Levi Strauss & Co. News

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LEVI STRAUSS & CO. ANNOUNCES THIRD-QUARTER FINANCIAL RESULTS

SAN FRANCISCO (October 10, 2006) – Levi Strauss & Co. (LS&CO.) today announced financial results for the third quarter ended August 27, 2006 and filed its third-quarter 2006 Form 10-Q with the Securities and Exchange Commission.

Net revenues for the third quarter were \$1,023 million compared to \$1,037 million for the same quarter in 2005, an approximately 1 percent decrease on a reported basis and a 2 percent decrease on a constant-currency basis. The change in net revenue primarily reflects lower U.S. Levi Strauss Signature® and Asia Pacific sales, partially offset by increased U.S. Dockers® sales.

Net income for the third quarter increased 29 percent to \$49 million compared to \$38 million in the same quarter of 2005. The improvement reflects a 14 percent increase in operating income, primarily driven by a \$29 million benefit-plan curtailment gain related to the planned closure of a U.S. distribution center, partially offset by higher income tax expense.

"We improved our profitability and cash flow – our primary objective this year," said Phil Marineau, chief executive officer. "We're addressing a number of challenges to our business, including fixture reductions at U.S. Wal-Mart stores and a sales decline in Japan. However, in the face of retailer consolidation in the United States and the challenging European market, I'm pleased with the U.S. Levi's® and Dockers® performance and the improving trends in Europe."

Third-Quarter 2006 Results

Gross profit decreased 1 percent to \$467 million compared to \$472 million in the third quarter of 2005. Gross margin was stable at 45.7 percent of revenues for the third quarter of 2006 compared to 45.5 percent of revenues in the same period last year.

- Selling, general and administrative expenses decreased 6 percent or \$21 million to \$307 million in the third quarter of 2006 from \$327 million in same period of 2005. Lower SG&A expenses in the 2006 period were primarily attributable to the curtailment gain and lower advertising and promotion costs, partially offset by the \$8 million compensation and \$5 million non-cash pension costs related to the retirement of the company's CEO and higher selling expense associated with opening new company-operated retail stores in Europe and the United States.
- Operating income for the third quarter of 2006 increased \$19 million to \$158 million compared to \$139 million in prior year period. The increase was primarily due to lower SG&A, partially offset by lower net revenue.
- Interest expense for the quarter decreased 6 percent to \$60 million compared to \$64 million in the third quarter of 2005. The decrease was primarily attributable to lower average interest rates during the 2006 quarter.
- Income tax expense for the third quarter of 2006 was \$58 million compared to \$40 million in the 2005 period. The increase is primarily driven by the increase in income before taxes in the current period compared to the prior year. The effective tax rate for the first nine months of 2006 was 39 percent compared to 47 percent for the same period in 2005.
- Strong year-to-date cash flow in 2006 is attributable to improved working capital management and lower interest and restructuring payments.

"We delivered solid operating income, even as we invested in our business," said Hans Ploos van Amstel, chief financial officer. "Better working capital management and cost discipline helped contribute to our bottom line. We expect to see stable revenues in the fourth quarter."

Investor Conference Call

The company's third-quarter investor conference call will be available through a live audio Webcast at http://www.levistrauss.com/Financials/EarningsWebcasts.aspx today, October 10, 2006, at 7 a.m. PST/10 a.m. EST. A replay is available on the Web site the same day and will be archived for one month. A telephone replay also is available through October 17 at 800-642-1687 in the United States and Canada, or 706-645-9291 internationally; I.D. No. 7557595.

This news release contains, in addition to historical information, forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We have based these forward-looking statements on our current assumptions, expectations and projections about future events. We use words like "believe," "anticipate," "intend," "estimate," "expect," "project" and similar expressions to identify forward-looking statements, although not all forward-looking statements contain these words. These forward-looking statements are necessarily estimates reflecting the best judgment of our senior management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. Investors should consider the information contained in our filings with the U.S. Securities and Exchange Commission (the "SEC"), including our Annual Report on Form 10-K for the fiscal year ended 2005, especially in the Management's Discussion and Analysis - "Financial Condition and Results of Operations" and "Risk Factors" sections, our most recent Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K. Other unknown or unpredictable factors also could have material adverse effects on our future results, performance or achievements. In light of these risks, uncertainties, assumptions and factors, the forward-looking events discussed in this news release may not occur. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date stated, or if no date is stated, as of the date of this news release. We are not under any obligation and do not intend to make publicly available any update or other revisions to any of the forward-looking statements even if experience or future events make it clear that any expected results expressed or implied by those forward-looking statements will not be realized.

