347) | $ (58,504) | $ (3,211) | $ 63,363 |
| Current portion | $ — | | | | | $ 57,817 |
| Long-term portion | — | | | | | 5,546 |
| **Total** | $ — | | | | | $ 63,363 |



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## NOTE 14: COMMITMENTS AND CONTINGENCIES

### Operating Lease Commitments

The Company is obligated under operating leases for manufacturing, finishing and distribution facilities, office space, retail stores and equipment. At November 29, 2015, obligations for future minimum payments under operating leases were as follows:

| | (Dollars in thousands) |
|---|---|
| 2016 | $ 150,151 |
| 2017 | 117,088 |
| 2018 | 92,700 |
| 2019 | 75,376 |
| 2020 | 57,580 |
| Thereafter | 131,306 |
| Total future minimum lease payments | $ 624,201 |

In general, leases relating to real estate include renewal options of up to approximately 10 years, except for the San Francisco headquarters office lease, which contains multiple renewal options of up to 57 years. Some leases contain escalation clauses relating to increases in operating costs. Rental expense for the years ended November 29, 2015, November 30, 2014, and November 24, 2013, was $192.5 million, $193.0 million and $194.5 million, respectively.

### Forward Foreign Exchange Contracts

The Company uses over-the-counter derivative instruments to manage its exposure to foreign currencies. The Company is exposed to credit loss in the event of nonperformance by the counterparties to the forward foreign exchange contracts. However, the Company believes that its exposures are appropriately diversified across counterparties and that these counterparties are creditworthy financial institutions. Please see Note 5 for additional information.

### Other Contingencies

*Litigation.* In the ordinary course of business, the Company has various pending cases involving contractual matters, facility and employee-related matters, distribution matters, product liability claims, trademark infringement and other matters. The Company does not believe any of these pending legal proceedings will have a material impact on its financial condition, results of operations or cash flows.

## NOTE 15: DIVIDEND

The Company paid a cash dividend of $50.0 million on our common stock in the second quarter of 2015, and cash dividends of $30.0 million and $25.1 million in the first half of each of 2014 and 2013, respectively. Subsequent to the Company's year end, the Company's Board of Directors declared a cash dividend of $60.0 million.

The Company does not have an established annual dividend policy. The Company will continue to review its ability to pay cash dividends at least annually, and dividends may be declared at the discretion of the Board depending upon, among other factors, the Company's financial condition and compliance with the terms of the Company's debt agreements.



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LEVI STRAUSS & CO. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)

FOR THE YEARS ENDED NOVEMBER 29, 2015, NOVEMBER 30, 2014, AND NOVEMBER 24, 2013

## NOTE 16: ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated other comprehensive income (loss) is summarized below:

| | Levi Strauss & Co. | | | | | Noncontrolling Interest | |
|---|---|---|---|---|---|---|---|
| | | Translation Adjustments | | | | | |
| | Pension and Postretirement Benefits | Net Investment Hedges | Foreign Currency Translation | Unrealized Gain (Loss) on Marketable Securities | Total | Foreign Currency Translation | Totals |
| | (Dollars in thousands) | | | | | | |
| **Accumulated other comprehensive income (loss) at November 25, 2012** | **$ (330,961)** | **$ (18,853)** | **$ (65,835)** | **$ 1,014** | **$ (414,635)** | **$ 10,412** | **$ (404,223)** |
| Gross changes | 167,192 | (12,786) | 4,797 | 411 | 159,614 | (1,046) | 158,568 |
| Tax | (63,003) | 4,940 | 1,214 | (159) | (57,008) | — | (57,008) |
| Other comprehensive income (loss), net of tax | 104,189 | (7,846) | 6,011 | 252 | 102,606 | (1,046) | 101,560 |
| **Accumulated other comprehensive income (loss) at November 24, 2013** | **(226,772)** | **(26,699)** | **(59,824)** | **1,266** | **(312,029)** | **9,366** | **(302,663)** |
| Gross changes | (53,323) | 13,404 | (35,872) | 1,577 | (74,214) | (329) | (74,543) |
| Tax | 18,641 | (8,426) | 1,297 | (609) | 10,903 | — | 10,903 |
| Other comprehensive income (loss), net of tax | (34,682) | 4,978 | (34,575) | 968 | (63,311) | (329) | (63,640) |
| **Accumulated other comprehensive income (loss) at November 30, 2014** | **(261,454)** | **(21,721)** | **(94,399)** | **2,234** | **(375,340)** | **9,037** | **(366,303)** |
| Gross changes | 38,785 | 385 | (28,719) | (575) | 9,876 | (72) | 9,804 |
| Tax | (13,671) | 3,089 | (3,241) | 221 | (13,602) | — | (13,602) |
| Other comprehensive income (loss), net of tax | 25,114 | 3,474 | (31,960) | (354) | (3,726) | (72) | (3,798) |
| **Accumulated other comprehensive income (loss) at November 29, 2015** | **$ (236,340)** | **$ (18,247)** | **$ (126,359)** | **$ 1,880** | **$ (379,066)** | **$ 8,965** | **$ (370,101)** |

No material amounts were reclassified out of "Accumulated other comprehensive loss" into net income other than those that pertain to the Company's pension and postretirement benefit plans. Please see Note 8 for additional information. These amounts are included in "Selling, general and administrative expenses" in the Company's consolidated statements of income.



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## NOTE 17: OTHER INCOME (EXPENSE), NET

The following table summarizes significant components of "Other income (expense), net":

| | Year Ended | | |
|---|---|---|---|
| | November 29, 2015 | November 30, 2014 | November 24, 2013 |
| | (Dollars in thousands) | | |
| Foreign exchange management gains (losses)[1] | $ 34,106 | $ (11,104) | $ (539) |
| Foreign currency transaction (losses) gains[2] | (64,161) | (15,331) | (21,697) |
| Interest income | 1,253 | 1,930 | 1,600 |
| Investment Income | 697 | 562 | 3,019 |
| Other | 2,672 | 1,886 | 4,436 |
| Total other income (expense), net | $ (25,433) | $ (22,057) | $ (13,181) |

_____________

(1) Gains and losses on forward foreign exchange contracts primarily result from currency fluctuations relative to negotiated contract rates. Gains in 2015 were primarily due to favorable currency fluctuations relative to negotiated contract rates on positions to sell the Mexican Peso. Losses in 2014 were primarily due to unfavorable currency fluctuations on embedded foreign currency derivatives in certain of the Company's operating leases in Russia. Losses in 2013 were primarily due to unfavorable currency fluctuations against the U.S. Dollar relative to negotiated contract rates.

(2) Foreign currency transaction gains and losses reflect the impact of foreign currency fluctuation on the Company's foreign currency denominated balances. Losses in 2015, 2014 and 2013 were primarily due to the weakening of various currencies against the U.S. Dollar.

## NOTE 18: INCOME TAXES

The Company's income tax expense was $100.5 million, $49.6 million and $94.5 million for the years 2015, 2014 and 2013, respectively. The Company's effective income tax rate was 32.4%, 32.2%, and 29.3% for 2015, 2014 and 2013, respectively.

The increase in income tax expense in 2015 as compared to 2014 is primarily due to an increase in income before income taxes. The effective tax rate increased in 2015 as compared to 2014 primarily due to a one-time, incremental annual tax benefit associated with multi-year California Enterprise Zone credits recognized in 2014, partially offset by a $8.0 million discrete tax benefit recognized in 2015 attributable to the deductions for losses on the investments in a consolidated subsidiary.

The decrease in income tax expense in 2014 as compared to 2013 is primarily due to a decrease in income before income taxes. The effective tax rate increased in 2014 as compared to 2013 primarily due to a $15.2 million discrete tax benefit recognized in 2013, attributable to the finalization in July 2013 of the U.S. federal tax audit of tax years 2003 – 2008, and an unfavorable impact in the mix of foreign earnings, partially offset by a $3.7 million tax benefit that was recorded during the year ended November 30, 2014, as a result of reversing a deferred tax liability associated with undistributed foreign earnings.



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**LEVI STRAUSS & CO. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)**

**FOR THE YEARS ENDED NOVEMBER 29, 2015, NOVEMBER 30, 2014, AND NOVEMBER 24, 2013**

The Company's income tax expense differed from the amount computed by applying the U.S. federal statutory income tax rate of 35% to income before income taxes as follows:

| | Year Ended | | | | | |
|---|---|---|---|---|---|---|
| | November 29, 2015 | | November 30, 2014 | | November 24, 2013 | |
| | (Dollars in thousands) | | | | | |
| Income tax expense at U.S. federal statutory rate | $ 108,639 | 35.0 % | $ 53,849 | 35.0 % | $ 112,914 | 35.0 % |
| State income taxes, net of U.S. federal impact | 8,938 | 2.9 % | 7 | — | 3,994 | 1.2 % |
| Change in valuation allowance | — | — | — | — | 5,169 | 1.6 % |
| Impact of foreign operations | (7,286) | (2.3)% | (5,296) | (3.4)% | (17,160) | (5.3)% |
| Reassessment of tax liabilities | (7,577) | (2.4)% | (3,466) | (2.3)% | (15,215) | (4.7)% |
| Deduction for investment in subsidiary | (8,060) | (2.6)% | — | — | — | — |
| Write-off of deferred tax assets | 1,718 | 0.6 % | 4,899 | 3.2 % | 4,289 | 1.3 % |
| Other, including non-deductible expenses | 4,135 | 1.2 % | (448) | (0.3)% | 486 | 0.2 % |
| Total | $ 100,507 | 32.4 % | $ 49,545 | 32.2 % | $ 94,477 | 29.3 % |

*Impact of foreign operations.* The reduction of tax rate benefit in 2015 as compared to 2014 is primarily due to an unfavorable change in the mix of earnings in jurisdictions with lower effective tax rate as compared to 2014.

*Reassessment of tax liabilities.* In 2015, the tax benefit is primarily attributable to remeasurement of a tax position and the lapse of statues of limitations in various jurisdictions. In 2014, the $3.5 million tax benefit primarily related to the lapse of statutes of limitations in various jurisdictions.

The U.S. and foreign components of income before income taxes were as follows:

| | Year Ended | | |
|---|---|---|---|
| | November 29, 2015 | November 30, 2014 | November 24, 2013 |
| | (Dollars in thousands) | | |
| Domestic | $ 194,540 | $ 31,733 | $ 86,167 |
| Foreign | 115,858 | 122,121 | 236,446 |
| Total income before income taxes | $ 310,398 | $ 153,854 | $ 322,613 |



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Income tax expense (benefit) consisted of the following:

| | Year Ended | | |
|---|---|---|---|
| | November 29, 2015 | November 30, 2014 | November 24, 2013 |
| | (Dollars in thousands) | | |
| U.S. Federal | | | |
| Current | $ 3,299 | $ 15,470 | $ 11,294 |
| Deferred | 56,155 | (1,983) | 20,597 |
| | $ 59,454 | $ 13,487 | $ 31,891 |
| U.S. State | | | |
| Current | $ 1,334 | $ 4,096 | $ 3,732 |
| Deferred | 7,604 | (4,089) | 3,607 |
| | $ 8,938 | $ 7 | $ 7,339 |
| Foreign | | | |
| Current | $ 37,488 | $ 58,156 | $ 41,931 |
| Deferred | (5,373) | (22,105) | 13,316 |
| | $ 32,115 | $ 36,051 | $ 55,247 |
| Consolidated | | | |
| Current | $ 42,121 | $ 77,722 | $ 56,957 |
| Deferred | 58,386 | (28,177) | 37,520 |
| Total income tax expense | $ 100,507 | $ 49,545 | $ 94,477 |



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LEVI STRAUSS & CO. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)
FOR THE YEARS ENDED NOVEMBER 29, 2015, NOVEMBER 30, 2014, AND NOVEMBER 24, 2013

**Deferred Tax Assets and Liabilities**

The Company's deferred tax assets and deferred tax liabilities were as follows:

| | November 29, 2015 | November 30, 2014 |
|---|---|---|
| | (Dollars in thousands) | |
| Deferred tax assets | | |
| Foreign tax credit carryforwards | $ 116,862 | $ 120,793 |
| State net operating loss carryforwards | 12,412 | 13,014 |
| Foreign net operating loss carryforwards | 91,235 | 87,062 |
| Employee compensation and benefit plans | 255,458 | 272,970 |
| Advance royalties | 69,881 | 99,649 |
| Restructuring and related charges | 31,915 | 49,654 |
| Sales returns and allowances | 26,461 | 33,078 |
| Inventory | 17,196 | 14,533 |
| Property, plant and equipment | 16,459 | 14,966 |
| Other | 17,528 | 45,155 |
| Total gross deferred tax assets | 655,407 | 750,874 |
| Less: Valuation allowance | (75,753) | (89,814) |
| Deferred tax assets, net of valuation allowance | 579,654 | 661,060 |
| Deferred tax liabilities | | |
| Unrealized gains or losses on investments | (344) | (196) |
| Total net deferred tax assets | $ 579,310 | $ 660,864 |
| | | |
| Net deferred tax assets | $ 655,063 | $ 750,678 |
| Valuation allowance | (75,753) | (89,814) |
| Total net deferred tax assets | $ 579,310 | $ 660,864 |

*Foreign tax credit carryforwards*. The foreign tax credit carryforwards at November 29, 2015, are subject to expiration through 2021 if not utilized.

*Foreign net operating loss carryforwards.* As of November 29, 2015, the Company had a deferred tax asset of $91.2 million for foreign net operating loss carryforwards of $316.3 million. Approximately $166.3 million of these operating losses are subject to expiration through 2024 if not utilized, including $4.3 million in 2016. The remaining $150.0 million are available as indefinite carryforwards under applicable tax law.

*Valuation Allowance.* The following table details the changes in valuation allowance during the year ended November 29, 2015:

| | Valuation Allowance at November 30, 2014 | Changes in Related Gross Deferred Tax Asset | Charge | Valuation Allowance at November 29, 2015 |
|---|---|---|---|---|
| | | (Dollars in thousands) | | |
| U.S. state net operating loss carryforwards | $ 3,500 | $ — | $ — | $ 3,500 |
| Foreign net operating loss carryforwards and other foreign deferred tax assets | 86,314 | (14,061) | — | 72,253 |
| | $ 89,814 | $ (14,061) | $ — | $ 75,753 |

At November 29, 2015, the Company's valuation allowance primarily related to its gross deferred tax assets for state and foreign net operating loss carryforwards, which reduced such assets to the amount that will more likely than not be realized.



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)

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*Unremitted earnings of certain foreign subsidiaries.* For the year ended November 29, 2015, management asserted indefinite reinvestment on $100.0 million of undistributed foreign earnings, as management determined that this amount is required to meet ongoing working capital needs in certain foreign subsidiaries; no U.S. income taxes have been provided for such earnings. If the Company were to repatriate such foreign earnings to the United States, the deferred tax liability associated with such earnings would have been approximately $26.5 million.

**Uncertain Income Tax Positions**

As of November 29, 2015, the Company's total gross amount of unrecognized tax benefits was $32.7 million, of which $20.6 million could impact the effective tax rate, if recognized, as compared to November 30, 2014, when the Company's total gross amount of unrecognized tax benefits was $41.6 million, of which $21.9 million could have impacted the effective tax rate, if recognized.

The following table reflects the changes to the Company's unrecognized tax benefits for the year ended November 29, 2015, and November 30, 2014:

| | November 29, 2015 | November 30, 2014 |
|---|---|---|
| | (Dollars in thousands) | |
| Unrecognized tax benefits beginning balance | $ 41,571 | $ 37,836 |
| Increases related to current year tax positions | 3,687 | 3,863 |
| Increases related to tax positions from prior years | — | 4,858 |
| Decreases related to tax positions from prior years | (4,723) | — |
| Settlement with tax authorities | — | — |
| Lapses of statutes of limitation | (7,576) | (4,715) |
| Other, including foreign currency translation | (255) | (271) |
| Unrecognized tax benefits ending balance | $ 32,704 | $ 41,571 |

The Company believes that it is reasonably possible that unrecognized tax benefits could decrease within the next twelve months by as much as $2.0 million due to the lapse of statutes of limitations in various jurisdictions.

As of November 29, 2015, and November 30, 2014, accrued interest and penalties primarily relating to non-U.S. jurisdictions were $6.7 million and $9.6 million, respectively.



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The Company's income tax returns are subject to examination in the U.S. federal and state jurisdictions and numerous foreign jurisdictions. The following table summarizes the tax years that are either currently under audit or remain open and subject to examination by the tax authorities in the major jurisdictions in which the Company operates:

| Jurisdiction | Open Tax Years |
|---|---|
| U.S. federal | 2009 – 2015 |
| California | 2006 – 2015 |
| Belgium | 2012 – 2015 |
| United Kingdom | 2013 – 2015 |
| Spain | 2011 – 2015 |
| Mexico | 2010 – 2015 |
| Canada | 2004 – 2015 |
| China | 2011 – 2015 |
| Hong Kong | 2011 – 2015 |
| India | 2008 – 2015 |
| Italy | 2007 – 2015 |
| France | 2012 – 2015 |
| Japan | 2011 – 2015 |
| Russia | 2014 – 2015 |
| Germany | 2009 – 2015 |

## NOTE 19: RELATED PARTIES

Robert D. Haas, Chairman Emeritus of the Company, Charles V. Bergh, President and Chief Executive Officer, Peter E. Haas Jr., a director of the Company, and Kelly McGinnis, Senior Vice President of Corporate Affairs and Chief Communications Officer, are board members of the Levi Strauss Foundation, which is not a consolidated entity of the Company. Seth R. Jaffe, Senior Vice President and General Counsel, is Vice President of the Levi Strauss Foundation. During 2015, 2014, and 2013, the Company donated $7.0 million, $6.3 million and $4.2 million, respectively, to the Levi Strauss Foundation.



