LEVI STRAUSS & CO.

RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES

FOR THE FOURTH QUARTER AND FISCAL YEAR OF 2021

The following information relates to non-GAAP financial measures, and should be read in conjunction with the investor call held on January 26, 2022, discussing the company's financial condition and results of operations as of and for the quarter and fiscal year ended November 28, 2021.

Adjusted Gross Profit:

	Three Months Ended		Twelve Months Ended	
	November 28, 2021	November 29, 2020	November 28, 2021	November 29, 2020
	(Dollars in millions)			
Most comparable GAAP measure:				
Gross profit	$ 974.3	$ 766.5	$ 3,346.7	$ 2,352.9
Non-GAAP measure:				
Gross profit	$ 974.3	$ 766.5	$ 3,346.7	$ 2,352.9
COVID-19 related inventory costs[(1)]	—	(9.4)	(15.1)	69.3
Acquisition related charges [(2)]	3.9	—	3.9	—
Adjusted gross profit	$ 978.2	$ 757.1	$ 3,335.5	$ 2,422.2
Adjusted gross margin	*58.1 %*	*54.6 %*	*57.9 %*	*54.4 %*

(1) Represents costs incurred in connection with COVID-19, including $9.4 million in reductions in COVID-19 related inventory charges recognized during the three-month period ended November 29, 2020, primarily due to reductions in our estimate of adverse fabric purchase commitments, initially recorded in the second quarter of 2020. During the twelve-month period ended November 28, 2021, the reductions in COVID-19 related inventory charges is primarily related to reductions in our estimate of adverse fabric purchase commitments, initially recorded in the second quarter of 2020. For the fiscal year ended November 29, 2020, COVID-19 related inventory costs include $42.3 million of incremental inventory reserves and the recognition of adverse fabric purchase commitments of $26.2 million.

(2) For the fiscal year ended November 28, 2021, acquisition related charges includes the inventory markup above historical carrying value associated with the Beyond Yoga acquisition.

Adjusted SG&A:

	Three Months Ended		Twelve Months Ended	
	November 28, 2021	November 29, 2020	November 28, 2021	November 29, 2020
	(Dollars in millions)			
Most comparable GAAP measure:				
Selling, general and administrative expenses	$ 790.8	$ 652.5	$ 2,652.2	$ 2,347.6
Non-GAAP measure:				
Selling, general and administrative expenses	790.8	652.5	2,652.2	2,347.6
Impact of changes in fair value on cash-settled stock-based compensation[1]	(0.8)	(1.1)	(4.2)	(7.1)
COVID-19 related charges[2]	(6.6)	(6.4)	(5.4)	(90.3)
Acquisition and integration related charges	(3.8)	—	(3.8)	—
Restructuring related charges, severance and other, net[3]	(3.9)	(1.3)	(16.2)	(9.1)
Adjusted SG&A	$ 775.7	$ 643.7	$ 2,622.6	$ 2,241.1

(1) Includes the impact of changes in fair value of Class B common stock following the grant date on awards that were granted as cash-settled and subsequently replaced with stock-settled awards concurrent with the IPO.

(2) For the three-month periods ended November 28, 2021 and November 29, 2020, the COVID-19 related charges of $6.6 million and $6.4 million, respectively, mainly represent additional impairments of property and equipment related to certain retail locations. The three-month period ended November 29, 2020 also includes other incremental costs incurred in response to the global pandemic and was partially offset by recoveries of receivables previously estimated to be not collectible. For the twelve-month period ended November 28, 2021, the COVID-19 related charges primarily include impairment charges of certain retail store related assets partially offset with reductions in allowances related to customer receivables. For the year ended November 29, 2020, COVID-19 related charges primarily consist of $44.3 million in impairment of certain operating lease right-of-use assets and $21.7 million in impairment of property and equipment related to certain retail locations and other corporate assets, $17.7 million of charges related to customer receivables and other incremental costs incurred in connection with COVID-19.

(3) Other charges included in restructuring related charges, severance and other, net include charges related to an international customs audit and transaction and deal related costs.