LEVI STRAUSS & CO. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

(Unaudited)

Trade receivables, net of allowance for doubtful accounts of \$21,980 and \$26,550			August 27, 2006		November 27, 2005		
Cash and cash cquivalents \$ 341,930 \$ 239,586 Restricted cash 1,390 2,555 Trade receivables, net of allowance for doubtful accounts of \$21,980 and \$26,550 155,900 262,806 Inventories: 313,716 16,431 Raw materials 113,716 16,431 Work-in-process 515,651 506,050 Finished goods 545,651 506,050 Total inventories 578,052 540,241 Deferred tax assets, net of valuation allowance of \$44,040 and \$42,890 90,821 44,137 Other current assets 108,079 66,000 Total current assets 108,079 66,000 Property plant and equipment, not of accumulated depreciation of \$525,560 and \$471,545 38,146 38,018 Goodwill 36,000 48,000 48,571 45,717 Norman deferred tax assets, net of valuation allowance of \$306,131 and \$26,0383 529,070 499,647 Other intangible assets, net of accumulated amortization of \$1,531 and \$1,081 48,627 45,717 Norman accumulated ferred tax assets, net of valuation allowance of \$306,131 and \$260,383 81,510	ASSETS		(Dollars i	n thousands)			
Cash and cash cquivalents \$ 341,930 \$ 239,586 Restricted cash 1,390 2,555 Trade receivables, net of allowance for doubtful accounts of \$21,980 and \$26,550 155,900 262,806 Inventories: 313,716 16,431 Raw materials 113,716 16,431 Work-in-process 515,651 506,050 Finished goods 545,651 506,050 Total inventories 578,052 540,241 Deferred tax assets, net of valuation allowance of \$44,040 and \$42,890 90,821 44,137 Other current assets 108,079 66,000 Total current assets 108,079 66,000 Property plant and equipment, not of accumulated depreciation of \$525,560 and \$471,545 38,146 38,018 Goodwill 36,000 48,000 48,571 45,717 Norman deferred tax assets, net of valuation allowance of \$306,131 and \$26,0383 529,070 499,647 Other intangible assets, net of accumulated amortization of \$1,531 and \$1,081 48,627 45,717 Norman accumulated ferred tax assets, net of valuation allowance of \$306,131 and \$260,383 81,510	Current Assets						
Restricted cash 1,300 2,957 Trade receivables, net of allowance for doubtful accounts of \$21,980 and \$26,550 535,990 62,680 Inventories: 353,990 62,680 Raw materials 31,716 16,030 Work-in-process 11,715 16,050 Finished goods 550,681 500,600 Poterred tax assets, net of valuation allowance of \$44,040 and \$42,890 90,821 44,133 Other current assets 1,659,325 150,805 Total current assets 1,659,325 150,805 Coodwill 236,660 202,255 Other intangible assets, net of accumulated depreciation of \$52,560 and \$471,545 381,436 202,255 Other intangible assets, net of valuation allowance of \$306,131 and \$2,60,383 250,700 499,64 Other assets 1 58,750 \$2,813,64 ***Current maturities of fone-term debt and short-term borrowings \$8,585 \$95,795 Current maturities of long-term debt and short-term borrowings \$8,595 \$95,795 Current maturities of long-term debt and short-term borrowings \$8,595 \$95,795 <tr< td=""><td></td><td>\$</td><td>341.963</td><td>\$</td><td>239.584</td></tr<>		\$	341.963	\$	239.584		
Trade receivables, net of allowance for doubtful accounts of \$21,980 and \$26,550	·	T		_	2,957		
Raw materials	Trade receivables, net of allowance for doubtful accounts of \$21,980 and \$26,550				626,866		
Work-in-process							
Work-in-process 11,715 16,000 Finished goods 549,651 506,000 Potable inventories 575,082 540,241 Observed tax assets, net of valuation allowance of \$44,040 and \$42,890 90,821 94,373 Other current assets 16,503,255 1,570,683 Property, plant and equipment, net of accumulated depreciation of \$525,560 and \$471,545 38,1436 380,186 Goodwill 203,630 202,236 Other intangible assets, net of valuation allowance of \$306,131 and \$260,383 29,070 457,154 Non-current deferred tax assets, net of valuation allowance of \$306,131 and \$260,383 52,970 499,64 Other assets LIABILITIES AND STOCKHOLDERS' DEFICT 2 28,759 2,813,64 Urrent maturities of long-term debt and short-term borrowings \$ 5,95 5,95 2,97 2 2,151 4,25 1,516 3,25 1,516 4,25 2,23,45 4,25 2,23,45 4,25 2,23,45 4,25 2,23,45 4,25 2,23,45 4,25 2,23,45 4,25 2,23,45 4,25 2,23,45 4,25	Raw materials		13,716		16,431		