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## NOTE 20: BUSINESS SEGMENT INFORMATION

The Company manages its business according to three regional segments: the Americas, Europe and Asia. The Company considers its chief executive officer to be the Company's chief operating decision maker. The Company's chief operating decision maker manages business operations, evaluates performance and allocates resources based on the regional segments' net revenues and operating income. The Company reports net trade receivables and inventories by segment as that information is used by the chief operating decision maker in assessing segment performance. The Company does not report its other assets by segment as that information is not used by the chief operating decision maker in assessing segment performance.

Effective as of the beginning of 2014, the Company's reporting segments were revised to combine its Middle East and North Africa markets, previously managed by the Company's Europe region, with the Company's Asia region. Financial information attributable to these markets are not significant to any of the Company's regional segments individually in any of the periods presented herein, and accordingly, business segment information for the prior periods have not been revised.

Effective as of the beginning of 2015, the Company's regional licensing revenue, previously recorded centrally in the Company's Americas region, was revised to be recorded in the Company's respective regions. Regional licensing revenue are not significant to any of the Company's regional segments individually in any of the periods presented herein, and accordingly, business segment information for the prior periods have not been revised.

Business segment information for the Company is as follows:

| | Year Ended | | |
|---|---|---|---|
| | November 29, 2015 | November 30, 2014 | November 24, 2013 |
| | (Dollars in thousands) | | |
| Net revenues: | | | |
| Americas | $ 2,726,461 | $ 2,862,867 | $ 2,851,037 |
| Europe | 1,016,418 | 1,143,313 | 1,103,487 |
| Asia | 751,614 | 747,812 | 727,167 |
| Total net revenues | $ 4,494,493 | $ 4,753,992 | $ 4,681,691 |
| Operating income: | | | |
| Americas | $ 523,705 | $ 531,064 | $ 510,496 |
| Europe[(1)] | 184,362 | 181,036 | 167,605 |
| Asia | 121,645 | 108,511 | 123,723 |
| Regional operating income | 829,712 | 820,611 | 801,824 |
| Corporate: | | | |
| Restructuring, net | 14,071 | 128,425 | — |
| Restructuring-related charges | 30,736 | 27,621 | — |
| Lump-sum pension settlement loss | — | 30,666 | — |
| Other corporate staff costs and expenses | 353,858 | 320,048 | 336,317 |
| Corporate expenses | 398,665 | 506,760 | 336,317 |
| Total operating income | 431,047 | 313,851 | 465,507 |
| Interest expense | (81,214) | (117,597) | (129,024) |
| Loss on early extinguishment of debt | (14,002) | (20,343) | (689) |
| Other income (expense), net | (25,433) | (22,057) | (13,181) |
| Income before income taxes | $ 310,398 | $ 153,854 | $ 322,613 |

(1) Included in Europe's operating income for the year ended November 29, 2015, is a gain of $7.5 million related to the sale of the Company's finishing and distribution facility in Turkey in the second quarter of 2015.



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| | Year Ended | | |
|---|---|---|---|
| | November 29, 2015 | November 30, 2014 | November 24, 2013 |
| | (Dollars in thousands) | | |
| Depreciation and amortization expense: | | | |
| Americas | $ 27,558 | $ 29,508 | $ 37,520 |
| Europe | 14,985 | 20,564 | 20,597 |
| Asia | 7,455 | 8,501 | 9,422 |
| Corporate | 52,046 | 50,901 | 48,181 |
| Total depreciation and amortization expense | $ 102,044 | $ 109,474 | $ 115,720 |

| | November 29, 2015 | | | | |
|---|---|---|---|---|---|
| | Americas | Europe | Asia | Unallocated | Consolidated Total |
| | (Dollars in thousands) | | | | |
| Assets: | | | | | |
| Trade receivables, net | $ 343,808 | $ 81,079 | $ 53,613 | $ 19,696 | $ 498,196 |
| Inventories | 359,879 | 109,604 | 91,390 | 45,986 | 606,859 |
| All other assets | — | — | — | 1,779,340 | 1,779,340 |
| Total assets | | | | | $ 2,884,395 |

| | November 30, 2014 | | | | |
|---|---|---|---|---|---|
| | Americas | Europe | Asia | Unallocated | Consolidated Total |
| | (Dollars in thousands) | | | | |
| Assets: | | | | | |
| Trade receivables, net | $ 322,501 | $ 93,604 | $ 48,468 | $ 17,408 | $ 481,981 |
| Inventories | 289,838 | 143,990 | 101,477 | 65,611 | 600,916 |
| All other assets | — | — | — | 1,824,004 | 1,824,004 |
| Total assets | | | | | $ 2,906,901 |



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Geographic information for the Company was as follows:

| | Year Ended | | |
|---|---|---|---|
| | November 29, 2015 | November 30, 2014 | November 24, 2013 |
| | | (Dollars in thousands) | |
| Net revenues: | | | |
| United States | $ 2,380,820 | $ 2,490,994 | $ 2,497,756 |
| Foreign countries | 2,113,673 | 2,262,998 | 2,183,935 |
| Total net revenues | $ 4,494,493 | $ 4,753,992 | $ 4,681,691 |
| Net deferred tax assets: | | | |
| United States | $ 506,635 | $ 580,122 | $ 567,984 |
| Foreign countries | 72,675 | 80,742 | 66,121 |
| Total net deferred tax assets | $ 579,310 | $ 660,864 | $ 634,105 |
| Long-lived assets: | | | |
| United States | $ 322,758 | $ 322,329 | $ 346,533 |
| Foreign countries | 89,062 | 84,507 | 110,387 |
| Total long-lived assets | $ 411,820 | $ 406,836 | $ 456,920 |



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## NOTE 21: QUARTERLY FINANCIAL DATA (UNAUDITED)

Set forth below are the consolidated statements of operations for the first, second, third and fourth quarters of 2015 and 2014.

| Year Ended November 29, 2015 | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|---|---|---|---|---|
| | (Dollars in thousands) | | | |
| Net revenues | $ 1,055,075 | $ 1,012,180 | $ 1,142,012 | $ 1,285,226 |
| Cost of goods sold | 518,010 | 511,949 | 568,655 | 626,898 |
| Gross profit | 537,065 | 500,231 | 573,357 | 658,328 |
| Selling, general and administrative expenses | 425,282 | 449,662 | 454,530 | 494,389 |
| Restructuring, net | 4,338 | 2,954 | 4,054 | 2,725 |
| Operating income | 107,445 | 47,615 | 114,773 | 161,214 |
| Interest expense | (23,312) | (21,913) | (17,138) | (18,851) |
| Loss on early extinguishment of debt | — | (14,002) | — | — |
| Other income (expense), net | (26,028) | 7,639 | (8,316) | 1,272 |
| Income before income taxes | 58,105 | 19,339 | 89,319 | 143,635 |
| Income tax expense | 19,822 | 7,887 | 30,858 | 41,940 |
| Net income | 38,283 | 11,452 | 58,461 | 101,695 |
| Net loss (income) attributable to noncontrolling interest | 109 | 239 | (286) | (517) |
| Net income attributable to Levi Strauss & Co. | $ 38,392 | $ 11,691 | $ 58,175 | $ 101,178 |

| Year Ended November 30, 2014 | First Quarter | Second Quarter | Third Quarter | Fourth Quarter[(1)] |
|---|---|---|---|---|
| | (Dollars in thousands) | | | |
| Net revenues | $ 1,129,990 | $ 1,081,847 | $ 1,154,129 | $ 1,388,026 |
| Cost of goods sold | 553,637 | 551,542 | 591,926 | 708,447 |
| Gross profit | 576,353 | 530,305 | 562,203 | 679,579 |
| Selling, general and administrative expenses | 424,762 | 446,072 | 454,712 | 580,618 |
| Restructuring, net | 57,935 | 19,105 | 2,371 | 49,014 |
| Operating income | 93,656 | 65,128 | 105,120 | 49,947 |
| Interest expense | (31,829) | (31,310) | (27,179) | (27,279) |
| Loss on early extinguishment of debt | — | (11,151) | — | (9,192) |
| Other income (expense), net | 4,183 | (6,122) | (5,605) | (14,513) |
| Income (loss) before income taxes | 66,010 | 16,545 | 72,336 | (1,037) |
| Income tax expense | 16,387 | 5,556 | 22,536 | 5,066 |
| Net income (loss) | 49,623 | 10,989 | 49,800 | (6,103) |
| Net loss attributable to noncontrolling interest | 348 | 469 | 820 | 132 |
| Net income (loss) attributable to Levi Strauss & Co. | $ 49,971 | $ 11,458 | $ 50,620 | $ (5,971) |

(1) Includes certain out-of-period adjustments, which decreased income before income taxes and net income by approximately $4.0 million and $6.0 million, respectively. For additional information see Note 1.



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## Item 9. *CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE*

None.

## Item 9A. *CONTROLS AND PROCEDURES*

***Evaluation of disclosure controls and procedures***

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934 (the "Exchange Act") that are designed to provide reasonable assurance that information required to be disclosed in the reports we file or submit to the SEC is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

We have evaluated, under the supervision and with the participation of management, including our chief executive officer and our chief financial officer, the effectiveness of the design and operation of our disclosure controls and procedures as of November 29, 2015. Based on that evaluation, our chief executive officer and our chief financial officer concluded that as of November 29, 2015, our disclosure controls and procedures were effective at the reasonable assurance level.

***Management's annual report on internal control over financial reporting***

We maintain a system of internal control over financial reporting that is designed to provide reasonable assurance that our books and records accurately reflect our transactions and that our established policies and procedures are followed. Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Our management assessed the effectiveness of our internal control over financial reporting and concluded that our internal control over financial reporting was effective as of November 29, 2015. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control-Integrated Framework (2013)*.

***Changes in internal controls***

We maintain a system of internal control over financial reporting that is designed to provide reasonable assurance that our books and records accurately reflect our transactions and that our established policies and procedures are followed. We continued the transition of certain global business service activities to our outsourced service provider during our last fiscal quarter, and this resulted in a change to our processes and control environment. There were no other changes to our internal control over financial reporting during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## Item 9B. *OTHER INFORMATION*

None.



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## PART III

### Item 10. *DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE*

The following provides information about our directors and executive officers as of February 8, 2016.

| Name | Age | Position |
|---|---|---|
| Stephen C. Neal(1) | 66 | Chairman of the Board of Directors |
| Charles V. Bergh | 58 | Director, President and Chief Executive Officer |
| Troy Alstead(2)(4) | 52 | Director |
| Jill Beraud(3)(4) | 55 | Director |
| Robert A. Eckert(1)(2) | 61 | Director |
| Spencer C. Fleischer(3)(4) | 62 | Director |
| Mimi L. Haas(1)(3) | 69 | Director |
| Peter E. Haas Jr.(1)(2) | 68 | Director |
| Jenny Ming(4) | 60 | Director |
| Patricia Salas Pineda(1)(2) | 64 | Director |
| Carrie Ask(5) | 46 | Executive Vice President and President, Global Retail |
| Roy Bagattini | 52 | Executive Vice President and President, Asia, Middle East and Africa |
| Lisa Collier | 50 | Executive Vice President and President, Global Dockers® Brand |
| James Curleigh | 50 | Executive Vice President and President, Global Levi's® Brand |
| Seth M. Ellison | 57 | Executive Vice President and President, Europe |
| Seth R. Jaffe | 58 | Senior Vice President and General Counsel |
| David Love | 53 | Executive Vice President and Chief Supply Chain Officer |
| Kelly McGinnis | 47 | Senior Vice President, Corporate Affairs and Chief Communications Officer |
| Marc Rosen | 47 | Executive Vice President and President, Global eCommerce |
| Harmit Singh | 52 | Executive Vice President and Chief Financial Officer |
| Elizabeth Wood | 54 | Senior Vice President and Chief Human Resources Officer |

_______________
(1) Member, Nominating, Governance and Corporate Citizenship Committee.
(2) Member, Human Resources Committee.
(3) Member, Finance Committee.
(4) Member, Audit Committee.
(5) Carrie Ask will join the Company on February 16, 2016.

Peter E. Haas Jr. is a descendant of the family of our founder, Levi Strauss.

### Directors

***Stephen C. Neal***, a director since 2007, is our Chairman of the Board, a position he has held since September 2011. He is also the Chairman of the law firm Cooley LLP, where he was Chief Executive Officer from 2001 until January 1, 2008. In addition to his extensive experience as a trial lawyer on a broad range of corporate issues, Mr. Neal has represented and advised numerous boards of directors, special committees of boards and individual directors on corporate governance and other legal matters. Prior to joining Cooley in 1995, Mr. Neal was a partner of the law firm Kirkland & Ellis LLP. Mr. Neal brings to the board deep knowledge and broad experience in corporate governance as well as his perspectives drawn from advising many companies throughout his career.



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***Charles V. Bergh,*** a director since he joined the Company in September 2011, is our President and Chief Executive Officer. Prior to joining the Company, Mr. Bergh was Group President of Global Male Grooming for The Procter & Gamble Company ("P&G"), a manufacturer and distributor of consumer products. He held a progression of leadership roles during his 28-year career at P&G. Mr. Bergh previously served on the Board of Directors for VF Corporation and on the Singapore Economic Development Board, and was a member of the US-ASEAN Business Council, Singapore. Mr. Bergh's position as our Chief Executive Officer and his past experience as a leader of large, global consumer brands make him well-suited to be a member of our board of directors. Mr. Bergh is currently a director of HP Inc.

***Troy Alstead***, a director since 2012, most recently served as Chief Operating Officer ("COO") for Starbucks Corporation, a role he assumed in February 2014. In March 2015, he began a 12-month sabbatical under the company's established sabbatical program available to long-term employees. Mr. Alstead was previously Group President and Chief Financial Officer from September 2013 until his promotion to the COO role. From November 2008 to September 2013, Mr. Alstead was Chief Financial Officer and Chief Administrative Officer of Starbucks. He joined Starbucks in 1992, previously serving as Chief Operating Officer of Starbucks Greater China from April 2008 to October 2008, Senior Vice President of Global Finance and Business Operations from August 2007 to April 2008, and Senior Vice President of Corporate Finance from September 2004 to August 2007. Mr. Alstead served in a number of other senior positions with Starbucks prior to 2004. Mr. Alstead brings to the board his broad financial and business perspective developed over many years in the global consumer goods industry.

***Jill Beraud***, a director since 2013, is Chief Executive Officer of Ippolita (Seno Jewelry), a privately-held luxury jewelry company, a position she has held since October 2015. Previously, Ms. Beraud was Executive Vice President for Tiffany & Co., with responsibility for its Global Retail Operations and oversight of strategic store development and real estate from October 2014 until June 2015. Prior to Tiffany & Co., Ms. Beraud was with Living Proof, Inc. where she was Chief Executive Officer from December 2011 to October 2014. Prior to that, Ms. Beraud served as President of Starbucks/Lipton Joint Ventures and Chief Marketing Officer of PepsiCo Americas Beverages from July 2009 to June 2011, and PepsiCo's Global Chief Marketing Officer from December 2008 to July 2009. Before PepsiCo, Ms. Beraud spent 13 years at Limited Brands in various roles, including Chief Marketing Officer of Victoria's Secret and Executive Vice President of Marketing for its broader portfolio of specialty brands, including Bath & Body Works, C.O. Bigelow, Express, Henri Bendel, and Limited Stores. Ms. Beraud served as a director of New York & Company, Inc. from 2011 to 2015. Ms. Beraud was selected to join the board due to her extensive marketing, social media and consumer branding experience, as well as her extensive managerial and operational knowledge in the apparel and other consumer goods industries.

***Robert A. Eckert***, a director since 2010, is Operating Partner of Friedman Fleischer & Lowe, LLC ("FFL"), a private equity firm, since September 2014. Mr. Eckert is also Chairman Emeritus of Mattel, Inc., a role he has held since January 2013. He was Mattel's Chairman and Chief Executive Officer from May 2000 until December 2011, and he continued to serve as its Chairman until December 2012. He previously worked for Kraft Foods, Inc. for 23 years, and served as President and Chief Executive Officer from October 1997 until May 2000. From 1995 to 1997, Mr. Eckert was Group Vice President of Kraft Foods, and from 1993 to 1995, Mr. Eckert was President of the Oscar Mayer foods division of Kraft Foods. Mr. Eckert was selected to join the board due to his experience as a senior executive engaged with the dynamics of building global consumer brands through high performance expectations, integrity and decisiveness in driving businesses to successful results. Mr. Eckert is currently a director of McDonald's Corporation, Amgen, Inc. and Eyemart Express Holdings, LLC.

***Spencer C. Fleischer,*** a director since 2013, is Co-Founder, Co-CEO and President of Friedman Fleischer & Lowe, LLC ("FFL"), a private equity firm. Before co-founding FFL in 1997, Mr. Fleischer spent 19 years at Morgan Stanley as an investment banker and senior leader. During his time there, he led business units across the globe, including serving as Head of Investment Banking in Asia, Head of Corporate Finance for Europe and Head of Corporate Finance in San Francisco. Mr. Fleischer was selected to join the board due to his broad financial and international business perspective developed over many years in the investment banking industry. Mr. Fleischer currently serves as a director of The Clorox Company, Banner Corporation and Strategic Investment Group. He was a director of American West Bank until October 2015 when it was acquired by Banner Corporation.