Adjusted EBIT and Adjusted EBITDA:

	Three Months Ended		Twelve Months Ended	
	November 28, 2021	November 29, 2020	November 28, 2021	November 29, 2020
	(Dollars in millions)			
Most comparable GAAP measure:				
Net income (loss)	$ 153.0	$ 56.7	$ 553.5	$ (127.1)
Non-GAAP measure:				
Net income (loss)	153.0	56.7	553.5	(127.1)
Income tax expense (benefit)	13.8	(4.8)	26.7	(62.6)
Interest expense	11.5	25.9	72.9	82.2
Other (income) expense, net[1]	1.8	14.2	(3.4)	22.4
Loss on early extinguishment of debt	6.2	—	36.5	—
Impact of changes in fair value on cash-settled stock-based compensation[2]	0.8	1.1	4.2	7.1
COVID-19 related inventory costs and other charges[3]	6.6	(3.0)	(9.7)	159.6
Acquisition and integration related charges[4]	7.7	—	7.7	—
Restructuring and restructuring related charges, severance and other, net[5]	1.1	23.3	24.5	99.5
Adjusted EBIT	$ 202.5	$ 113.4	$ 712.9	$ 181.1
Depreciation and amortization[6]	36.8	35.6	142.0	136.6
Adjusted EBITDA	$ 239.3	$ 149.0	$ 854.9	$ 317.7
Adjusted EBIT margin	*12.0 %*	*8.2 %*	*12.4 %*	*4.1 %*

(1) Includes $14.7 million in pension settlement losses related to the voluntary lump-sum, cash-out program offered to vested deferred U.S. pension plan participants during the year ended November 29, 2020.

(2) Includes the impact of changes in fair value of Class B common stock following the grant date on awards that were granted as cash-settled and subsequently replaced with stock-settled awards concurrent with the IPO.

(3) For the three-month period ended November 28, 2021, the $6.6 million in charges mainly represent additional impairments of property and equipment related to certain retail locations. For the three-month period ended November 29, 2020, the net reduction of $3.0 million in COVID-19 related inventory costs and other charges recognized mainly represents reductions in COVID-19 related inventory charges, as a result of reductions in our estimate of adverse fabric purchase commitments, the recoveries of receivables previously estimated to be not collectible, partially offset by additional impairment of property and equipment related to certain retail location and other incremental costs incurred in response to the global pandemic. For the twelve-month period ended November 28, 2021, the net reduction in COVID-19 related inventory costs and other charges recognized mainly represents reductions in COVID-19 related inventory charges, as a result of reductions in our estimate of adverse fabric purchase commitments and allowances related to customer receivables partially offset with impairment charges of certain retail store related assets. For the year ended November 29, 2020, COVID-19 related inventory costs and other charges primarily include $42.3 million of incremental inventory reserves, $26.2 million of adverse fabric purchase commitments, $44.3 million and $21.7 million in impairment of operating lease right-of-use assets and property and equipment related to certain retail locations and other corporate assets, respectively, and $17.7 million of charges related to customer receivables. The remainder relates to other incremental costs incurred in response to the global pandemic.

(4) Acquisition and integration related charges includes the inventory markup above historical carrying value as well as SG&A expenses associated with the Beyond Yoga acquisition.

(5) Other charges included in Restructuring and restructuring related charges, severance and other, net include charges related to an international customs audit and transaction and deal related costs.

(6) Depreciation and amortization amount net of amortization included in Restructuring and restructuring related charges, severance and other, net.

Adjusted Net Income and Adjusted Diluted Earnings per Share:

	Three Months Ended		Twelve Months Ended	
	November 28, 2021	November 29, 2020	November 28, 2021	November 29, 2020
	(Dollars in millions, except per share amounts)			
Most comparable GAAP measure:				
Net income (loss)	$ 153.0	$ 56.7	$ 553.5	$ (127.1)
Non-GAAP measure:				
Net income (loss)	153.0	56.7	553.5	(127.1)
Loss on early extinguishment of debt	6.2	—	36.5	—
Impact of changes in fair value on cash-settled stock-based compensation[1]	0.8	1.1	4.2	7.1
COVID-19 related inventory costs and other charges[2]	6.6	(3.0)	(9.7)	159.6
Acquisition and integration related charges[3]	7.7	—	7.7	—
Restructuring and restructuring related charges, severance and other. net[4]	1.1	23.3	24.5	99.5
Pension settlement losses[5]	—	14.7	—	14.7
Tax impact of adjustments[6]	(5.6)	(11.5)	(15.8)	(70.2)
Adjusted net income	$ 169.8	$ 81.3	$ 600.9	$ 83.6
Adjusted net income margin	*10.1 %*	*5.9 %*	*10.4 %*	*1.9 %*
Adjusted diluted earnings per share	$ 0.41	$ 0.20	$ 1.47	$ 0.21

(1) Includes the impact of changes in fair value of Class B common stock following the grant date on awards that were granted as cash-settled and subsequently replaced with stock-settled awards concurrent with the IPO.