Total inventories	Work-in-process		11,715		16,908		
Polemed tax assets, net of valuation allowance of \$44,040 and \$42,890 90,821 94,137 10,600,325 10,5	Finished goods		549,651		506,902		
Other current assets 105.072 65.902 Property, plant and equipment, net of accumulated depreciation of \$1525,560 and \$471,545 381,436 380,186 Goodwill 203.630 202.256 Other intangible assets, net of accumulated amortization of \$1,531 and \$1,081 48,627 45,715 Non-current deferred tax assets, net of valuation allowance of \$306,131 and \$260,383 529,070 499,647 Other assets Total assets 8,289,598 \$2,813,648 LIABILITIES AND STOCKHOLDERS' DEFICIT Current maturities of long-term debt and short-term borrowings \$ 5,955 \$ 95,797 Current maturities of long-term debt and short-term borrowings \$ 85,965 \$ 95,797 Current maturities of long-term debt and short-term borrowings \$ 85,965 \$ 95,797 Current maturities of long-term debt and short-term borrowings \$ 85,965 \$ 95,797 Current maturities of long-term debt and short-term borrowings \$ 85,965 \$ 95,797 Accrued liabilities \$ 16,0768 \$ 187,144 Accrued liabilities \$ 16,0768 \$ 187,144 Accrued salaries, wages and employee benefits \$ 2245,092 254,692	Total inventories		575,082		540,241		
Total current assets	Deferred tax assets, net of valuation allowance of \$44,040 and \$42,890				94,137		
Property, plant and equipment, net of accumulated depreciation of \$125,560 and \$471,545 233,630 202,250 202,	Other current assets		105,079		66,902		
Goodwill 203,630 202,250 Other intangible assets, net of accumulated amortization of \$1,531 and \$1,081 48,627 45,712 Non-current deferred tax assets, net of valuation allowance of \$306,131 and \$260,383 529,070 499,647 Other assets 84,510 115,162 LABILITIES AND STOCKHOLDERS' DEFICIT Current maturities of long-term debt and short-term borrowings \$85,985 \$95,797 Current maturities of capital leases 1,582 1,511 Accounts payable 245,092 235,450 Restructuring liabilities 13,046 14,599 Accrued liabilities 100,768 187,145 Accrued salaries, wages and employee benefits 258,490 277,007 Accrued taxes 101,211 39,814 Accrued taxes 104,211 39,814 Accrued taxes 104,211 39,814 Long-term debt, less current maturities 22,46,211 2,230,902 Long-term capital leases, less current maturities 31,358 4,077 Postertierment medical benefits 310,021 458,222 Lon	Total current assets		1,650,325		1,570,687		
Other intangible assets, net of accumulated amortization of \$1,531 and \$1,081 48,627 45,715 Non-current deferred tax assets, net of valuation allowance of \$306,131 and \$260,383 52,907 499,64 Other assets Total assets 8,4510 15,162 LIABILITIES AND STOCKHOLDERS' DEFICIT Current maturities of long-term debt and short-term borrowings \$85,985 \$95,797 Current maturities of long-term debt and short-term borrowings \$85,985 \$95,797 Current maturities of long-term debt and short-term borrowings \$85,985 \$95,797 Current maturities of long-term debt and short-term borrowings \$85,985 \$95,797 Accounts payable 245,092 233,450 Accrued liabilities 160,768 1871,450 Accrued interest payable 55,323 61,999 Accrued taxes 104,211 39,381 Long-term debt, less current maturities 2,246,211 2,230,900 Long-term debt, less current maturities 3,358 4,077 Postretirement medical benefits 313,046 156,332 Long-term liabilities 20,352 17,396 <td>Property, plant and equipment, net of accumulated depreciation of \$525,560 and \$471,545</td> <td></td> <td>381,436</td> <td></td> <td>380,186</td>	Property, plant and equipment, net of accumulated depreciation of \$525,560 and \$471,545		381,436		380,186		