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***Mimi L. Haas,*** a director since April 2014, is President of the Mimi and Peter Haas Fund, a position she has held since August 1981. Mrs. Haas is Vice Chair of the Board of Trustees and Chair of the Painting and Sculpture Acquisitions Committee of the New York Museum of Modern Art, a director of the Lincoln Center for the Performing Arts and the Board of Trustees of MVY Youth, Vice Chair of the San Francisco Museum of Modern Art, and she is also a member of the National Advisory Board of the Haas Center for Public Service at Stanford University, the Council on Foreign Relations, and the Global Philanthropists Circle. In addition, Mrs. Haas served on our Board from 2004 to 2006. Mrs. Haas brings to the Board her long and deep knowledge of the Company and her extensive experience in corporate citizenship endeavors.

***Peter E. Haas Jr.***, a director since 1985, is a director or trustee of the Levi Strauss Foundation, Red Tab Foundation, Walter and Elise Haas Fund and the Novato Youth Center Honorary Board, a Trustee Emeritus of the San Francisco Foundation, and he is Vice President of the Peter E. Haas Jr. Fund. Mr. Haas was one of our managers from 1972 to 1989. He was Director of Product Integrity of The Jeans Company, one of our former operating units, from 1984 to 1989. He served as Director of Materials Management for Levi Strauss USA in 1982 and Vice President and General Manager in the Menswear Division in 1980. Mr. Haas' background in numerous operational roles specific to the Company and his familial connection to our founder enable him to engage in board deliberations with valuable insight and experience.

***Jenny Ming,*** a director since September 2014, is President and Chief Executive Officer of Charlotte Russe Inc., a fast-fashion specialty retailer of apparel and accessories catering to young women, a position she has held since October 2009. From March 1999 to October 2006, Ms. Ming served as President of Old Navy, a $7 billion brand in The Gap, Inc.'s portfolio, where she oversaw all aspects of Old Navy and its 900 retail clothing stores in the U.S. and Canada. Ms. Ming joined The Gap, Inc. in 1986, serving in various executive capacities at its San Francisco headquarters, and in 1994, she was a member of the executive team who launched Old Navy. Ms. Ming was selected to join the Board due to her extensive operational and retail leadership experience in the apparel industry. Ms. Ming serves as Special Advisor to the Board of Barneys New York. She is also a member of the Committee of 100, a non-profit organization of accomplished Chinese Americans from business leaders to the arts.

***Patricia Salas Pineda***, a director since 1991, is currently Group Vice President of Hispanic Business Strategy for Toyota Motor North America, Inc., an affiliate of one of the world's largest automotive firms, a position she has held since May 2013. Previously, Ms. Pineda served Toyota Motor North America as Group Vice President of National Philanthropy and the Toyota USA Foundation from 2004 until her appointment to her current role. During this period, Ms. Pineda also served as General Counsel and Group Vice President of Administration from 2006 to 2008 and as Group Vice President of Corporate Communications and General Counsel from 2004 to 2006. Prior to that, Ms. Pineda was Vice President of Legal, Human Resources and Government Relations, and Corporate Secretary of New United Motor Manufacturing, Inc. with which she had been associated since 1984. Ms. Pineda was selected as a member of the board to bring her expertise in government relations and regulatory oversight, corporate governance and human resources matters. Her long tenure on the board also provides valuable historical perspective. She is currently a member of the corporate advisory board of the National Council of La Raza, Chairwoman and member of the Board of Directors of the Latino Corporate Directors Association, and a member of the advisory board of the Latinos and Society Program at The Aspen Institute.

**Executive Officers**

***Charles V. Bergh's biography is set forth under the heading "Directors" above.***

***Carrie Ask*** will be joining the Company as our Executive Vice President and President of Global Retail on February 16, 2016. Ms. Ask was previously with NIKE, Inc., where most recently she was Vice President and General Manager of Nike Stores North America. Ms. Ask held various leadership roles with NIKE, Inc. from 2012 to 2015, including Vice President and General Manager of Global Retail where she created and led the global retail strategy for Converse, a Nike subsidiary. Ms. Ask has more than 15 years of global retail and direct-to-consumer experience. Prior to Nike, she held retail and merchandising positions at Petco Animal Supplies, Inc. from 2009 to 2012, at Target Corporation from 2004 to 2009 and at Booth Creek Natural Foods, LLC from 2003 to 2004. Her early career started in consulting with McKinsey & Company, and prior to that she was an officer in the U.S. Navy for five years.

***Roy Bagattini*** is currently serving as our Executive Vice President and President of our Asia, Middle East and Africa ("Asia") region. Mr. Bagattini joined the Company in June 2013 as Executive Vice President and President of Commercial Operations for the Asia Pacific (now Asia) region before his role was expanded to include the Middle East and Africa at the end of November 2013. Mr. Bagattini was Senior Vice President for Asia and Africa at Carlsberg Group, a leading brewing and beverage company, from 2009 to 2013. Prior to that, Mr. Bagattini served in a variety of executive and leadership roles in Russia, China, India and the United States for SABMiller plc, one of the world's largest brewing companies, from 1991 to 2009.



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***Lisa Collier*** is currently serving as our Executive Vice President and President of Global Dockers® Brand, a position she has held since July 2013. From October 2013 to January 2015, Ms. Collier also served as Chief Transformation Officer. From July 2012 until July 2013, Ms. Collier served as Senior Vice President of Product Development and Innovation across all of our brands. Before that, Ms. Collier held various leadership roles in the Company, at times serving in dual roles, including Senior Vice President of Dockers® Merchandising, Licensing & Supply Chain from April 2010 to November 2012, Managing Director and General Manager of Levi Strauss Australia and New Zealand from December 2007 to April 2011, and Vice President of U.S. Retail from May 2006 to November 2007. Ms. Collier joined the Company in October 2003 as Vice President of Product Management for the U.S. Levi's® Brand, a position she held until May 2006. Ms. Collier has more than 25 years of professional experience in the apparel industry. Before joining the Company, she served as Vice President of Product Development, Planning and Sourcing at Tarrant Apparel Group and held various positions at The Limited in merchandising and buying.

***James Curleigh*** is currently serving as our Executive Vice President and President of the Global Levi's® Brand, a position he has held since July 2012. Prior to joining the Company, Mr. Curleigh served as the President and Chief Executive Officer of Keen Footwear, Inc., a footwear and accessory company, from March 2008 to May 2012. Before Keen, he was President and Chief Executive Officer of Salomon Sports North America, an innovative performance sports company, from 2001 to 2007. He also established and led TaylorMade adidas golf division in Europe and held various leadership positions in the London office of M&M Mars, a global consumer goods company.

***Seth M. Ellison*** is currently serving as our Executive Vice President and President of our Europe region. Mr. Ellison joined the Company in September 2012 as Executive Vice President and President of the Global Dockers® Brand before assuming his current role in July 2013. Prior to joining the Company, Mr. Ellison was Executive Vice President and Chief Commercial Officer at Alternative Apparel from February 2009 to July 2012. Before Alternative Apparel, Mr. Ellison was President of the Swimwear Group at Perry Ellis from 2005 to 2009, and held various leadership positions at NIKE, Inc. from 1996 to 2005, including Vice President and General Manager of Nike EMEA Apparel and President of Hurley.

***Seth Jaffe*** is currently serving as our Senior Vice President and General Counsel, a position he has held since September 2011. Prior to joining the Company, Mr. Jaffe served as Senior Vice President, General Counsel and Secretary of Williams-Sonoma, Inc. from January 2002 to August 2011. From 2000 to 2001, Mr. Jaffe served as Chief Administrative Officer and General Counsel of CareThere, Inc., a healthcare technology company. Mr. Jaffe also held various legal roles at the Company from 1984 to 1999 with increasing responsibilities in the United States and Europe during that time.

***David Love*** is currently serving as our Executive Vice President and Chief Supply Chain Officer, a position he has held since August 2004. Since January 2015, Mr. Love has also served as Chief Transformation Officer, leading the Company's centrally-led cost-savings and global productivity initiative. Mr. Love is responsible for development, sourcing and delivery of our products worldwide. Prior to assuming this role, Mr. Love was Vice President of our U.S. Supply Chain organization from 2001 to 2004 and Senior Director of Product Services for the U.S. Levi's® brand from 1999 to 2001. From 1981, when he joined the Company, to 2001, Mr. Love held various managerial positions.

***Kelly McGinnis*** is currently serving as our Senior Vice President of Corporate Affairs and Chief Communications Officer, a position she has held since August 2013. Prior to joining the Company, Ms. McGinnis served as Vice President of Global Communications at Dell Inc. from March 2010 to 2013. Before Dell, from March 2008 to 2010, she was President of Axicom U.S., a global technology public relations company. From 2001 to 2008, Ms. McGinnis was a senior partner at Fleishman-Hillard, Inc. and served as general manager of the firm's San Francisco office.

***Marc Rosen*** is currently serving as our Executive Vice President and President of Global eCommerce, a position he has held since April 2014. He is responsible for leading the Company's global ecommerce business to drive new growth, consumer loyalty and sustainable profitability. Mr. Rosen brings more than 20 years of retail and ecommerce leadership to the role, most recently as Senior Vice President of Global eCommerce at Wal-Mart Stores, Inc., a role he held from January 2011 to April 2014. He was responsible for designing, building, operating and expanding Wal-Mart's ecommerce platforms globally. From January 2006 to December 2010, Mr. Rosen was Senior Vice President of Information Systems, with responsibility for Wal-Mart's global merchandising, supply chain and store systems. He also held senior leadership positions for Wal-Mart's international business unit and Ernst & Young LLP.



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***Harmit Singh*** is currently serving as our Executive Vice President and Chief Financial Officer, a position he has held since January 2013. He is responsible for Finance, Corporate Strategy, Strategic Sourcing, Information Technology and Global Business Services. Previously, Mr. Singh, was Executive Vice President and Chief Financial Officer of Hyatt Hotels Corporation from August 2008 to December 2012. Prior to that, he spent 14 years at Yum! Brands, Inc. in a variety of roles including Senior Vice President and Chief Financial Officer of Yum Restaurants International from 2005 to 2008. Before joining Yum!, Mr. Singh worked in various financial capacities for American Express India & Area Countries, a worldwide travel, financial and network services company. Mr. Singh served on the board of directors and was also the Audit Committee Chair of Avendra, LLC through August 2012. Mr. Singh is a Chartered Accountant from India.

***Elizabeth Wood*** joined the Company as our Senior Vice President and Chief Human Resources Officer in May 2015. Ms. Wood has served as Interim Chief Human Resources Officer of the Company since November 2014. Previously, Ms. Wood was Senior Vice President of Human Resources at Toys "R" Us, Inc. from May 2013 to August 2014. Prior to that, she served as Executive Vice President of Human Resources at The Warnaco Group, Inc. from September 2005 to March 2013. Ms. Wood is an experienced retail executive with a deep background in apparel. She has also worked at Brooks Brothers Group, Inc. and Marks and Spencer Group plc, and has expertise in shepherding brands and businesses through transformational change.

**Our Board of Directors**

Our board of directors currently has ten members. Our board is divided into three classes with directors elected for overlapping three-year terms. The term for directors in Class I (Ms. Beraud, Mr. Fleischer and Mr. Neal) will end at our annual stockholders' meeting in 2017. The term for directors in Class II (Mrs. Haas, Mr. P. E. Haas Jr. and Ms. Ming) will end at our annual stockholders' meeting in 2018. The term for directors in Class III (Mr. Alstead, Mr. Bergh, Mr. Eckert and Ms. Pineda) will end at our annual stockholders' meeting in 2016.

***Committees***. Our board of directors has four standing committees.

- *Audit.* Our Audit Committee provides assistance to the board in the board's oversight of the integrity of our financial statements, financial reporting processes, internal controls systems and compliance with legal requirements. The committee meets with our management regularly to discuss our critical accounting policies, internal controls and financial reporting process and our financial reports to the public. The committee also meets with our independent registered public accounting firm and with our financial personnel and internal auditors regarding these matters. The committee also examines the independence and performance of our internal auditors and our independent registered public accounting firm. The committee has sole and direct authority to engage, appoint, evaluate and replace our independent auditor. Both our independent registered public accounting firm and our internal auditors regularly meet privately with this committee and have unrestricted access to the committee. The Audit Committee held eight meetings during 2015.

  – Members: Mr. Alstead (Chair), Ms. Beraud, Mr. Fleischer and Ms. Ming.

  Each of Messrs. Alstead and Fleischer have been determined to be our Audit Committee financial experts as currently defined under SEC rules. We believe that the composition of our Audit Committee meets the criteria for independence under, and the functioning of our Audit Committee complies with the applicable requirements of, the Sarbanes-Oxley Act and SEC rules and regulations.

- *Finance.* Our Finance Committee provides assistance to the board in the board's oversight of our financial condition and management, financing strategies and execution and relationships with stockholders, creditors and other members of the financial community. The Finance Committee held six meetings in 2015 and otherwise acted by unanimous written consent.

  – Members: Mr. Fleischer (Chair), Ms. Beraud and Mrs. Haas.

- *Human Resources.* Our Human Resources Committee provides assistance to the board in the board's oversight of our compensation, benefits and human resources programs and of senior management performance, composition and compensation. The committee reviews our compensation objectives and performance against those objectives, reviews market conditions and practices and our strategy and processes for making compensation decisions and approves (or, in the case of our chief executive officer, recommends to the Board) the annual and long term compensation for our executive officers, including our long term incentive compensation plans. The committee also reviews our succession planning, diversity and benefit plans. The Human Resources Committee held six meetings in 2015.

  – Members: Mr. Eckert (Chair), Mr. Alstead, Mr. P.E. Haas Jr. and Ms. Pineda.



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- *Nominating, Governance and Corporate Citizenship.* Our Nominating, Governance and Corporate Citizenship Committee is responsible for identifying qualified candidates for our board of directors and making recommendations regarding the size and composition of the board. In addition, the committee is responsible for overseeing our corporate governance matters, reporting and making recommendations to the board concerning corporate governance matters, reviewing the performance of our chairman and chief executive officer and determining director compensation. The committee also assists the board with oversight and review of corporate citizenship and sustainability matters which may have a significant impact on the Company. The Nominating, Governance and Corporate Citizenship Committee held five meetings in 2015.

  – Members: Mr. Neal (Chair), Mr. Eckert, Mrs. Haas, Mr. P.E. Haas Jr. and Ms. Pineda.

**Board Composition and Risk Management Practices**

***Board Leadership***

While our by-laws do not require separation of the offices of chairman and chief executive officer, these positions are held by different individuals. The Board believes that the separation of the roles of chairman and chief executive officer is a matter to be addressed as part of the succession planning process for those roles and that it is in the best interests of the Company for the board, upon the review and advice of the Nominating, Governance and Corporate Citizenship Committee, to make such a determination when it elects a new chairman or chief executive officer or otherwise as the circumstances may require.

***Board Selection Criteria***

According to the board's written membership policy, the board seeks directors who are committed to the values of the Company and are, by reason of their character, judgment, knowledge and experience, capable of contributing to the effective governance of the Company. Additionally, the board is committed to maintaining a diverse and engaged board of directors composed of both stockholders and non-stockholders. Upon any vacancy on the board, it seeks to fill that vacancy with any specific skills, experiences or attributes that will enhance the overall perspective or functioning of the board.

***Board's Role in Risk Management***

Management is responsible for the day-to-day management of the risks facing the Company, while the board, as a whole and through its committees, has responsibility for the oversight of risk management. Management engages the board in discussions concerning risk periodically and as needed, and addresses the topic as part of the annual planning discussions where the board and management review key risks to the Company's plans and strategies and the mitigation plans for those risks. In addition, the Audit Committee of the board has the responsibility to review the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, with management, the senior internal auditing executive and the independent registered public accounting firm.

**Worldwide Code of Business Conduct**

We have a Worldwide Code of Business Conduct which applies to all of our directors and employees, including the chief executive officer, the chief financial officer, the controller and our other senior financial officers. The Worldwide Code of Business Conduct covers a number of topics including:

- accounting practices and financial communications;
- conflicts of interest;
- confidentiality;
- corporate opportunities;
- insider trading; and
- compliance with laws.

A copy of the Worldwide Code of Business Conduct is an exhibit to this Annual Report on Form 10-K.



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## Item 11. *EXECUTIVE COMPENSATION*

### COMPENSATION DISCUSSION AND ANALYSIS FOR NAMED EXECUTIVE OFFICERS

The Compensation Discussion and Analysis describes our compensation program, the compensation decisions we made under our program, and the reasoning underlying those decisions. This discussion and analysis focuses on the compensation of our named executive officers, who in fiscal 2015 were:

- Charles V. Bergh, President and Chief Executive Officer ("CEO")
- Harmit Singh, Executive Vice President and Chief Financial Officer ("CFO")
- Roy Bagattini, Executive Vice President and President, Asia, Middle East & Africa
- James Curleigh, Executive Vice President and President, Global Levi's
- Anne Rohosy, Executive Vice President and President, Americas

Our compensation policies and programs are designed to support the achievement of our strategic business plans by motivating, retaining and attracting exceptional talent. Our ability to compete effectively in the marketplace depends on the knowledge, capabilities and integrity of our leaders. Our compensation programs help create a high-performance, outcome-driven and principled culture by holding leaders accountable for delivering results, developing our employees and exemplifying our core values. In addition, we believe that our compensation policies and programs for leaders and employees are appropriately balanced, reinforcing short-term and long-term results, and as such would not drive behavior that would have a material adverse effect on the company.

The Human Resources Committee (the “HR Committee”) of our Board of Directors (the "Board") is responsible for overseeing our executive compensation practices. Each year, the HR Committee conducts a review of our compensation and benefits programs to assess whether the programs are aligned with our business strategies, the competitive practices of our peer companies and our stockholders' interests.