(2) For the three-month period ended November 28, 2021, the $6.6 million in charges mainly represent additional impairments of property and equipment related to certain retail locations. For the three-month period ended November 29, 2020, the net reduction of $3.0 million in COVID-19 related inventory costs and other charges recognized mainly represents reductions in COVID-19 related inventory charges, as a result of reductions in our estimate of adverse fabric purchase commitments, the recoveries of receivables previously estimated to be not collectible, partially offset by additional impairment of property and equipment related to certain retail location and other incremental costs incurred in response to the global pandemic. For the twelve-month period ended November 28, 2021, the net reduction in COVID-19 related inventory costs and other charges recognized mainly represents reductions in COVID-19 related inventory charges, as a result of reductions in our estimate of adverse fabric purchase commitments and allowances related to customer receivables partially offset with impairment charges of certain retail store related assets. For the year ended November 29, 2020, COVID-19 related inventory costs and other charges primarily include $42.3 million of incremental inventory reserves, $26.2 million of adverse fabric purchase commitments, $44.3 million and $21.7 million in impairment of operating lease right-of-use assets and property and equipment related to certain retail locations and other corporate assets, respectively, and $17.7 million of charges related to customer receivables. The remainder relates to other incremental costs incurred in response to the global pandemic.

(3) Acquisition and integration related charges includes the inventory markup above historical carrying value as well as SG&A expenses associated with the Beyond Yoga acquisition.

(4) Other charges included in Restructuring and restructuring related charges, severance and other, net include charges related to an international customs audit and transaction and deal related costs.

(5) Pension settlement losses relate to the voluntary lump-sum, cash-out program offered to vested deferred U.S. pension plan participants.

(6) Tax impact calculated using the annual effective tax rate, excluding discrete costs and benefits.

Net Debt and Leverage ratio:

	November 28, 2021	November 29, 2020
	(Dollars in millions)	
Most comparable GAAP measure:		
Total debt, excluding capital leases	$ 1,026.6	$ 1,564.3
Non-GAAP measure:		
Total debt, excluding capital leases	$ 1,026.6	$ 1,564.3
Cash and cash equivalents	(810.3)	(1,497.2)
Short-term investments in marketable securities	(91.5)	(96.5)
Net debt	$ 124.8	$ (29.4)

	November 28, 2021	November 29, 2020
	(Dollars in millions) (Unaudited)	
Total debt, excluding capital leases	$ 1,026.6	$ 1,564.3
Last twelve months adjusted EBITDA	$ 854.9	$ 317.7
Leverage ratio	1.2	4.9

Adjusted Free Cash Flow:

	Three Months Ended		Twelve Months Ended	
	November 28, 2021	November 29, 2020	November 28, 2021	November 29, 2020
	(Dollars in millions)			
Most comparable GAAP measure:				
Net cash provided by operating activities	$ 238.4	$ 228.7	$ 737.3	$ 469.6
Net cash used for investing activities	(444.1)	(70.9)	(571.8)	(188.6)
Net cash (used for) provided by financing activities	(351.3)	(16.5)	(840.9)	286.0
Non-GAAP measure:				
Net cash provided by operating activities	$ 238.4	$ 228.7	$ 737.3	$ 469.6
Purchases of property, plant and equipment	(58.5)	(40.9)	(166.9)	(130.4)
Proceeds (Payments) on settlement of forward foreign exchange contracts not designated for hedge accounting	0.6	(5.1)	(17.9)	12.5
Payment of debt extinguishment costs	(23.3)	—	(23.3)	—
Repurchase of common stock	(85.9)	—	(85.9)	(56.2)
Shares surrendered for tax withholdings on equity award exercises	(29.6)	(10.7)	(109.3)	(90.6)
Dividend to stockholders	(32.1)	—	(104.4)	(63.6)
Adjusted free cash flow	$ 9.6	$ 172.0	$ 229.6	$ 141.3

Return on Invested Capital:

We define Return on invested capital ("ROIC") as the trailing four quarters of Adjusted net income before interest and after taxes divided by the average trailing five quarters of total invested capital. We define earnings before interest and after taxes as Adjusted net income plus interest expense and income tax expense less an income tax adjustment. We define total invested capital as total debt plus shareholders' equity less cash and short-term investments. We believe ROIC is useful to investors as it quantifies how efficiently we generated operating income relative to the capital we have invested in the business.