Non-current deferred tax assets, net of valuation allowance of \$306,131 and \$260,383 \$29,070 499,647 Other assets 84,101 115,162 Total assets \$2,897,598 \$2,813,684 LIABILITIES AND STOCKHOLDERS' DEFICIT Current maturities of long-term debt and short-term borrowings \$85,985 \$95,797 Current maturities of capital leases \$1,582 \$1,516 Accounts payable \$245,002 \$235,455 Accrued liabilities \$160,768 \$187,145 Accrued liabilities \$160,768 \$187,145 Accrued interest payable \$5,323 61,999 Accrued interest payable \$5,323 61,999 Accrued taxes \$104,211 39,814 Total current liabilities \$2,246,211 233,032 Long-term debt, less current maturities \$3,358 4,077 Postretirement medical benefits \$3,910,21 458,235 Long-term tapital leases, less current maturities \$3,910,21 458,235 Long-term tame frem thereical benefits \$13,936 156,327 Long-term	Goodwill		203,630		202,250		
Other assets 84,510 \$15,165 Total assets \$2,897,598 \$2,813,648 LIABILITIES AND STOCKHOLDERS' DEFICIT Current Liabilities: Current maturities of long-term debt and short-term borrowings \$85,985 \$95,797 Current maturities of capital leases 1,582 1,516 Accounts payable 245,092 235,456 Accrued liabilities 160,768 187,148 Accrued salaries, wages and employee benefits 258,490 277,007 Accrued taxes 104,211 39,814 Accrued taxes 104,211 39,814 Total current liabilities 2246,211 223,902 Long-term depit, less current maturities 3,358 4,077 Postretirement medical benefits 39,1021 458,225 Pension liability 191,057 195,335 Long-term tax liabilities 20,352 17,390 Other long-term tilabilities 20,352 17,390 Minority interest 16,510 18,810 Minority interest 16,510	Other intangible assets, net of accumulated amortization of \$1,531 and \$1,081		48,627		45,715		
Current Liabilities	Non-current deferred tax assets, net of valuation allowance of \$306,131 and \$260,383		529,070		499,647		
Current Liabilities: Current maturities of long-term debt and short-term borrowings \$85,985 \$95,797 Current maturities of capital leases 1,582 1,516 Accounts payable 245,092 235,450 Restructuring liabilities 13,046 14,594 Accrued liabilities 160,768 187,145 Accrued liabilities 160,768 187,145 Accrued interest payable 55,323 61,999 Accrued interest payable 53,338 40,77 Total current liabilities 2,246,211 2,230,900 Long-term capital leases, less current maturities 3,358 40,77 Postreirement medical benefits 391,021 458,225 Pension liability 191,057 195,938 Long-term employee related benefits 133,936 156,327 Long-term memployee related benefits 39,906 38,908 Stockholders' deficit 3,972,763 3,773 Commitments and contingencies (Note 7) Temporary equity (Note 11) Stockholders' deficit 3,906 88,808 Accumulated deficit 3,906 3,808 Accumulated deficit 3,9	Other assets		84,510		115,163		
Current Liabilities: 85,985 \$ 95,797 Current maturities of long-term debt and short-term borrowings \$ 85,985 \$ 95,797 Current maturities of capital leases 1,582 1,510 Accounts payable 245,092 225,455 Restructuring liabilities 13,046 14,594 Accrued idabilities 160,768 187,145 Accrued salaries, wages and employee benefits 258,490 277,007 Accrued interest payable 55,323 61,996 Accrued taxes 104,211 39,814 Total current liabilities 22,46,211 2,230,902 Long-term debt, less current maturities 2,246,211 2,230,902 Long-term capital leases, less current maturities 3,358 4,077 Postretirement medical benefits 391,021 458,225 Pension liability 191,057 195,935 Long-term tax liabilities 20,352 17,396 Other long-term liabilities 3,972,763 4,035,733 Other long-term liabilities 3,972,763 4,035,733 Other long-term liabilities	Total assets	\$	2,897,598	\$	2,813,648		
Current Liabilities: 85,985 \$ 95,797 Current maturities of long-term debt and short-term borrowings \$ 85,985 \$ 95,797 Current maturities of capital leases 1,582 1,510 Accounts payable 245,092 225,455 Restructuring liabilities 13,046 14,594 Accrued idabilities 160,768 187,145 Accrued salaries, wages and employee benefits 258,490 277,007 Accrued interest payable 55,323 61,996 Accrued taxes 104,211 39,814 Total current liabilities 22,46,211 2,230,902 Long-term debt, less current maturities 2,246,211 2,230,902 Long-term capital leases, less current maturities 3,358 4,077 Postretirement medical benefits 391,021 458,225 Pension liability 191,057 195,935 Long-term tax liabilities 20,352 17,396 Other long-term liabilities 3,972,763 4,035,733 Other long-term liabilities 3,972,763 4,035,733 Other long-term liabilities	LIABILITIES AND STOCKHOLDERS' DEFICIT						