### Compensation Philosophy and Objectives

Our executive compensation philosophy, which also applies to all members of our executive leadership team, focuses on the following key goals:

- Motivate, retain, and attract high performing talent in an extremely competitive marketplace
  - Our ability to achieve our strategic business plans and compete effectively in the marketplace is based on our ability to motivate, retain, and attract exceptional leadership talent in a highly competitive talent market.
- Deliver competitive compensation for achievement of annual and long-term results
  - We provide competitive total compensation opportunities that are intended to motivate, retain, and attract a highly capable and results-driven executive team, with the majority of compensation based on the achievements of long-term performance results.
- Align the interests of our executives with those of our stockholders
  - Our programs offer compensation incentives that are intended to motivate executives to enhance total stockholder return. These programs align certain elements of compensation with our achievement of corporate growth objectives (including defined financial targets and increases in stockholder value) as well as individual performance.

### Policies and Practices for Establishing Compensation Packages

#### *Elements of compensation*

The HR Committee establishes the elements of compensation for our executives after an extensive review of market data on the executives from the peer group described below. The HR Committee reviews each element of compensation independently and in the aggregate to determine the right mix of elements, and associated amounts, for each executive that it believes best helps us further our goals of motivating and retaining our executives, achieving our strategic business plans, and enhancing total stockholder return.

A consistent approach is used across the executive leadership team when establishing each compensation element. However, the HR Committee (and the Board with respect to the CEO) maintains flexibility to exercise its independent judgment in how it applies the standard approach to each executive, taking into account unique considerations existing at an executive's time of hire, promotion or annual performance review, and the current and future estimated value of previously granted long-term incentives, both performance and time-vested.



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***Competitive peer group***

In determining the design and the amount of each element of compensation, the HR Committee conducts a thorough annual review of competitive market information. The HR Committee reviews data from major published surveys and proxy information of peer companies in the consumer products, apparel and retail industry segments. The peer group is comprised of companies with median revenue and other industry related characteristics (such as apparel, retail and select consumer products companies with premium branded products) that are comparable to us and that we compete with for executive talent. The peer group used in establishing our executives' 2015 compensation packages is presented below and was largely unchanged from the prior year except for the removal of Ann Inc. and The Jones Group Inc. due to acquisition or mergers.

| Company Name | |
|---|---|
| Abercrombie & Fitch Co.* | Hanesbrands Inc.* |
| Aéropostale, Inc.* | Hasbro, Inc. |
| American Eagle Outfitters, Inc.* | J. C. Penney Company, Inc. |
| Avon Products, Inc. | L Brands, Inc.* |
| Burberry Group Plc | Mattel, Inc. |
| The Clorox Company | NIKE, Inc.* |
| Coach, Inc.* | Nordstrom, Inc. |
| Dillard's, Inc. | PVH Corp.* |
| The Estée Lauder Companies Inc. | Ralph Lauren Corporation* |
| Foot Locker, Inc. | Tiffany & Co. |
| The Gap, Inc.* | VF Corporation* |
| Guess? Inc.* | Williams-Sonoma, Inc. |

In addition to the companies noted with an asterisk (*) in the table above, the following companies are part of an expanded peer group for purposes of measuring total shareholder return for the performance-based stock appreciation rights granted in 2015 that are further described below under “Performance-based SARs”.

| Company Name | |
|---|---|
| adidas AG | HUGO BOSS AG |
| Ascena Retail Group Inc. | INDUSTRIA DE DISEÑO TEXTIL, S.A. |
| Billabong International Limited | Lands’ End, Inc. |
| Carter’s, Inc. | lululemon athletica Inc. |
| Chico’s FAS Inc. | LVMH Moet Hennessy-Louis Vuitton |
| Christopher & Banks Corp. | NEXT plc |
| Columbia Sportswear Co. | Oxford Industries Inc. |
| Esprit Holdings Limited | Pacific Sunwear of California Inc. |
| Express Inc. | Perry Ellis, International Inc. |
| Kate Spade & Company | Quiksilver Inc. |
| Fossil Group Inc. | Skechers U.S.A. Inc. |
| Gerry Weber International AG | The Cato Corporation |
| G III Apparel Group, Ltd. | The Children’s Place, Inc. |
| Gildan Activewear Inc. | Under Armour, Inc. |
| H & M Hennes & Mauritz AB | Urban Outfitters, Inc. |
| Hermès International Société en Commandite par Actions | Wolverine World Wide Inc. |
| Hot Topic, Inc. | |

***Establishing compensation for executives other than the CEO***

While the HR Committee uses peer group market data percentiles as reference points in setting executive compensation, the HR Committee does not target specific benchmark percentiles for any element of compensation or total direct compensation for



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the executive officers. Instead, the HR Committee uses a number of factors in determining compensation for our executives in a manner that it believes best helps us further our goals of motivating and retaining our executives, achieving our strategic business plans, and enhancing total stockholder return. The factors considered in establishing compensation for our executives include, among others, our performance, the individual's performance in the prior year, the scope of each individual's responsibilities, internal and external pay equity, the guidelines used for setting annual cash, long-term and total compensation for the executives, succession planning strategies, and data regarding pay practices and trends.

The CEO conducts an annual performance review of each executive and makes recommendations to the HR Committee about the structure of the executive compensation program and individual arrangements. The CEO is generally present at HR Committee meetings when compensation, other than his own, is considered and approved.

The HR Committee carefully considers the CEO's recommendation and consults with its consultant, Exequity, an independent board advisory firm, which informs the HR Committee of market trends and conditions, comments on market data relative to each executive's current compensation, and provides perspective on other company executive compensation practices. The HR Committee approves all compensation decisions affecting the executives, other than that of the CEO which is approved by the full Board. The HR Committee then reports on its decisions to the full Board.

***Establishing the CEO compensation package***

Annually, the Board's Nominating, Governance and Corporate Citizenship Committee (the "NG&CC Committee") assesses the CEO's performance and submits its performance assessment to the HR Committee. The HR Committee then reviews the performance assessment and peer group compensation data. The HR Committee also consults with its consultant, Exequity, which informs the HR Committee of market trends and conditions, comments on market data relative to the CEO's current compensation, and provides perspective on other companies' CEO compensation practices. Based on all of these inputs, the company's performance, and the guidelines used for setting annual cash, long-term and total compensation for the other executives, the HR Committee prepares a recommendation to the full Board on all aspects of the CEO's compensation. The full Board then considers the HR Committee's recommendation and approves the final compensation package for the CEO.

***Role of the Compensation Consultant in compensation decisions***

The HR Committee has engaged Exequity to provide the HR Committee with periodic advice on the compensation program structure and individual compensation arrangements for all executives. The consultant was selected by the HR Committee in its sole discretion and does not provide any other services to the Company. The consultant attends HR Committee meetings from time to time, presents an annual briefing on general and retail-industry compensation trends and developments, and is also available to the HR Committee outside of meetings as necessary. The consultant reports directly to the HR Committee, although the consultant meets with management from time to time to obtain information necessary to advise the HR Committee.

In addition, the HR Committee periodically reviews its relationship with its independent compensation consultant. The HR Committee believes that the consultant it retains is able to provide it with independent advice.

**Elements of Compensation**

The primary elements of compensation for our executives including our named executive officers are:

- Base Salary;
- Annual Incentive Plan Awards; and
- Long-Term Incentive Awards.

***Base Salary***

The objective of base salary is to reward each executive for his or her current contributions to the Company, reflect the scope of the executive's role and responsibilities and compensate each executive for his or her expected day-to-day performance, as well as provide fixed compensation that generally reflects what the market pays to individuals in similar roles with comparable experience. The peer group data serves as a general guideline only. The HR Committee, and for the CEO, the Board, retains the authority to exercise its independent judgment in establishing the base salary levels for each executive. The HR Committee reviews base salaries for executives on an annual basis in the first fiscal quarter considering the factors described above under "Establishing compensation for executives other than the CEO," and as needed in connection with promotions or other changes in responsibilities. The table below summarizes base salaries during fiscal 2014 and 2015, and changes that occurred during the year for our named executive officers.



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| Name | Base Salary as of November 29, 2015(2) | | Base Salary as of November 30, 2014 | |
|---|---|---|---|---|
| Charles V. Bergh | $ | 1,310,000 | $ | 1,280,000 |
| Harmit Singh | | 730,000 | | 700,000 |
| Roy Bagattini(1) | | 626,382 | | 594,853 |
| James Curleigh | | 625,000 | | 615,000 |
| Anne Rohosy(3) | | 720,000 | | 720,000 |

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(1) Mr. Bagattini was paid in Singapore Dollars (SGD). For presentation purposes, the average exchange rate of the last month of fiscal year 2015 was used to convert Mr. Bagattini's base salary (SGD 884,845 as of November 29, 2015, and SGD 840,307 as of November 30, 2014) to U.S. Dollars.

(2) The base salary for each of Messrs. Bergh, Singh, Bagattini and Curleigh were increased in February 2015 as part of the annual review to position each appropriately relative to the other executives of the Company.

(3) On December 4, 2015, the Company announced that Ms. Rohosy's employment with the Company will end on March 15, 2016.

***Annual Incentive Plan***

Our Annual Incentive Plan ("AIP") provides the executives, and other eligible employees, an opportunity to share in any success that they help create by aligning annual incentive compensation with annual performance. The AIP encourages the achievement of our internal annual business goals and rewards Company, business unit and individual performance against those annual objectives. The alignment of AIP with our internal annual business goals is intended to motivate all participants to achieve and exceed our annual performance objectives. Actual AIP bonus payments were based on the following two components:

*Financial performance*

- 75% of their total opportunity was based on financial performance of the Company, for corporate executives, or a combination of Company (weighted 50%) and business unit (weighted 25%) performance for business unit executives. Company and business unit financial performance is based 50% on earnings before interest and taxes ("EBIT"), 25% on free cash flow and 25% on net revenues. Performance measures are described in more detail below under "Performance measures."

*Individual performance*

- 25% of their total opportunity was based on individual objectives, to recognize achievement of other organizational goals.

Financial performance above minimum thresholds is required before any bonus payout is made to executives.

The table below describes the target AIP participation rate and potential AIP payout range for each named executive officer. Mr. Bergh's AIP target percentage of base salary was higher to ensure competitiveness and to recognize the impact of his role relative to the other executives.

| Name | 2015 AIP Participation Rate as a Percentage of Base Salary | Potential AIP Payout Range as a Percentage of Base Salary |
|---|---|---|
| Charles V. Bergh | 150% | 0 – 300% |
| Harmit Singh | 100% | 0 – 200% |
| Roy Bagattini | 80% | 0 – 160% |
| James Curleigh | 80% | 0 – 160% |
| Anne Rohosy | 80% | 0 – 160% |

*Performance measures*

Our priorities for 2015 were to drive business growth and create stockholder value. Our 2015 AIP funding goals were aligned with these key priorities through the use of three performance measures:

- *EBIT,* a non-GAAP measure that is determined by deducting from operating income, as determined under generally accepted accounting principles in the United States ("GAAP"), the following: restructuring expense, net curtailment



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gains and losses from our postretirement medical plan in the United States and pension plans worldwide, and certain management-defined unusual, non-recurring items;

- *Free cash flow,* a non-GAAP measure defined as cash flow generated from Company operations minus capital expenditures minus dividends paid; and
- *Net revenues,* a GAAP measure defined as gross product sales minus returns, discounts and allowances, plus licensing revenue.

We used these measures because we believe they are key drivers in increasing stockholder value and because every AIP participant can impact them in some way. EBIT and free cash flow are used as indicators of our earnings and operating cash flow performance, and net revenues is used as an indicator of our growth. These measures may change from time to time based on business priorities. The HR Committee approves the minimum, target and maximum goals for each measure each year. The reward for meeting the AIP goals is set by the HR Committee. If goal levels are not met, but financial performance reaches minimum thresholds, participants may receive partial payouts to recognize their efforts that contributed to Company and/or business unit performance.

The table below shows the 2015 goals at target for each of our three performance measures and the actual 2015 payout percentage reflecting the total Company performance. In the case of Messrs. Bergh and Singh, 75% of their total AIP opportunity was based on financial performance of the Company. For Messrs. Bagattini, Curleigh, and Ms. Rohosy, a combination of Company (weighted 50%) and their respective business unit performance (weighted 25%) was used to calculate their actual financial performance achievement. EBIT, free cash flow, and net revenues goals for each business unit were set using the same methodology as the Company goals.

| | EBIT Goal | Free Cash Flow Goal | Net Revenues Goal | Actual Percentage Achieved After Adjustments* |
|---|---|---|---|---|
| | (Dollars in millions) | | | |
| Total Company | $569 | $180 | $4,806 | 123% |

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* The actual percentage achieved results are weighted 50% on EBIT and 25% for Free Cash Flow and Net Revenues, respectively. Actual results also exclude the impact of foreign currency exchange rate fluctuations on our business results. See “Actual AIP awards” below for details of the calculation.

At the close of the fiscal year, the HR Committee reviews and approves the final AIP payout results based on the level of attainment of the designated financial measures at the business unit and total Company levels. The Committee's review includes an analysis of the fundamentals of the underlying business performance and adjustments for items that are not indicative of ongoing results. Such adjustments may include external factors or internal business decisions that may have impacted financial results during the year. For example, EBIT, free cash flow and net revenues are expressed in constant currencies (*i.e.,* excluding the effects of foreign currency translation), since we believe that period-to-period changes in foreign exchange rates can cause our reported results to appear more or less favorable than business fundamentals indicate.

*Individual performance measures*

Executives were eligible to receive bonuses based on individual performance. For executives other than the CEO, individual performance and resulting individual performance payout percentage is based on the CEO’s assessment of the executive's performance against his or her annual objectives and performance relative to his or her internal peers. The CEO’s individual performance is based on the HR Committee’s assessment of Mr. Bergh’s performance against his annual objectives, including the NG&CC Committee's assessment of the CEO's performance against annual objectives, and the HR Committee's assessment of his leadership in 2015. During this decision-making process, the HR Committee consults with its consultant Exequity. Based on all of these inputs, the HR Committee prepares a recommendation to the full Board on the CEO’s individual performance. The full Board then considers the HR Committee's recommendation and approves the final individual performance payout percentage for the CEO. Individual annual objectives include non-financial goals which are not stated in quantitative terms, and a particular weighting is not assigned to any one of these individual goals. The non-financial objectives are not established in terms of how difficult or easy they are to attain; rather, they are taken into account in assessing the overall quality of the individual's performance. For fiscal 2015, these objectives consisted of initiatives that focused on five key behaviors: (1) understanding the Company’s business in the context of the market, (2) owning and delivering on commitments, (3) placing Company success over individual or group success, (4) collaboration, and (5) leading by positive example.



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*Actual AIP awards*

For fiscal 2015, financial performance applicable to each named executive officer was mixed, and AIP payouts reflect the different performance outcomes. The table below shows the inputs used for the calculation of the actual bonus for fiscal 2015 for each eligible named executive officer.

| Name | Base Salary | AIP Target | Actual Percentage Achieved: Total Company | Actual Percentage Achieved: Business Unit | Actual Percentage Achieved: Individual Performance | Actual Bonus[1] |
|---|---|---|---|---|---|---|
| Charles V. Bergh | $ 1,310,000 | 150% | 123% | N/A | 125% | $ 2,426,775 |
| Harmit Singh | 730,000 | 100% | 123% | N/A | 125% | 901,550 |
| Roy Bagattini[2] | 626,382 | 80% | 123% | 146% | 185% | 722,844 |
| James Curleigh | 625,000 | 80% | 123% | 104% | 120% | 587,500 |
| Anne Rohosy | 720,000 | 80% | 123% | — | — | 354,240 |

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(1) Except for Messrs. Bergh and Singh for whom Total Company performance is weighted 75%, Total Company performance is weighted 50% and Business Unit performance is weighted 25%. For all executives, Individual Performance is weighted 25%.

(2) Mr. Bagattini was paid in Singapore Dollars (SGD). For presentation purposes, his base salary of SGD 884,845 and bonus of SGD 1,021,111 was converted into U.S. Dollars using the average exchange rate of the last month of fiscal 2015.

***Long-Term Incentives***

The HR Committee believes a large part of an executive's compensation should be linked to long-term stockholder value creation as an incentive for sustained, profitable growth. Therefore, our long-term incentives for our executives are in the form of equity awards, both performance and time-vested, and provide reward opportunities competitive with those offered by companies in the peer group for similar jobs. Consistent with the other elements of compensation, the HR Committee does not target specific benchmark percentiles for long-term incentive awards for our executives and uses a number of factors in establishing the long-term incentive award levels for each individual, including a review of each individual's accumulated vested and unvested awards, the current and potential realizable value over time using stock appreciation assumptions, vesting schedules, comparison of individual awards between executives and in relation to other compensation elements, market data, stockholder dilution and accounting expense. Should we deliver against our long-term goals, the long-term equity incentive awards become a significant portion of the total compensation of each executive. For more information on the 2015 long-term equity grants, see the 2015 Grants of Plan-Based Awards table. Stock-based awards are granted under our omnibus 2006 Equity Incentive Plan, as amended to date ("EIP") that enables the HR Committee to select from a variety of stock awards, including stock options, restricted stock, restricted stock units, and stock appreciation rights ("SARs").

Stock settled SARs are the primary form of equity granted to our executives under the EIP. The HR Committee chose to grant SARs to align the interests of executives to our stockholders. SARs provide value to the executive only if the price of our stock increases. The terms of the SAR grants made to our executives to date provide for stock settlement only. When a SAR is exercised and settled in stock, the shares issued are subject to the terms of the Company's Stockholders' Agreement, including restrictions on transfer. After the participant has held the shares issued under the EIP for six months, he or she may require the Company to repurchase, or the Company may require the participant to sell to the Company, those shares of common stock. The value of shares repurchased or sold back to the Company will be based on the most recent valuation conducted by Evercore Group LLC ("Evercore"), an independent third-party valuation firm. The Company's obligations under the EIP are subject to certain restrictive covenants in our various debt agreements (see Note 6 to our audited consolidated financial statements included in this report for more details).