Our calculation of ROIC is considered a non-GAAP financial measure because we calculate ROIC using the non-GAAP metric Adjusted net income. Although ROIC is a standard financial metric, numerous methods exist for calculating a company's ROIC. As a result, the method we use to calculate our ROIC may differ from the methods used by other companies. This metric is not defined by GAAP and should not be considered as an alternative to earnings measures defined by GAAP.

The table below sets forth the calculation of ROIC for each of the periods presented.

	Trailing Four Quarters	
	November 28, 2021	November 29, 2020
	(Dollars in millions)	
Net income (loss)	$ 153.0	$ 56.7
Numerator		
Adjusted net income[1]	$ 600.9	$ 83.6
Interest expense	72.9	82.2
Income tax expense	26.7	(62.6)
Adjusted net income before interest and taxes	$ 700.5	$ 103.2
Income tax adjustment[2]	(30.1)	(25.8)
Adjusted net income before interest and after taxes	$ 670.4	$ 77.4

(1) Adjusted net income is reconciled from net income (loss) which is the most comparable GAAP measure. Refer to Adjusted net income table for more information.

(2) Tax impact calculated using the annual effective tax rate, excluding discrete costs and benefits.

	Average Trailing Five Quarters	
	November 28, 2021	November 29, 2020
	(Dollars in millions)	
Denominator		
Total debt	$ 2,585.6	$ 2,464.2
Shareholders' equity	1,483.2	1,299.5
Cash and Short-term investments	(1,470.8)	(1,593.7)
Total invested Capital	$ 2,598.0	$ 2,170.0
Net income (loss) to Total invested capital	5.9 %	2.6 %
Return on Invested Capital	25.8 %	3.6 %

Constant-Currency:

We calculate constant-currency amounts by translating local currency amounts in the comparison period at actual foreign exchange rates for the current period. Due to the significant impact of COVID-19 on our prior year figures, we have included comparisons to the same period in 2019 for additional context.

The table below sets forth the calculation of net revenues for each of our operating segments on a constant-currency basis for the prior-year comparison periods applicable to the three-month and twelve-month periods ended November 28, 2021:

	Three Months Ended			Twelve Months Ended		
	November 28, 2021	November 29, 2020	% Increase	November 28, 2021	November 29, 2020	% Increase
	(Dollars in millions)					
Total revenues						
As reported	$ 1,684.8	$ 1,385.9	21.6 %	$ 5,763.9	$ 4,452.6	29.5 %
Impact of foreign currency exchange rates	—	0.7	*	—	82.2	*
Constant-currency net revenues	$ 1,684.8	$ 1,386.6	21.5 %	$ 5,763.9	$ 4,534.8	27.1 %
Americas						
As reported	$ 884.9	$ 719.0	23.1 %	$ 2,934.8	$ 2,187.9	34.1 %
Impact of foreign currency exchange rates	—	3.3	*	—	7.7	*
Constant-currency net revenues - Americas	$ 884.9	$ 722.3	22.5 %	$ 2,934.8	$ 2,195.6	33.7 %
Europe						
As reported	$ 453.3	$ 391.9	15.7 %	$ 1,704.0	$ 1,391.8	22.4 %
Impact of foreign currency exchange rates	—	(4.1)	*	—	52.5	*
Constant-currency net revenues - Europe	$ 453.3	$ 387.8	16.9 %	$ 1,704.0	$ 1,444.3	18.0 %
Asia						
As reported	$ 247.8	$ 213.1	16.3 %	$ 834.6	$ 663.4	25.8 %
Impact of foreign currency exchange rates	—	1.7	*	—	20.1	*
Constant-currency net revenues - Asia	$ 247.8	$ 214.8	15.3 %	$ 834.6	$ 683.5	22.1 %
Other Brands						
As reported	$ 98.8	$ 61.8	59.7 %	$ 290.4	$ 209.6	38.6 %
Impact of foreign currency exchange rates	—	(0.1)	*	—	1.7	*
Constant-currency net revenues - Other Brands	$ 98.8	$ 61.7	60.1 %	$ 290.4	$ 211.3	37.5 %

* Not meaningful

The table below sets forth the calculation of net revenues for each of our operating segments on a constant-currency basis for the 2019 comparison periods applicable to the three-month and twelve-month periods ended November 28, 2021:

	Three Months Ended			Twelve Months Ended		
	November 28, 2021	November 24, 2019	% Increase (Decrease)	November 28, 2021	November 24, 2019	% Increase (Decrease)
	(Dollars in millions)					
Total revenues						
As reported	$ 1,684.8	$ 1,568.6	7.4 %	$ 5,763.9	$ 5,763.1	— %
Impact of foreign currency exchange rates	—	11.2	*	—	68.1	*
Constant-currency net revenues	$ 1,684.8	$ 1,579.8	6.6 %	$ 5,763.9	$ 5,831.2	(1.2)%
Americas						
As reported	$ 884.9	$ 796.6	11.1 %	$ 2,934.8	$ 2,771.1	5.9 %
Impact of foreign currency exchange rates	—	(5.3)	*	—	(17.2)	*
Constant-currency net revenues - Americas	$ 884.9	$ 791.3	11.8 %	$ 2,934.8	$ 2,753.9	6.6 %
Europe						
As reported	$ 453.3	$ 428.6	5.8 %	$ 1,704.0	$ 1,707.5	(0.2)%
Impact of foreign currency exchange rates	—	12.2	*	—	70.3	*
Constant-currency net revenues - Europe	$ 453.3	$ 440.8	2.8 %	$ 1,704.0	$ 1,777.8	(4.2)%
Asia						
As reported	$ 247.8	$ 247.7	— %	$ 834.6	$ 926.1	(9.9)%
Impact of foreign currency exchange rates	—	4.9	*	—	16.1	*
Constant-currency net revenues - Asia	$ 247.8	$ 252.6	(1.9)%	$ 834.6	$ 942.2	(11.4)%
Other Brands						
As reported	$ 98.8	$ 95.7	3.2 %	$ 290.4	$ 358.4	(19.0)%
Impact of foreign currency exchange rates	—	(0.7)	*	—	(1.1)	*
Constant-currency net revenues - Other Brands	$ 98.8	$ 95.0	4.0 %	$ 290.4	$ 357.3	(18.7)%

* Not meaningful

Constant-Currency Adjusted EBIT:

	Three Months Ended			Twelve Months Ended		
	November 28, 2021	November 29, 2020	% Increase	November 28, 2021	November 29, 2020	% Increase
	(Dollars in millions)					
Adjusted EBIT[1]	$ 202.5	$ 113.4	78.6 %	$ 712.9	$ 181.1	*
Impact of foreign currency exchange rates	—	(0.2)	*	—	2.2	*
Constant-currency Adjusted EBIT	$ 202.5	$ 113.2	78.9 %	$ 712.9	$ 183.3	*
Constant-currency Adjusted EBIT margin[2]	12.0 %	8.2 %		12.4 %	4.0 %	

(1) Adjusted EBIT is reconciled from net income (loss) which is the most comparable GAAP measure. Refer to Adjusted EBIT and Adjusted EBITDA table for more information.

(2) We define constant-currency Adjusted EBIT margin as constant-currency Adjusted EBIT as a percentage of constant-currency net revenues.

* Not meaningful

Constant-Currency Adjusted Net Income and Adjusted Diluted Earnings per Share:

	Three Months Ended			Twelve Months Ended		
	November 28, 2021	November 29, 2020	% Increase	November 28, 2021	November 29, 2020	% Increase
	(Dollars in millions, except per share amounts)					
Adjusted net income[1]	$ 169.8	$ 81.3	108.9 %	$ 600.9	$ 83.6	*
Impact of foreign currency exchange rates	—	(0.2)	*	—	2.8	*
Constant-currency Adjusted net income	$ 169.8	$ 81.1	109.4 %	$ 600.9	$ 86.4	*
Constant-currency Adjusted net income margin[2]	*10.1 %*	*5.9 %*		*10.4 %*	*1.9 %*	
Adjusted diluted earnings per share	$ 0.41	$ 0.20	105.0 %	$ 1.47	$ 0.21	*
Impact of foreign currency exchange rates	—	—	*	—	0.01	*
Constant-currency adjusted diluted earnings per share	$ 0.41	$ 0.20	105.0 %	$ 1.47	$ 0.22	*

(1) Adjusted net income is reconciled from net income (loss) which is the most comparable GAAP measure. Refer to Adjusted net income table for more information.

(2) We define constant-currency Adjusted net income margin as constant-currency Adjusted net income as a percentage of constant-currency net revenues.

* Not meaningful