*SARs with Service Conditions ("Service SARs")*

Service SARs are typically granted annually (or, in the case of new executives, at the HR Committee meeting held in February or July following the date they join the Company or first become an executive) with four-year vesting periods and exercise periods of up to seven years. (See the table entitled "Outstanding Equity Awards at 2015 Fiscal Year-End" for details concerning the Service SARs' vesting schedule, including any individual variations from the typical four-year vesting period). During fiscal 2015, Service SARs with a four-year vesting period accounted for 60% of each executive's total 2015 annual SAR grant value.



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*Performance-based SARs*

Performance-based SARs drive greater accountability for the achievement of the strategic plan of the Company and create long-term value for stockholders. During fiscal 2015, performance-based SARs again accounted for 40% of each executive's total 2015 annual SAR grant value. The key features of the 2015 performance-based SARs are described below:

- Each executive is eligible to receive an annual performance-based SAR award. Performance-based SARs give the executive the right (subject to HR Committee discretion to reduce but not increase awards) to vest in a number of SARs based on achievement against performance goals over a three-year performance period. Actual shares that will vest, if any, will vary based on achievement of the performance goals at the end of the three years. The three-year performance period was designed to discourage short-term risk taking and reinforce the link between the interests of our stockholders and our executives over the long-term.
- 50% of the number of actual performance-based SARs that vest at the end of three years is based on the following two internal performance metrics: 1) the Company's average margin of net earnings over the three-year period adjusted for certain items such as interest and taxes, and 2) the target compound annual growth rate ("CAGR") in the Company's net revenues over the three-year period covering fiscal 2015 through fiscal 2017. The potential payout range as a percentage of this portion of the target award is 0% to 150%.
- The remaining 50% of the number of actual performance-based SARs that vest is based on the Company's total shareholder return ("TSR") over the three-year period covering fiscal 2015 through fiscal 2017 relative to the expanded peer group approved by the HR Committee in December 2013 as listed above under "Competitive peer group". The potential payout range as a percentage of this portion of the target award is 0% to 150%.
- If earned at target, 100% of the performance-based SARs vest at the end of the three-year performance period.

*2013 Performance-based SARs*

As described in our Annual Report on Form 10-K for fiscal 2013, we granted performance-based SARs during fiscal 2013 which were based on two performance metrics covering the period from the beginning of fiscal 2013 through the end of fiscal 2015: 1) the Company's average margin of net earnings over the three-year period adjusted for certain items such as interest and taxes, and 2) the target compound annual growth rate in the Company's net revenues over the three-year period. The potential vesting range as a percentage of the target award was 0% to 150%.

The table below summarizes the goals at target for each of the two performance measures and our actual adjusted achievement. The actual percentage achieved was 0%. However, excluding the impact of currency fluctuations on results for fiscal 2013 through fiscal 2015, the percentage achievement would have been approximately 108%. In December 2015, based on its review of the negative impact of currency fluctuations on the results for the completed fiscal 2013 through fiscal 2015 performance period, the Board exercised its discretion as allowed under the EIP to adjust actual percentage achieved from 0% to 75%.

| | Average Margin of Net Earnings Goal | CAGR of Net Revenues Goal | Actual Percentage Achieved After Adjustment |
|---|---|---|---|
| Total Company | 9.5% | 3% | 75% |



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Based on the 75% achievement level as set forth in the table above, the fiscal 2013 performance-based SARs (for which the three year performance cycle has been completed) vested as follows:

| Name | Target Performance-based SARs | Actual Percentage Achieved After Adjustment | Vested Performance-based SARs |
|---|---|---|---|
| Charles V. Bergh | 191,919 | 75% | 143,939 |
| Harmit Singh | 43,771 | 75% | 32,828 |
| Roy Bagattini | 21,467 | 75% | 16,100 |
| James Curleigh | 33,670 | 75% | 25,252 |
| Anne Rohosy | 33,670 | 75% | 25,252 |

*Long-term incentive grant practices*

The Company does not have any program, plan, or practice to time equity grants to take advantage of the release of material, non-public information. The Company's common stock is not listed on any stock exchange. Accordingly, the price of a share of our common stock for all purposes, including setting the grant price of SARs, is established by the Board based on an independent third-party valuation conducted by Evercore. The valuation process is typically conducted two times a year, with interim valuations occurring from time to time based on stockholder and Company needs. Beginning in 2015, the Board approved the use of a third valuation in January for setting the grant price of the annual equity grants that are typically granted in February. Please see "Stock-Based Compensation" under Note 1 to our audited consolidated financial statements included in this report for more information about the valuation process.

***Benefits and Perquisites***

Executives generally are eligible for the same health and welfare insurance plans offered to all employees such as medical, dental, supplemental life, long-term disability and business travel insurance. In addition, although not a significant part of total compensation, the Company provides limited perquisites to executives. The primary perquisite provided to the executives is a flexible allowance to cover expenses such as auto-related expenses, financial and tax planning, legal assistance and excess medical costs. The Company also requires and pays for an annual medical exam for its executives and other members of its executive leadership team. Like many of the companies in the peer group, the Company also offers a non-qualified supplement to the 401(k) plan, which is not subject to the IRS and ERISA limitations, through a Deferred Compensation Plan for Executives and Outside Directors. The Deferred Compensation Plan for Executives and Outside Directors is a U.S. non-qualified, unfunded tax deferred savings plan provided to senior level executives, including our named executive officers, and the outside directors.

We have an employment arrangement with Mr. Bagattini, who is based in Singapore, which provides him certain benefits under our global assignment program, including a housing allowance to cover the cost of his rent and utilities. In addition, as an Italian citizen, he does not participate in the local retirement plan offered in Singapore. Mr. Bagattini participates in an international supplemental retirement savings plan designed for globally mobile employees. The Company contributes 14% of Mr. Bagattini's annual base salary on his behalf to such plan. Mr. Bagattini may voluntarily contribute funds to this plan above and beyond what the Company contributes on his behalf. The Company's contribution is grossed up to provide a tax-advantaged contribution. As a participant under this plan, Mr. Bagattini may direct investments similar to a 401(k) plan. Mr. Bagattini is allowed to make partial withdrawals from the plan two times per calendar year.

The benefits and perquisites received by our named executive officers and their value are described in more detail in the footnotes to the Summary Compensation Table.

***Tax and Accounting Considerations***

We have structured our compensation program in a manner intended to comply with Internal Revenue Code Section 409A. Because our common stock is not registered on any exchange, we are not subject to Section 162(m) of the Internal Revenue Code.



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***Severance and Change in Control Benefits***

The terms of Mr. Bergh's severance and change in control benefits were determined during the negotiation of his employment agreement in 2011 at the time he was hired. As part of this negotiation, the HR Committee determined that the benefits and structure of these benefits were within normal competitive practice, reasonable and appropriate for the circumstances, and necessary to attract Mr. Bergh to the Company. Enhanced termination benefits in the case of a change in control of the Company were included in his employment agreement for the same reasons and to help ensure retention of Mr. Bergh in the case of a potential or actual change in control.

We maintain an Executive Severance Plan that is meant to provide a reasonable and competitive level of financial transitional support to executives who are involuntarily terminated. If an executive's employment is involuntarily terminated by the Company due to reduction in force, layoff or position elimination, the executive is eligible for severance payments and benefits. Severance benefits are not payable upon a change in control if the executive is still employed by or offered a comparable position with the surviving entity.

While compensation decisions affect potential payouts under these severance arrangements, these arrangements generally did not affect such decisions as these severance provisions are conditional and may never come into effect.

More information about the severance benefits payable to our named executive officers under the Executive Severance Plan and to Mr. Bergh under his employment agreement is set forth in the sections entitled "Potential Payments Upon Termination Or Change In Control" and "Employment Contracts."

Under the 2006 EIP, in the event of a change in control in which the surviving corporation does not assume or continue the outstanding SARs program or substitute similar awards for such outstanding SARs, the vesting schedule of all SARs held by executives that are still employed upon the change in control will be accelerated in full as of a date prior to the effective date of the transaction as the Board determines. This accelerated vesting structure is designed to encourage the executives to remain employed with the Company through the date of the change in control and to ensure that the equity incentives awarded to the executives are not eliminated by the surviving company.

**Compensation Committee Report**

The Human Resources Committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based on the review and discussion, the Committee recommends to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's annual report on Form 10-K for the fiscal year ended November 29, 2015.

**The Human Resources Committee**
Robert Eckert (Chair)
Troy Alstead
Peter E. Haas Jr.
Patricia Salas Pineda



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**SUMMARY COMPENSATION DATA**

The following table provides compensation information for (i) our chief executive officer, (ii) our chief financial officer, and (iii) three other executive officers who were our most highly compensated executive officers and who were serving as executive officers as of the last day of the fiscal year ended November 29, 2015. The table also shows compensation information for fiscal 2014 and fiscal 2013, which ended November 30, 2014, and November 24, 2013, respectively, for those current named executive officers who also were named executive officers in either of those years.

| Name and Principal Position[1] | Year | Salary | Bonus[2] | Option Awards[3] | Non-Equity Incentive Plan Compensation[4] | Change in Pension Value and Non-qualified Deferred Compensation Earnings[5] | All Other Compensation[6] | Total |
|---|---|---|---|---|---|---|---|---|
| Charles V. Bergh | | | | | | | | |
| President and Chief Executive Officer | 2015 | $ 1,304,808 | $ — | $ 5,799,993 | $ 2,426,775 | $ — | $ 321,275 | $ 9,852,851 |
| | 2014 | 1,298,846 | — | 5,793,629 | 2,270,400 | — | 312,374 | 9,675,249 |
| | 2013 | 1,239,615 | — | 5,824,736 | 2,257,500 | — | 248,406 | 9,570,257 |
| Harmit Singh | | | | | | | | |
| Executive Vice President and Chief Financial Officer | 2015 | $ 724,808 | $ — | $ 1,399,992 | $ 901,550 | $ — | $ 128,360 | $ 3,154,710 |
| | 2014 | 708,654 | — | 1,321,350 | 676,200 | — | 38,587 | 2,744,791 |
| | 2013 | 578,942 | 250,000 | 1,328,443 | 580,500 | — | 187,709 | 2,925,594 |
| Roy Bagattini | | | | | | | | |
| Executive Vice President and President, Asia, Middle East and Africa | 2015 | $ 619,394 | $ — | $ 699,987 | $ 722,844 | $ — | $ 442,073 | $ 2,484,298 |
| | 2014 | 608,053 | 244,713 | 686,077 | 536,506 | — | 449,647 | 2,524,996 |
| | 2013 | 328,465 | 254,000 | 740,390 | 513,139 | — | 275,722 | 2,111,716 |
| James Curleigh | | | | | | | | |
| Executive Vice President and President, Global Levi's | 2015 | $ 623,269 | $ — | 999,978 | $ 587,500 | $ — | $ 50,065 | $ 2,260,812 |
| | 2014 | 623,942 | — | 1,016,641 | 416,970 | — | 42,475 | 2,100,028 |
| | 2013 | 589,615 | — | 1,021,884 | 468,000 | — | 153,629 | 2,233,128 |
| Anne Rohosy | | | | | | | | |
| Executive Vice President and President, Americas | 2015 | $ 720,000 | $ — | $ 1,099,963 | $ 354,240 | $ — | $ 97,366 | $ 2,271,569 |
| | 2014 | 730,000 | — | 1,118,056 | 419,040 | — | 141,443 | 2,408,539 |
| | 2013 | 694,808 | — | 1,021,884 | 848,150 | — | 110,570 | 2,675,412 |

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(1) In January 2013, Mr. Singh was appointed as Executive Vice President and Chief Financial Officer of the Company.

In June 2013, Mr. Bagattini joined the Company and currently serves as Executive Vice President and President of the Asia region. Mr. Bagattini's cash compensation is paid in Singapore Dollars (SGD). For presentation purposes of this table, the average exchange rates of the last month of fiscal years 2015, 2014, and 2013 were used to convert Mr. Bagattini's compensation into U.S. Dollars.

On December 4, 2015, the Company announced that Ms. Rohosy's employment with the Company will end on March 15, 2016.

(2) Mr. Singh received a new hire sign-on bonus of $250,000 in January 2013.

Mr. Bagattini received the first and second installments (SGD 315,925 per installment) of a new hire sign-on bonus in June 2013 and 2014.

(3) These amounts reflect the aggregate grant date fair value of SARs, including performance-based SARs, granted to the recipient under the Company's 2006 Equity Incentive Plan, computed in accordance with FASB ASC 718. These amounts reflect the grant date fair value, and do not represent the actual value that may be realized by the executives. For 2015, this column includes the grant date fair value of the target number of performance-based SARs that may be earned for the three-year performance period beginning with fiscal 2015. For a description of the assumptions used to determine the compensation cost of our awards, see Note 1 and Note 11 to our audited consolidated financial statements included in this report. Please refer to the Grants of Plan-Based Awards table in this report and in our 2014 and 2013 Annual Reports on Form 10-K for information on awards actually granted in fiscal 2015, 2014 and 2013.

(4) The amounts in this column reflect the non-equity amounts earned by the executives under the Company's annual incentive plan ("AIP").

(5) No above-market or preferential interest rate options are available under our deferred compensation programs. Please refer to the Non-Qualified Deferred Compensation table for additional information on deferred compensation earnings.



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(6) The amounts shown in the All Other Compensation column for fiscal 2015 are detailed in the table below:

| Name | Executive Perquisites (a) | Relocation (b) | 401(k) Plan Match (c) | Deferred Compensation Match (d) | Tax Payments (e) | Charitable Match (f) | Total |
|---|---|---|---|---|---|---|---|
| Charles V. Bergh | $ 43,178 | $ — | $ 18,500 | $ 249,641 | $ 4,456 | $ 5,500 | $ 321,275 |
| Harmit Singh | 20,471 | — | 19,120 | 85,891 | 2,878 | — | 128,360 |
| Roy Bagattini | 104,921 | 217,489 | 96,934 | — | 22,729 | — | 442,073 |
| James Curleigh | 24,982 | — | 19,875 | — | 5,208 | — | 50,065 |
| Anne Rohosy | 20,471 | — | 18,000 | 56,017 | 2,878 | — | 97,366 |

Please refer to "Compensation Discussion and Analysis for Named Executive Officers" for more details on the items in the table above.

(a) For Mr. Bergh, this amount reflects a payment for home security services, parking, health club membership subsidy, event tickets, an allowance of $15,000 intended to cover legal, financial and/or other incidental business related expenses, and a car allowance.

For Messrs. Singh, Curleigh and Ms. Rohosy, this amount reflects parking, health club membership subsidy, and an allowance of $15,000 intended to cover legal, financial and/or other incidental business related expenses. For Mr. Curleigh, this amount also reflects event tickets.

For Mr. Bagattini, this amount reflects an allowance intended to cover legal, financial and/or other incidental business related expenses, parking and a car allowance of $55,761, a club membership (a typical benefit provided to executives in Singapore), and for tuition costs for his children, a benefit he received in connection with his international assignment. For presentation purposes, the payments in this table were converted into U.S. Dollars using the average exchange rate of the last month of fiscal 2015.

(b) For Mr. Bagattini, this amount reflects $33,866 for travel costs in connection with home leave benefits and $183,623 for housing and utilities assistance in connection with his international assignment.

(c) These amounts reflect Company matching contributions under the Company's 401(k) Plan. For Mr. Bagattini, this amount reflects the Company's contribution to an international supplemental retirement savings plan. For additional information about Mr. Bagattini's supplemental retirement savings plan, see "Compensation Discussion and Analysis for Named Executive Officers."

(d) These amounts reflect Company matching contributions under the Company's Deferred Compensation Plan.

(e) For Messrs. Bergh, Singh, Curleigh, and Ms. Rohosy, these amounts reflect tax reimbursements in connection with annual physicals under our Executive Medical Exam benefit, and for Messrs. Bergh and Curleigh, these amounts also include tax reimbursements for event tickets. For Mr. Bagattini, this amount reflects tax reimbursements on his contributions to the international supplemental retirement savings plan and annual physical under our Executive Medical Exam benefit.

(f) These amounts reflect Company matching under the Company's Matching Gift Program, available to all employees.

## Other Matters

### *Employment Contracts*

Mr. Bergh. We have an employment agreement with Mr. Bergh effective September 1, 2011. The agreement initially provided for an annual base salary of $1,200,000 and an AIP target participation rate of 135%, which have since been adjusted, and may be further adjusted, pursuant to annual review. For 2015, his base salary and target participation rate under the AIP were $1,310,000 and 150% of base salary, respectively.

Mr. Bergh also participates in our EIP. This element of Mr. Bergh's compensation for 2015 is reflected and discussed in "Compensation Discussion and Analysis for Named Executive Officers."

Mr. Bergh's employment agreement also provides that if Mr. Bergh is involuntarily terminated without Cause, as defined in his employment agreement, Mr. Bergh is eligible to receive certain benefits and payments upon his separation from the Company under certain circumstances under the terms of the Executive Severance Plan for U.S. executives and the EIP; provided however that if Mr. Bergh's employment is terminated for Good Reason in connection with a Change in Control of the Company (each as defined in his employment agreement), he will be entitled to receive, among other standard benefits, (1) an aggregate amount equal to two times the sum of his then-effective base salary plus his then-effective target AIP amount, (2) a prorated AIP award in respect of the performance period at the time, and (3) company-paid continuation coverage for certain benefits for 18 months. In addition, the unvested portion of his SAR awards that would have vested during the 24 months following the date of such termination will immediately vest, and all vested SAR awards will be exercisable for 18 months following such termination.

Mr. Bergh's right to any severance or vesting acceleration is subject to his execution of an effective release of claims in favor of the Company and compliance with certain restrictive covenants.

Mr. Bergh is eligible to receive standard healthcare, life insurance and long-term savings program benefits, as well as relocation program benefits. He also receives benefits under the Company's various executive perquisite programs consistent with that provided to his predecessor.

Mr. Bergh's employment is at-will and may be terminated by the Company or by him at any time. Mr. Bergh does not receive any separate compensation for his services as a member of our Board.



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*Mr. Singh.* We have an employment arrangement with Mr. Singh effective January 16, 2013. It provides for his annual base salary and participation in our AIP, which are subject to annual review and adjustment, and his participation in our EIP. These elements of Mr. Singh's compensation for 2015 are reflected and discussed in "Compensation Discussion and Analysis for Named Executive Officers."

Mr. Singh also receives standard healthcare, life insurance and long-term savings program benefits, as well as benefits under our various executive perquisite programs.

Mr. Singh’s employment is at-will and may be terminated by the Company or by Mr. Singh at any time.

*Mr. Bagattini.* We have an employment arrangement with Mr. Bagattini effective June 3, 2013. He is on assignment in Singapore. His arrangement provides for his annual base salary and participation in our AIP, which are subject to annual review and adjustment, and his participation in our EIP. These elements of Mr. Bagattini's compensation for 2015 are reflected and discussed in "Compensation Discussion and Analysis for Named Executive Officers."

He is eligible to receive benefits under our global assignment program, including, education assistance fees and a housing allowance of up to approximately $18,000 per month to cover the cost of his rental and utilities.

Mr. Bagattini also receives standard healthcare, life insurance, and long-term savings program benefits, as well as benefits under our various executive perquisite programs.

Mr. Bagattini’s employment is at-will and may be terminated by the Company or by Mr. Bagattini upon 3 months' notice or pay in lieu of notice.

*Mr. Curleigh.* We have an employment arrangement with Mr. Curleigh effective July 5, 2012. It provides for his annual base salary and participation in our AIP, which are subject to annual review and adjustment, and his participation in our EIP. These elements of Mr. Curleigh's compensation for 2015 are reflected and discussed in "Compensation Discussion and Analysis for Named Executive Officers."

Mr. Curleigh also receives standard healthcare, life insurance and long-term savings program benefits, as well as benefits under our various executive perquisite programs.

Mr. Curleigh's employment is at-will and may be terminated by us or by Mr. Curleigh at any time.

*Ms. Rohosy*. We have an employment arrangement with Ms. Rohosy effective May 9, 2011. It initially provided for an annualized base salary of $350,000 and an AIP participation rate of 40%, both of which have since been adjusted. The arrangement also provides for her participation in our EIP. These elements of Ms. Rohosy's compensation for 2015 are reflected and discussed in "Compensation Discussion and Analysis for Named Executive Officers."

Ms. Rohosy also receives standard healthcare, life insurance and long-term savings program benefits, as well as benefits under our various executive perquisite programs.

On December 4, 2015, the Company announced that Ms. Rohosy's employment with the Company will end on March 15, 2016.



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***2015 Grants of Plan-Based Awards***

The following table provides information on all plan-based awards granted to each of our named executive officers during the year ended November 29, 2015. The awards and the unvested portion of stock appreciation rights ("SARs") identified below are also reported in the Outstanding Equity Awards at Fiscal Year-End table.

| | | Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1) | | | Estimated Future Payouts Under Equity Incentive Plan Awards(2) | | | All Other Option Awards | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Name** | **Grant Date** | **Threshold ($)** | **Target ($)** | **Maximum ($)** | **Threshold (#)** | **Target (#)** | **Maximum (#)** | **Number of Securities Underlying Options(3) (#)** | **Exercise or Base Price of Option Awards(4) ($)** | **Full Grant Date Fair Value(5) ($)** |
| Charles V. Bergh | N/A | $ — | $ 1,965,000 | $ 3,930,000 | | | | | | |
| | 2/4/2015 | | | | — | 125,786 | 188,679 | | $ 74.25 | $ 2,358,488 |
| | 2/4/2015 | | | | | | | 188,679 | 74.25 | 3,441,505 |
| Harmit Singh | N/A | — | 730,000 | 1,460,000 | | | | | | |
| | 2/4/2015 | | | | — | 30,362 | 45,543 | | 74.25 | 569,288 |
| | 2/4/2015 | | | | | | | 45,543 | 74.25 | 830,704 |
| Roy Bagattini | N/A | — | 501,106 | 1,002,212 | | | | | | |
| | 2/4/2015 | | | | — | 15,181 | 22,771 | | 74.25 | 284,644 |
| | 2/4/2015 | | | | | | | 22,771 | 74.25 | 415,343 |
| James Curleigh | N/A | | 500,000 | 1,000,000 | | | | | | |
| | 2/4/2015 | | | | — | 21,687 | 32,530 | | 74.25 | 406,631 |
| | 2/4/2015 | | | | | | | 32,530 | 74.25 | 593,347 |
| Anne Rohosy | N/A | — | 576,000 | 1,152,000 | | | | | | |
| | 2/4/2015 | | | | — | 23,855 | 35,782 | | 74.25 | 447,281 |
| | 2/4/2015 | | | | | | | 35,783 | 74.25 | 652,682 |

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(1) The amounts shown in these columns reflect the estimated potential payment levels for the fiscal 2015 performance period under the Company's annual incentive plan (the "AIP"), further described under "Compensation Discussion and Analysis for Named Executive Officers." The potential payouts were performance-based and, therefore, were completely at risk. The potential target and maximum payment amounts assume achievement of 100% and 200%, respectively, of the individual objectives of the AIP. Each executive received a bonus under the AIP, which is reported in the Summary Compensation Table under the column entitled "Non-Equity Incentive Plan Compensation."

(2) For each executive, the amounts shown in these columns reflect, in shares, the target and maximum amounts for performance-based SARs subject to a three-year performance period beginning in fiscal 2015 that is further described under "Compensation Discussion and Analysis for Named Executive Officers." The potential awards are performance-based and, therefore, completely at risk.

(3) Reflects SARs granted in 2015 under the 2006 Equity Incentive Plan.

(4) The exercise price is based on the fair market value of the Company's common stock as of the grant date established by the Evercore valuation process.

(5) The value of an option award, which is granted in the form of SARs, is based on the fair value as of the grant date of such award determined in accordance with FASB ASC 718. Please refer to Note 1 and Note 11 to our audited consolidated financial statements included in this report for the relevant assumptions used to determine the valuation of our option awards. Values for future payouts of performance-based SARs reflect the aggregate grant date fair value based on target award achievement. If maximum performance conditions are achieved over the entire three-year period, the grant date fair values would be $3,537,731 for Mr. Bergh, $853,931 for Mr. Singh, $426,956 for Mr. Bagattini, $609,938 for Mr. Curleigh, and $670,913 for Ms. Rohosy.



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***Outstanding Equity Awards at 2015 Fiscal Year-End***

The following table shows all outstanding equity awards held by each of our named executive officers as of November 29, 2015. The vesting schedule for each grant is shown following this table.

| | SAR Awards | | | | | | |
|---|---|---|---|---|---|---|---|
| Name | Number of Securities Underlying Unexercised SARs Exercisable | Number of Securities Underlying Unexercised SARs Unexercisable[(1)] | | Equity Incentive Plan Awards: Number of Securities Underlying Unexercised[(2)] | | SAR Exercise Price[(3)] | SAR Expiration Date |
| Charles V. Bergh | 436,720 | — | | | | $ 32.00 | 2/2/2019 |
| | 478,078 | 20,786 | (a) | | | 32.00 | 2/2/2019 |
| | 203,903 | 83,975 | (b) | | | 37.75 | 2/5/2020 |
| | 84,504 | 108,650 | (c) | | | 64.50 | 2/5/2021 |
| | | 188,679 | (d) | | | 74.25 | 2/4/2022 |
| | | | | 143,939 | (a) | 37.75 | 2/5/2020 |
| | | | | 128,770 | (b) | 64.50 | 2/5/2021 |
| | | | | 125,786 | (c) | 74.25 | 2/4/2022 |
| Harmit Singh | 46,488 | 19,168 | (b) | | | 37.75 | 2/5/2020 |
| | 19,266 | 24,786 | (c) | | | 64.50 | 2/5/2021 |
| | | 45,543 | (d) | | | 74.25 | 2/4/2022 |
| | | | | 32,828 | (a) | 37.75 | 2/5/2020 |
| | | | | 29,369 | (b) | 64.50 | 2/5/2021 |
| | | | | 30,362 | (c) | 74.25 | 2/4/2022 |
| Roy Bagattini | 19,440 | 12,760 | (e) | | | 59.25 | 7/11/2020 |
| | 10,002 | 12,871 | (c) | | | 64.50 | 2/5/2021 |
| | | 22,771 | (d) | | | 74.25 | 2/4/2022 |
| | | | | 16,100 | (a) | 59.25 | 7/11/2020 |
| | | | | 15,249 | (b) | 64.50 | 2/5/2021 |
| | | | | 15,181 | (c) | 74.25 | 2/4/2022 |
| James Curleigh | 44,241 | 7,560 | (f) | | | 33.00 | 7/12/2019 |
| | 35,770 | 14,735 | (b) | | | 37.75 | 2/5/2020 |
| | 14,816 | 19,070 | (c) | | | 64.50 | 2/5/2021 |
| | | 32,530 | (d) | | | 74.25 | 2/4/2022 |
| | | | | 25,252 | (a) | 37.75 | 2/5/2020 |
| | | | | 22,592 | (b) | 64.50 | 2/5/2021 |
| | | | | 21,687 | (c) | 74.25 | 2/4/2022 |
| Anne Rohosy | 3,124 | 3,142 | (a) | | | 32.00 | 2/2/2019 |
| | 2,104 | 14,735 | (b) | | | 37.75 | 2/5/2020 |
| | 1,552 | 20,973 | (c) | | | 64.50 | 2/5/2021 |
| | | 35,783 | (d) | | | 74.25 | 2/4/2022 |
| | | | | 25,252 | (a) | 37.75 | 2/5/2020 |
| | | | | 24,850 | (b) | 64.50 | 2/5/2021 |
| | | | | 23,855 | (c) | 74.25 | 2/4/2022 |

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(1) The following sets forth the vesting schedule for the outstanding SAR awards and generally depends upon continued employment:

(a) SARs vest 25% on 2/1/2013 and then monthly over the remaining 36 months.

(b) SARs vest 25% on 2/5/2014 and then monthly over the remaining 36 months.

(c) SARs vest 25% on 2/5/2015 and then monthly over the remaining 36 months.



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(d) SARs vest 25% on 2/4/2016 and then monthly over the remaining 36 months.

(e) SARs vest 25% on 7/10/2014 and then monthly over the remaining 36 months.

(f) SARS vest 25% on 7/11/2013 and then monthly over the remaining 36 months.

(2) Unless otherwise indicated below, represents the target number of SARs that may be earned under the performance-based SAR award program (see "Compensation Discussion and Analysis for Named Executive Officers" for more details) that vest at the end of a three-year performance period.

(a) Represents actual number of earned SARs that vested pursuant to certification of performance results on 2/9/2016.

(b) SARs vesting subject to certification of performance results in the first quarter of fiscal 2017. The total number of SARs that could vest if the maximum performance is achieved over the three-year performance period for each named executive is as follows: Mr. Bergh (193,154), Mr. Singh (44,052), Mr. Bagattini (22,873), Mr. Curleigh (33,888), and Ms. Rohosy (37,275).

(c) SARs vesting subject to certification of performance results in the first quarter of fiscal 2018. The total number of SARs that could vest if the maximum performance is achieved over the three-year performance period for each named executive is as follows: Mr. Bergh (188,679), Mr. Singh (45,543), Mr. Bagattini (22,771), Mr. Curleigh (32,530), and Ms. Rohosy (35,782).

(3) The SAR exercise prices reflect the fair market value of the Company's common stock as of the grant date as established by the Evercore valuation process.

***Option Exercises***

The following table shows all SARs exercised and the value realized upon exercise by each of our named executive officers for the year ended November 29, 2015.

| Name | Number of Shares Acquired on Exercise (#) | Value Realized on Exercise ($) |
|---|---|---|
| Charles V. Bergh | — | $ — |
| Harmit Singh | — | — |
| Roy Bagattini | — | — |
| James Curleigh | — | — |
| Anne Rohosy | 72,931 | 2,642,509 |

**Executive Retirement Plans**

***Non-Qualified Deferred Compensation***

The Deferred Compensation Plan for Executives and Outside Directors (“Deferred Compensation Plan”) is a U.S. non-qualified, unfunded deferred tax effective savings plan provided to the executives, among other executives and the directors, as part of competitive compensation.

Participants may elect to defer all or a portion of their base salary and AIP payment and may elect an in-service and/or retirement distribution. Executive officers who defer salary or bonus under this plan are credited with market-based returns depending upon the investment choices made by the executive applicable to each deferral. The investment options under the plan, which closely mirror the options provided under our qualified 401(k) plan, include a number of mutual funds with varying risk and return profiles. Participants may change their investment choices as frequently as they desire, consistent with our 401(k) plan.

In addition, under the Deferred Compensation Plan, the Company provides a match up to 6% of eligible deferred compensation that cannot be provided under the qualified 401(k) plan due to IRS qualified plan compensation limits. The amounts in the table below reflect non-qualified contributions over the 401(k) limit by the executive officers and the resulting Company match.



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The table below provides information on the non-qualified deferred compensation activity for each of our named executive officers for the year ended November 29, 2015.

| | Year Ended November 29, 2015 | | | | |
|---|---|---|---|---|---|
| Name | Company Contributions(1) | Executive Contributions | Aggregate Earnings | Aggregate Withdrawals / Distributions | Aggregate Balance at November 29, 2015 |
| Charles V. Bergh | $ 249,641 | $ 199,713 | $ 27,820 | $ — | $ 1,633,147 |
| Harmit Singh | 85,591 | 68,713 | 955 | — | 155,558 |
| Roy Bagattini(2) | 116,323 | — | — | — | 281,949 |
| James Curleigh | — | — | 2,653 | — | 122,749 |
| Anne Rohosy | 56,017 | 47,583 | (110,434) | — | 3,388,573 |

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(1) For Messrs. Bergh, Singh, Curleigh and Ms. Rohosy, these amounts reflect the deferred compensation plan match contributions made by the Company and are reflected in the Summary Compensation Table under All Other Compensation.

(2) Mr. Bagattini participates in an international supplemental retirement savings plan designed for globally mobile employees. The Company contributes 14% of Mr. Bagattini's annual base salary on his behalf to such plan. The Company’s contribution is grossed up to provide a tax-advantaged contribution. For additional detail, please refer to the section entitled Benefits and Perquisites in “Compensation Discussion and Analysis for Named Executive Officers.”

**Potential Payments Upon Termination Or Change In Control**

On June 9, 2011, the Company and Charles V. Bergh, our President and CEO, executed an employment agreement in connection with Mr. Bergh joining the Company. The employment agreement provides that if Mr. Bergh is involuntarily terminated without Cause, Mr. Bergh is eligible to receive certain benefits and payments upon his separation from the Company under certain circumstances under the terms of the Executive Severance Plan for U.S. executives and the EIP; provided however that if Mr. Bergh's employment is terminated for Good Reason in connection with a Change in Control of the Company (each as defined in his employment agreement), he will be entitled to receive, among other standard benefits, (1) an aggregate amount equal to two times the sum of his then-effective base salary plus his then-effective target AIP amount, (2) a prorated AIP award in respect of the performance period at the time, and (3) company-paid continuation coverage for certain benefits for 18 months. In addition, the unvested portion of his SAR awards that would have vested during the 24 months following the date of such termination will immediately vest, and all vested SAR awards will be exercisable for 18 months following such termination.

Mr. Bergh's right to any severance or vesting acceleration is subject to his execution of an effective release of claims in favor of the Company and compliance with certain restrictive covenants.

In 2015, our U.S. severance arrangements under our Executive Severance Plan offered the named executive officers, except Mr. Bagattini, eighty (80) weeks of severance pay equal to base salary plus the beneficiaries' AIP target amount, upon execution of a General Release Agreement, if their employment ceases due to a reduction in force, layoff or position elimination. Mr. Bagattini, under local Singapore policy, is eligible for three months annual base salary plus a month of base salary for every year of service. We also cover the cost of the COBRA health coverage premium for the duration of the executive's severance payment period, up to a maximum of 18 months. The COBRA premium coverage is shared between the individual and the Company at the same shared percentage that was effective during the executive's employment. We also provide life insurance, career counseling and transition services. These severance benefits would not be payable upon a change in control if the executive is still employed or offered a comparable position with the surviving entity.

Under the EIP, in the event of a change in control in which the surviving corporation does not assume or continue the outstanding SARs or substitute similar awards for the outstanding SARs, the vesting schedule of all SARs held by executives that are still employed will be accelerated in full to a date prior to the effective time of the transaction as determined by the Board. If the SARs are not exercised at or prior to the effective time of the transaction, all rights to exercise them will terminate, and any reacquisition or repurchase rights held by the Company with respect to such SARs shall lapse.

The information in the tables below reflects the estimated value of the compensation to be paid by us to each of the named executive officers in the event of termination or a change in control. The amounts shown below assume that each named individual was employed and that a termination or change in control was effective as of November 29, 2015. The actual amounts that would be paid can only be determined at the time of an actual termination event. The amounts also assume a share price of $64.75 for the SAR grants, which is based on the Evercore share valuation dated as of December 31, 2015.



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***Charles V. Bergh***

| Executive Benefits and Payments Upon Termination | Voluntary Termination | Retirement | Involuntary Not for Cause Termination | For Cause Termination | Change in Control |
|---|---|---|---|---|---|
| **Compensation:** | | | | | |
| Severance(1) | $ — | $ — | $ 5,038,462 | $ — | $ 8,515,000 |
| Stock Appreciation Rights(2) | — | — | 2,972,211 | — | 8,189,235 |
| **Benefits:** | | | | | |
| COBRA & Life Insurance(3) | — | — | 19,564 | — | 19,564 |

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(1) Based on Mr. Bergh's annual base salary of $1,310,000 and his AIP target of 150% of his base salary.

(2) In the event of a Change in Control, assumes vesting acceleration of all unvested SARs and the target number of shares underlying performance-based SARs.

(3) Reflects 18 months of a COBRA subsidy and life insurance premiums at the same Company/employee percentage sharing as during employment. Mr. Bergh is also eligible for a COBRA subsidy should termination occur due to a Change in Control, based on his employment contract.

***Harmit Singh***

| Executive Benefits and Payments Upon Termination | Voluntary Termination | Retirement | Involuntary Not for Cause Termination | For Cause Termination | Change in Control |
|---|---|---|---|---|---|
| **Compensation:** | | | | | |
| Severance(1) | $ — | $ — | $ 2,246,154 | $ — | $ — |
| Stock Appreciation Rights(2) | — | — | — | — | 1,712,892 |
| **Benefits:** | | | | | |
| COBRA & Life Insurance(3) | — | — | 19,564 | — | — |

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(1) Based on Mr. Singh's annual base salary of $730,000 and his AIP target of 100% of his base salary.

(2) In the event of a Change in Control, assumes vesting acceleration of all unvested SARs and the target number of shares underlying performance-based SARs.

(3) Reflects 18 months of a COBRA subsidy and life insurance premiums at the same Company/employee percentage sharing as during employment.

***Roy Bagattini***

| Executive Benefits and Payments Upon Termination | Voluntary Termination | Retirement | Involuntary Not for Cause Termination | For Cause Termination | Change in Control |
|---|---|---|---|---|---|
| **Compensation:** | | | | | |
| Severance(1) | $ — | $ — | $ 260,992 | $ — | $ — |
| Stock Appreciation Rights(2) | — | — | — | — | 195,279 |
| **Benefits:** | | | | | |
| COBRA & Life Insurance | — | — | — | — | — |

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(1) Based on three months of Mr. Bagattini's annual base salary expressed in U.S. Dollars, using the average exchange rate of the last month of fiscal 2015, of $626,382 as notice pay and one month of salary based on years of service, in accordance with local Singapore provisions.

(2) In the event of a Change in Control, assumes vesting acceleration of all unvested SARs and the target number of shares underlying performance-based SARs.



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*James Curleigh*

| Executive Benefits and Payments Upon Termination | Voluntary Termination | Retirement | Involuntary Not for Cause Termination | For Cause Termination | Change in Control |
|---|---|---|---|---|---|
| **Compensation:** | | | | | |
| Severance(1) | $ — | $ — | $ 1,730,769 | $ — | $ — |
| Stock Appreciation Rights(2) | — | — | — | — | 1,557,381 |
| **Benefits:** | | | | | |
| COBRA & Life Insurance(3) | — | — | 19,564 | — | — |

______________

(1) Based on Mr. Curleigh's annual base salary of $625,000 and his AIP target of 80% of his base salary.

(2) In the event of a Change in Control, assumes vesting acceleration of all unvested SARs and the target number of shares underlying performance-based SARs.

(3) Reflects 18 months of a COBRA subsidy and life insurance premiums at the same Company/employee percentage sharing as during employment.

*Anne Rohosy*

| Executive Benefits and Payments Upon Termination | Voluntary Termination | Retirement | Involuntary Not for Cause Termination | For Cause Termination | Change in Control |
|---|---|---|---|---|---|
| **Compensation:** | | | | | |
| Severance(1) | $ — | $ — | $ 1,993,846 | $ — | $ — |
| Stock Appreciation Rights(2) | — | — | — | — | 1,421,291 |
| **Benefits:** | | | | | |
| COBRA & Life Insurance(3) | — | — | 19,564 | — | — |

______________

(1) Based on Ms. Rohosy's annual base salary of $720,000 and her AIP target of 80% of her base salary.

(2) In the event of a Change in Control, assumes vesting acceleration of all unvested SARs and the target number of shares underlying performance-based SARs.

(3) Reflects 18 months of a COBRA subsidy and life insurance premiums at the same Company/employee percentage sharing as during employment.



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**DIRECTOR COMPENSATION**

The following table provides compensation information for our directors who were not employees in fiscal 2015:

| Name | Fees Earned or Paid in Cash | Stock Awards(1) | All Other Compensation(2) | Total |
|---|---|---|---|---|
| Stephen C. Neal(3) | $ 215,000 | $ 224,972 | $ 20,271 | $ 460,243 |
| Troy Alstead | 120,000 | 124,984 | 9,133 | 254,117 |
| Jill Beraud | 100,000 | 124,984 | 5,792 | 230,776 |
| Vanessa J. Castagna(4) | 25,000 | — | 5,420 | 30,420 |
| Robert A. Eckert | 120,000 | 124,984 | 16,632 | 261,616 |
| Spencer Fleischer | 115,000 | 124,984 | 5,272 | 245,256 |
| Mimi L. Haas | 100,000 | 124,984 | 3,044 | 228,028 |
| Peter E. Haas, Jr. | 100,000 | 124,984 | 7,871 | 232,855 |
| Jenny Ming(5) | 100,000 | 218,688 | 1,634 | 320,322 |
| Patricia Salas Pineda(6) | 100,000 | 124,984 | 26,657 | 251,641 |

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(1) These amounts, from RSUs granted under the EIP in 2015, reflect the aggregate grant date fair value computed in accordance with the Company's accounting policy for stock-based compensation. The following table shows the aggregate number of RSUs outstanding but unexercised at fiscal year-end for those who were directors in fiscal 2015, including RSUs that were vested but deferred and RSUs that were not vested:

| Name | Aggregate Outstanding RSUs |
|---|---|
| Stephen C. Neal | 9,323 |
| Troy Alstead | 7,306 |
| Jill Beraud | 4,727 |
| Vanessa J. Castagna | — |
| Robert A. Eckert | 13,699 |
| Spencer Fleischer | 5,667 |
| Mimi L. Haas | 3,358 |
| Peter E. Haas, Jr. | 5,288 |
| Jenny Ming | 2,894 |
| Patricia Salas Pineda | 13,629 |

(2) This column includes the aggregate grant date fair value of dividend equivalents provided to each director in fiscal 2015 in the following amounts:

| Name | Fair Value of Dividend Equivalent RSUs Granted |
|---|---|
| Stephen C. Neal | $ 12,771 |
| Troy Alstead | 9,133 |
| Jill Beraud | 5,792 |
| Vanessa J. Castagna | 5,420 |
| Robert A. Eckert | 16,632 |
| Spencer Fleischer | 5,272 |
| Mimi L. Haas | 3,044 |
| Peter E. Haas, Jr. | 7,871 |
| Jenny Ming | 1,634 |
| Patricia Salas Pineda | 19,157 |

(3) Mr. Neal is the Chairman of the Board. Mr. Neal elected to defer 100% of his director's fees under the Deferred Compensation Plan. Mr. Neal’s 2015 amount includes charitable matches of $7,500.

(4) Ms. Castagna stepped down from the Board on April 15, 2015.

(5) On February 4, 2015, Ms. Ming received a prorated grant of 1,262 RSUs with a grant date value of $74.25 per share for a total value of $93,704. On July 17, 2015, Ms. Ming received a grant of 1,610 RSUs with a grant date value of $77.63 per share for a total of value of $124,984.

(6) Ms. Pineda elected to defer 50% of her director’s fees under the Deferred Compensation Plan. Ms. Pineda's 2015 amount includes charitable matches of $7,500.



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Board compensation is reviewed by the NG&CC Committee and approved by the Board. In fiscal 2015, director compensation consisted of an annual retainer paid in cash and equity compensation in the form of RSUs. Committee chairpersons also received an additional cash retainer, as described below.

***Annual Cash Retainer***

In fiscal 2015, each non-employee director received compensation consisting of an annual cash retainer fee of $100,000 and was eligible to participate in the provisions of the Deferred Compensation Plan for Executives and Outside Directors that apply to directors. In fiscal 2015, Mr. Neal and Ms. Pineda participated in this Deferred Compensation Plan.

***Equity Compensation***

In fiscal 2015, each non-employee director also received an annual equity award in the form of RSUs which are granted under the EIP. The annual equity award value in the form of RSUs granted under the EIP is $125,000. RSU recipients have target stock ownership guidelines of $300,000 worth of equity ownership within five years of participation in the program. The value of the RSUs is tracked against the Company's share prices, established by the Evercore valuation process.

RSUs are units, representing beneficial ownership interests, corresponding in number and value to a specified number of underlying shares of stock. The RSUs vest in three equal installments after thirteen, twenty-four and thirty-six months following the grant date. After the recipient of the RSU has held the shares for six months, he or she may require the Company to repurchase, or the Company may require the participant to sell to the Company, those shares of common stock. If the director's service terminates for reason other than cause after the first, but prior to full, vesting period, then any unvested portion of the award will fully vest as of the date of such termination. In addition, each director's initial RSU grant includes a deferral delivery feature, under which the director will not receive the vested awards until six months following the cessation of service on the Board.

Under the terms of the EIP, recipients of RSUs receive additional grants as a dividend equivalent when the Board declares a dividend to all stockholders. Therefore, all directors who held RSUs as of February 4, 2015, received additional RSUs as a dividend equivalent. Dividend equivalents are subject to all the terms and conditions of the underlying Restricted Stock Unit Award Agreement to which they relate.

***Compensation of Committee Chairpersons***

In addition to the compensation described above, committee chairpersons receive an additional retainer fee in the amount of $20,000 for the Audit Committee and the HR Committee and $15,000 for the Finance Committee and the Nominating, Governance and Corporate Citizenship Committee.

Mr. Neal is the Chairman of the Board. As the Chairman of the Board, he is entitled to receive an additional annual retainer in the amount of $200,000, 50% of which is paid in cash and 50% of which is paid in the form of RSUs. The Chairman may also receive the additional retainers attributable to committee chairmanship if applicable.

**Compensation Committee Interlocks and Insider Participation**

The HR Committee serves as the compensation committee of our Board. Its members are Mr. Eckert (Chair), Mr. Alstead, Mr. P.E. Haas Jr., and Ms. Pineda. In 2015, no member of the HR Committee was a current officer or employee of ours. There are no compensation committee interlocks between us and other entities involving our executive officers and our Board members who serve as executive officers of those other entities.



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## Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Our common stock is primarily owned by descendants of the family of Levi Strauss and their relatives. Shares of our common stock are not publicly held or traded. All shares are subject to a stockholders' agreement described below. The following table contains information about the beneficial ownership of our common stock as of February 8, 2016, by:

- Each person known by us to own beneficially more than 5% of our common stock;
- Each of our directors and each of our named executive officers; and
- All of our directors and executive officers as a group.

Under the rules of the SEC, a person is deemed to be a "beneficial owner" of a security if that person has or shares "voting power," which includes the power to vote or to direct the voting of the security, or "investment power," which includes the power to dispose of or to direct the disposition of the security. Under these rules, more than one person may be deemed a beneficial owner of the same securities and a person may be deemed to be a beneficial owner of securities as to which that person has no economic interest. Except as described in the footnotes to the table below, the individuals named in the table have sole voting and investment power with respect to all common stock beneficially owned by them, subject to community property laws where applicable.

As of February 8, 2016, there were 273 record holders of common stock. The percentage of beneficial ownership shown in the table is based on 37,460,145 shares of common stock outstanding as of February 8, 2016. The business address of all persons listed is 1155 Battery Street, San Francisco, California 94111.

| Name | Number of Shares Beneficially Owned | | Percentage of Shares Outstanding |
|---|---|---|---|
| Mimi L. Haas | 6,547,942 | | 17.5% |
| Peter E. Haas Jr. | 6,068,569 | (1) | 16.2% |
| Margaret E. Haas | 4,441,548 | (2) | 11.9% |
| Robert D. Haas | 3,932,506 | (3) | 10.5% |
| Peter E. Haas Jr. Family Fund | 2,911,770 | (4) | 7.8% |
| Daniel S. Haas | 2,017,331 | (5) | 5.4% |
| Troy Alstead | 2,065 | | * |
| Jill Beraud | 2,065 | | * |
| Robert A. Eckert | 1,437 | | * |
| Spencer Fleischer | — | | — |
| Jenny Ming | — | | — |
| Stephen C. Neal | 19,017 | | * |
| Patricia Salas Pineda | 9,167 | | * |
| Charles V. Bergh | 690,166 | (6) | 1.8% |
| James Curleigh | 52,507 | (7) | * |
| Harmit Singh | 32,005 | (8) | * |
| Anne Rohosy | 25,102 | (9) | * |
| Roy Bagattini | 7,620 | (10) | * |
| Directors and executive officers as a group (20 persons) | 13,623,021 | (11) | 36.4% |

* Less than 1%.

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(1) Includes 2,911,770 shares held by the Peter E. Haas Jr. Family Fund, of which Mr. Haas is Vice President, for the benefit of charitable entities, and for which Mr. Haas shares voting and investment power. Includes an aggregate of 1,491,951 shares held by trusts, of which Mr. Haas is trustee, for the benefit of his children, grandchildren, stepdaughters, and sister. Mr. Haas has sole voting and investment power over these shares. Includes 40,000 shares held by Mr. Haas' spouse over which Mr. Haas has no voting or investment power. Mr. Haas disclaims beneficial ownership of these shares.

(2) Includes 1,675,332 shares held in trusts and a limited liability company, of which Ms. Haas is trustee and managing member, respectively, for the benefit of Ms. Haas' son. Ms. Haas has sole voting and investment power over these shares. Includes 886,122 shares held by the Margaret E. Haas Fund and 84,468 shares held by the Lynx Foundation, of which Ms. Haas is a board member, for the benefit of charitable entities and for which Ms. Haas shares voting and investment power. Ms. Haas disclaims beneficial ownership of these shares.



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(3) Includes 8,659 shares held jointly by Mr. Haas and his spouse and, as co-trustees, they share voting and investment power. Includes 712,683 shares held by a trust, of which Mr. Haas is trustee, for the benefit of his daughter. Mr. Haas has sole voting and investment power over these shares. Includes 1,023,645 shares held by Mr. Haas' spouse directly and in trusts over which Mr. Haas has no voting or investment power. Mr. Haas disclaims beneficial ownership of these shares.

(4) Peter E. Haas Jr. is a Vice President of this fund. The shares are also included in Mr. Haas' ownership amounts as referenced above.

(5) Includes 261,027 shares held in a trust for the benefit of Mr. Haas' cousin and 58,936 shares held in a trust for the benefit of his aunt. Mr. Haas disclaims beneficial ownership of these shares.

(6) Represents the number of shares that Mr. Bergh has the right to acquire pursuant to outstanding SARs that may be exercised within 60 days of February 8, 2016.

(7) Represents the number of shares that Mr. Curleigh has the right to acquire pursuant to outstanding SARs that may be exercised within 60 days of February 8, 2016.

(8) Represents the number of shares that Mr. Singh has the right to acquire pursuant to outstanding SARs that may be exercised within 60 days of February 8, 2016.

(9) Includes 8,827 shares that Ms. Rohosy has the right to acquire pursuant to outstanding SARs that may be exercised within 60 days of February 8, 2016.

(10) Represents the number of shares that Mr. Bagattini has the right to acquire pursuant to outstanding SARs that may be exercised within 60 days of February 8, 2016.

(11) Includes 943,649 shares that our executive officers have the right to acquire pursuant to outstanding SARs that may be exercised within 60 days of February 8, 2016.

**Equity Compensation Plan Information**

The following table sets forth certain information, as of November 29, 2015, with respect to the EIP, our only equity compensation plan. This plan was amended and restated by the Board in February 2014 and approved by our stockholders at the Annual Meeting of Stockholders in April 2014. See Note 11 to our audited consolidated financial statements included in this report for more information about the EIP.

| Number of Outstanding Options, Warrants and Rights[(1)] | Number of Securities to Be Issued Upon Exercise of Outstanding Options, Warrants and Rights[(2)] | Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights[(1)] | Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans[(3)] |
|---|---|---|---|
| 3,196,202 | 1,034,563 | $43.79 | 1,524,780 |

______________

(1) Includes only dilutive SARs.

(2) Represents the number of shares of common stock the dilutive SARs would convert to if exercised November 29, 2015, calculated based on the conversion formula as defined in the plan and the fair market value of our common stock on that date as determined by an independent third party.

(3) Calculated based on the number of stock awards authorized upon the adoption of the EIP, less the number of outstanding dilutive SARs, less shares issued in connection with converted RSUs, less securities expected to be issued in the future upon conversion of outstanding RSUs. The EIP provides for an award pool of 6,000,000 shares of Company common stock that may be subject to awards under the plan. The 1,034,563 shares in the table above reflects the potential number of shares which could be issued pursuant to outstanding awards. Note that the following shares may return to the EIP and be available for issuance in connection with a future award: (i) shares covered by an award that expires or otherwise terminates without having been exercised in full; (ii) shares that are forfeited or awards which are cancelled and regranted in accordance with the terms of the plan; (iii) shares covered by an award that may only be settled in cash per the terms of the award which do not count against the plan's award pool; (iv) shares withheld to cover payment of an exercise price or cover applicable tax withholding obligations; (v) shares tendered to cover payment of an exercise price; and (vi) shares that are cancelled pursuant to an exchange or repricing program.

**Stockholders' Agreement**

Our common stock is primarily owned by descendants of the family of Levi Strauss and their relatives and are not publicly held or traded. All shares are subject to a stockholders' agreement. The agreement limits the transfer of shares and certificates to other holders, family members, specified charities and foundations and to the Company. The agreement does not provide for registration rights or other contractual devices for forcing a public sale of shares or certificates, or other access to liquidity. The Stockholders' Agreement will terminate on April 15, 2019, (unless extended for a maximum of two, two-year periods), or earlier upon the first of the following to occur: (1) the Company's receipt of a written notice signed by stockholders holding at least two-thirds of the shares of common stock seeking to terminate the Stockholders' Agreement, or (2) 180 days following the consummation of an initial public offering ("IPO") (or such earlier date following the consummation of an IPO that the Company's Board of Directors may determine).



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## Item 13. *CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE*

Robert D. Haas, Chairman Emeritus of the Company, Charles V. Bergh, President and Chief Executive Officer, Peter E. Haas Jr., a director of the Company, and Kelly McGinnis, Senior Vice President of Corporate Affairs and Chief Communications Officer, are board members of the Levi Strauss Foundation, which is not a consolidated entity of the Company. Seth R. Jaffe, Senior Vice President and General Counsel, is Vice President of the Levi Strauss Foundation. During 2015, we donated $7.0 million to the Levi Strauss Foundation.

**Procedures for Approval of Related Party Transactions**

We have a written policy concerning the review and approval of related party transactions. Potential related party transactions are identified through an internal review process that includes a review of director and officer questionnaires and a review of any payments made in connection with transactions in which related persons may have had a direct or indirect material interest. Any business transactions or commercial relationships between the Company and any director, stockholder, or any of their immediate family members, are reviewed by the Nominating, Governance and Corporate Citizenship Committee of the board and must be approved by at least a majority of the disinterested members of the board. Business transactions or commercial relationships between the Company and named executive officers who are not directors or any of their immediate family members requires approval of the chief executive officer with reporting to the Audit Committee.

**Director Independence Policy**

Although our shares are not registered on a national securities exchange, we review and take into consideration the director independence criteria required by the New York Stock Exchange in determining the independence of our directors on an annual basis. In addition, the charters of our board committees prohibit members from having any relationship that would interfere with the exercise of their independence from management and the Company. The fact that a director may own stock in the Company is not, by itself, considered an "interference" with independence under the committee charters. Family stockholders or other family member directors are not eligible for membership on the Audit Committee. These independence standards are disclosed on our website at http://www.levistrauss.com/investors/corporate-governance. Except as described below, all of our directors are independent under the independence criteria required by the New York Stock Exchange.

Charles V. Bergh, who serves as our full-time President and Chief Executive Officer, is not considered independent due to his employment with the Company. The Board does not have a lead director.

## Item 14. *PRINCIPAL ACCOUNTANT FEES AND SERVICES*

*Engagement of the independent registered public accounting firm.* The Audit Committee is responsible for approving every engagement of our independent registered public accounting firm to perform audit or non-audit services for us before being engaged to provide those services. The Audit Committee's pre-approval policy provides as follows:

- First, once a year when the base audit engagement is reviewed and approved, management will identify all other services (including fee ranges) for which management knows or believes it will engage our independent registered public accounting firm for the next 12 months. Those services typically include quarterly reviews, statutory audits, specified tax matters, certifications to the lenders as required by financing documents, and consultation on new accounting and disclosure standards.
- Second, if any new proposed engagement comes up during the year that was not pre-approved by the Audit Committee as discussed above, the engagement will require: (i) specific approval of the chief financial officer and corporate controller (including confirming with counsel permissibility under applicable laws and evaluating potential impact on independence) and, if approved by management, (ii) approval of the Audit Committee.
- Third, the chair of the Audit Committee will have the authority to give such approval, but may seek full Audit Committee input and approval in specific cases as he or she may determine.



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*Auditor fees.* The following table shows fees billed to or incurred by us for professional services rendered by PricewaterhouseCoopers LLP, our independent registered public accounting firm during 2015 and 2014:

| | Year Ended | |
|---|---|---|
| | **November 29, 2015** | **November 30, 2014** |
| | **(Dollars in thousands)** | |
| Services provided: | | |
| Audit fees[(1)] | $ 5,744 | $ 5,897 |
| Audit-related fees | — | — |
| Tax fees | 866 | 644 |
| All other fees[(2)] | 50 | — |
| Total fees | $ 6,660 | $ 6,541 |

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(1) These include fees for the audit of our annual consolidated financial statements, quarterly reviews of interim consolidated financial statements and statutory audits.

(2) Consist of fees for other permissible services other than the services reported above.



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## PART IV

**Item 15.** ***EXHIBITS, FINANCIAL STATEMENT SCHEDULES***

List the following documents filed as a part of the report:

1. Financial Statements

The following consolidated financial statements of the Company are included in Item 8:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets

Consolidated Statements of Income

Consolidated Statements of Comprehensive Income

Consolidated Statements of Stockholders' Equity (Deficit)

Consolidated Statements of Cash Flows

Notes to Consolidated Financial Statements

2. Financial Statement Schedule

Schedule II – Valuation and Qualifying Accounts

All other schedules have been omitted because they are inapplicable, not required or the information is included in the Consolidated Financial Statements or Notes thereto.

| | |
|---|---|
| 3.1 | Restated Certificate of Incorporation. Incorporated by reference to Exhibit 3.3 to Registrant's Quarterly Report on Form 10-Q filed with the Commission on April 6, 2001. |
| 3.2 | Amended and Restated By-Laws. Incorporated by reference to Exhibit 3.2 to Registrant's Current Report on Form 8-K filed with the Commission on July 16, 2012. |
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SCHEDULE II

**LEVI STRAUSS & CO. AND SUBSIDIARIES**
**VALUATION AND QUALIFYING ACCOUNTS**

| Allowance for Doubtful Accounts | Balance at Beginning of Period | Additions Charged to Expenses | Deductions[1] | Balance at End of Period |
|---|---|---|---|---|
| | (Dollars in thousands) | | | |
| November 29, 2015 | $ 12,704 | $ 1,875 | $ 3,554 | $ 11,025 |
| November 30, 2014 | $ 18,264 | $ 662 | $ 6,222 | $ 12,704 |
| November 24, 2013 | $ 20,738 | $ 1,158 | $ 3,632 | $ 18,264 |

| Sales Returns | Balance at Beginning of Period | Additions Charged to Net Sales | Deductions[1] | Balance at End of Period |
|---|---|---|---|---|
| | (Dollars in thousands) | | | |
| November 29, 2015 | $ 32,191 | $ 152,471 | $ 150,641 | $ 34,021 |
| November 30, 2014 | $ 32,675 | $ 138,577 | $ 139,061 | $ 32,191 |
| November 24, 2013 | $ 40,575 | $ 137,613 | $ 145,513 | $ 32,675 |

| Sales Discounts and Incentives | Balance at Beginning of Period | Additions Charged to Net Sales | Deductions[1] | Balance at End of Period |
|---|---|---|---|---|
| | (Dollars in thousands) | | | |
| November 29, 2015 | $ 98,416 | $ 306,497 | $ 318,639 | $ 86,274 |
| November 30, 2014 | $ 110,572 | $ 322,164 | $ 334,320 | $ 98,416 |
| November 24, 2013 | $ 102,361 | $ 331,937 | $ 323,726 | $ 110,572 |

| Valuation Allowance Against Deferred Tax Assets | Balance at Beginning of Period | Charges/(Releases) to Tax Expense | (Additions) / Deductions | Balance at End of Period |
|---|---|---|---|---|
| | (Dollars in thousands) | | | |
| November 29, 2015 | $ 89,814 | $ — | $ 14,061 | $ 75,753 |
| November 30, 2014 | $ 96,026 | $ — | $ 6,212 | $ 89,814 |
| November 24, 2013 | $ 74,456 | $ 5,169 | $ (16,401) | $ 96,026 |

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(1) The charges to the accounts are for the purposes for which the allowances were created.



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Table of Contents

## SIGNATURES

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

Date: February 11, 2016

LEVI STRAUSS & Co.
(Registrant)

By: /s/ HARMIT SINGH

Harmit Singh
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| Signature | Title | | |
|---|---|---|---|
| /s/ STEPHEN C. NEAL<br>**Stephen C. Neal** | Chairman of the Board | Date: | February 11, 2016 |
| /s/ CHARLES V. BERGH<br>**Charles V. Bergh** | Director, President and Chief Executive Officer (Principal Executive Officer) | Date: | February 11, 2016 |
| /s/ TROY ALSTEAD<br>**Troy Alstead** | Director | Date: | February 11, 2016 |
| /s/ JILL BERAUD<br>**Jill Beraud** | Director | Date: | February 11, 2016 |
| /s/ ROBERT A. ECKERT<br>**Robert A. Eckert** | Director | Date: | February 11, 2016 |
| /s/ SPENCER C. FLEISCHER<br>**Spencer C. Fleischer** | Director | Date: | February 11, 2016 |
| /s/ MIMI L. HAAS<br>**Mimi L. Haas** | Director | Date: | February 11, 2016 |
| /s/ PETER E. HAAS JR.<br>**Peter E. Haas Jr.** | Director | Date: | February 11, 2016 |
| /s/ JENNY MING<br>**Jenny Ming** | Director | Date: | February 11, 2016 |
| /s/ PATRICIA SALAS PINEDA<br>**Patricia Salas Pineda** | Director | Date: | February 11, 2016 |
| /s/ WADE W. WEBSTER<br>**Wade W. Webster** | Senior Vice President and Controller (Principal Accounting Officer) | Date: | February 11, 2016 |



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## SUPPLEMENTAL INFORMATION

We will furnish our 2015 annual report and proxy statement to our stockholders after the filing of this Form 10-K and will furnish copies of such material to the SEC at such time.



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**Exhibit 12**

**LEVI STRAUSS & CO. AND SUBSIDIARIES**

**Statements re: Computation of Ratio of Earnings to Fixed Charges**

| | Year Ended | | | | |
|---|---|---|---|---|---|
| | November 29, 2015 | November 30, 2014 | November 24, 2013 | November 25, 2012 | November 27, 2011 |
| | (Dollars in thousands) | | | | |
| **Earnings:** | | | | | |
| Income before income taxes | $ 310,398 | $ 153,854 | $ 322,613 | $ 195,881 | $ 202,827 |
| Add: Fixed charges | 146,500 | 182,831 | 195,071 | 197,771 | 192,256 |
| Add: Amortization of capitalized interest | 958 | 1,040 | 876 | 571 | 334 |
| Subtract: Capitalized interest | 1,121 | 905 | 1,201 | 1,028 | 2,009 |
| Total earnings | $ 456,735 | $ 336,820 | $ 517,359 | $ 393,195 | $ 393,408 |
| **Fixed Charges:** | | | | | |
| Interest expense (includes amortization of debt discount and costs) | $ 81,214 | $ 117,597 | $ 129,024 | $ 134,694 | $ 132,043 |
| Capitalized interest | 1,121 | 905 | 1,201 | 1,028 | 2,009 |
| Interest factor in rental expense[1] | 64,165 | 64,329 | 64,846 | 62,049 | 58,204 |
| Total fixed charges | $ 146,500 | $ 182,831 | $ 195,071 | $ 197,771 | $ 192,256 |
| Ratio of earnings to fixed charges | 3.1 x | 1.8 x | 2.7 x | 2.0 x | 2.0 x |

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(1) Utilized an assumed interest factor of 33% in rental expense.

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**Exhibit 21**

**Subsidiaries of the Registrant**

**LEVI STRAUSS & CO.**

| Subsidiary | Jurisdiction of Formation |
|---|---|
| Levi Strauss (Australia) Pty. Ltd. | Australia |
| Levi Strauss & Co. Europe SCA | Belgium |
| Levi Strauss Benelux Retail BVBA | Belgium |
| Levi Strauss Continental, S.A. | Belgium |
| Levi Strauss International Group Finance Coordination Services | Belgium |
| Majestic Insurance International, Ltd. | Bermuda |
| Levi Strauss do Brasil Franqueadora Ltda. | Brazil |
| Levi Strauss do Brasil Industria e Comercio Ltda. | Brazil |
| Levi Strauss & Co. (Canada) Inc. | Canada |
| Levi Strauss Commerce (Shanghai) Limited | China |
| Levi's Footwear & Accessories (China) Ltd | China |
| Levi Strauss Praha, spol. s.r.o. | Czech Republic |
| Levi's Footwear & Accessories France S.A.S. | France |
| Paris - O.L.S. S.A.R.L. | France |
| Levi Strauss Germany GmbH | Germany |
| Levi Strauss Hellas S.A. | Greece |
| Levi Strauss (Hong Kong) Limited | Hong Kong |
| Levi Strauss Global Trading Company II, Limited | Hong Kong |
| Levi Strauss Global Trading Company Limited | Hong Kong |
| Levi's Footwear & Accessories HK Limited | Hong Kong |
| Levi Strauss Hungary Trading Limited Liability Company | Hungary |
| Levi Strauss (India) Private Limited | India |
| PT Levi Strauss Indonesia | Indonesia |
| Levi Strauss Italia S.R.L. | Italy |
| Levi's Footwear & Accessories Italy SpA | Italy |
| World Wide Logistics S.R.L. | Italy |
| Levi Strauss Japan Kabushiki Kaisha | Japan |
| Levi Strauss Korea Ltd. | Korea, Republic of |
| Levi Strauss (Malaysia) Sdn. Bhd. | Malaysia |
| LS Retail (Malaysia) Sdn. Bhd. | Malaysia |
| Levi Strauss Mauritius Limited | Mauritius |
| Administradora Levi Strauss Mexico, S.A. de C.V. | Mexico |
| Distribuidora Levi Strauss Mexico, S.A. de C.V. | Mexico |
| Levi Strauss de Mexico, S.A. de C.V. | Mexico |
| Levi Strauss Nederland B.V. | Netherlands |
| Levi Strauss Nederland Holding B.V. | Netherlands |
| LVC B.V. | Netherlands |
| Levi Strauss New Zealand Limited | New Zealand |
| Levi Strauss Pakistan (Private) Limited | Pakistan |
| Levi Strauss Philippines, Inc. | Philippines |
| Levi Strauss Philippines, Inc. II | Philippines |

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| | |
|---|---|
| Levi Strauss Poland SP z.o.o. | Poland |
| “Levi Strauss Moscow” Limited Liability Company | Russian Federation |
| Levi Strauss Asia Pacific Division, PTE. LTD. | Singapore |
| Levi Strauss South Africa (Proprietary) Limited | South Africa |
| Levi Strauss de Espana, S.A. | Spain |
| Levi's Footwear & Accessories Spain S.A. | Spain |
| Levi Strauss (Suisse) SA | Switzerland |
| Levi's Footwear & Accessories (Switzerland) S.A. | Switzerland |
| Levi Strauss Istanbul Konfekslyon Sanayi ve Ticaret A.S. | Turkey |
| Levi Strauss Dis Ticaret Limited Sirketi | Turkey |
| Levi Strauss (U.K.) Limited | United Kingdom |
| Levi Strauss Pension Trustee Ltd. | United Kingdom |
| Industrie Denim, LLC | United States (California) |
| Levi Strauss International | United States (California) |
| LS Operations LLC | United States (California) |
| Levi Strauss International, Inc. | United States (Delaware) |
| Levi Strauss, U.S.A., LLC | United States (Delaware) |
| Levi Strauss-Argentina, LLC | United States (Delaware) |
| Levi's Only Stores Georgetown, LLC | United States (Delaware) |
| Levi's Only Stores, Inc. | United States (Delaware) |
| LVC, LLC | United States (Delaware) |
| Threads, Inc. | United States (Delaware) |


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**Exhibit 31.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**
**PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT**

I, Charles V. Bergh, certify that:

1. I have reviewed this annual report on Form 10-K of Levi Strauss & Co.;

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 an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over 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 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.

/S/ CHARLES V. BERGH

Charles V. Bergh
*President and Chief Executive Officer*

Date: February 11, 2016


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**Exhibit 31.2**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**
**PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT**

I, Harmit Singh, certify that:

1. I have reviewed this annual report on Form 10-K of Levi Strauss & Co.;

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 an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over 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 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.

/S/ HARMIT SINGH

Harmit Singh

*Executive Vice President and Chief Financial Officer*

Date: February 11, 2016

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**Exhibit 32**

**CERTIFICATION BY THE 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**

This certification is not to be deemed filed pursuant to the Securities Exchange Act of 1934, as amended, and does not constitute a part of the Annual Report of Levi Strauss & Co., a Delaware corporation (the "Company"), on Form 10-K for the period ended November 29, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report").

In connection with the Report, each of the undersigned officers of the Company does hereby certify, 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 Company as of, and for, the periods presented in the Report.

/S/ CHARLES V. BERGH

Charles V. Bergh
President and Chief Executive Officer
February 11, 2016

/S/ HARMIT SINGH

Harmit Singh
Executive Vice President and Chief Financial Officer
February 11, 2016

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## FORWARD-LOOKING STATEMENT

This annual report contains, in addition to historical information, forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding driving profitable growth, future investment in our retail, international and ecommerce operations, increased advertising investments, new store openings, and improving our cost structure. 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 2015, 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 annual report may not occur. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date this annual report was published. 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 annual report to reflect circumstances existing after the date of this annual report or to reflect the occurrence of future events even if experience or future events.

## ABOUT THIS REPORT

As part of our commitment to embed sustainability throughout our business practices, the Levi Strauss & Co. Annual Report was produced exclusively in digital format. We encourage people to view the report online. If you must print a copy, please print double-sided to save paper.