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Current maturities of capital leases 1,582 1,510 Accounts payable 245,092 253,456 Restructuring liabilities 13,046 14,594 Accrued liabilities 160,768 187,148 Accrued salaries, wages and employee benefits 258,490 277,007 Accrued interest payable 55,323 61,996 Accrued interest payable 55,323 61,996 Accrued taxes 104,211 39,814 Total current liabilities 924,497 913,312 Long-term debt, less current maturities 2,246,211 2,230,902 Long-term capital leases, less current maturities 391,021 458,225 Pension liability 191,057 195,933 Long-term employee related benefits 133,936 156,327 Long-term tax liabilities 20,352 17,399 Other long-term liabilities 45,821 41,655 Minority interest 16,510 17,891 Temporary equity (Note 11) 500 40,35,733 Stockholders' deficit 20,000 88,800		\$	85,985	\$	95,797		
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Restructuring liabilities 13,046 14,594 Accrued liabilities 160,768 187,145 Accrued salaries, wages and employee benefits 258,490 277,007 Accrued interest payable 55,323 61,996 Accrued taxes 104,211 39,814 Total current liabilities 924,497 913,315 Long-term depth, less current maturities 2,246,211 2,230,902 Long-term capital leases, less current maturities 3,358 4,077 Postretirement medical benefits 391,021 458,225 Pension liability 191,057 195,935 Long-term employee related benefits 133,936 156,327 Cong-term tax liabilities 20,352 17,396 Other long-term liabilities 45,821 41,655 Minority interest 16,510 17,891 Total liabilities 3,972,763 4,035,732 Commitments and contingencies (Note 7) 18,222 4,035,732 Common stock—\$.01 par value; 270,000,000 shares authorized; 37,278,238 373 373 Additional paid-in capital <	*		245,092		235,450		
Accrued liabilities 160,768 187,145 Accrued salaries, wages and employee benefits 258,490 277,007 Accrued interest payable 55,323 61,996 Accrued taxes 104,211 39,814 Total current liabilities 924,497 913,313 Long-term debt, less current maturities 2,246,211 2,230,902 Long-term capital leases, less current maturities 3,558 4,077 Postretirement medical benefits 391,021 458,225 Pension liability 191,057 195,935 Long-term employee related benefits 133,936 156,327 Long-term tax liabilities 20,352 17,396 Other long-term liabilities 20,352 17,396 Other long-term liabilities 3,972,763 4,035,733 Commitments and contingencies (Note 7) Temporary equity (Note 11) 3,972,763 4,035,733 Stockholders' deficit: Common stock—\$.01 par value; 270,000,000 shares authorized; 37,278,238 373 373 Additional paid-in capital 89,696 88,806 Accumulated deficit (1,055,19	* *		, , , , , , , , , , , , , , , , , , ,				
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Accrued interest payable 55,323 61,996 Accrued taxes 104,211 39,814 Total current liabilities 924,497 913,315 Long-term debt, less current maturities 2,246,211 2,230,902 Long-term capital leases, less current maturities 3,358 4,077 Postretirement medical benefits 391,021 458,225 Pension liability 191,057 195,935 Long-term employee related benefits 133,936 156,327 Long-term tax liabilities 20,352 17,396 Other long-term liabilities 45,821 41,655 Minority interest 16,510 17,891 Total liabilities 3,972,763 4,035,733 Commitments and contingencies (Note 7) Temporary equity (Note 11) 3,972,763 4,035,733 Stockholders' deficit: 2 373 373 Additional paid-in capital 89,696 88,806 Accumulated deficit (1,055,196) (1,198,481 Accumulated other comprehensive loss (110,038) (11,27,881 Stockholders' defici			, , , , , , , , , , , , , , , , , , ,				
Accrued taxes 104,211 39,814 Total current liabilities 924,497 913,313 Long-term debt, less current maturities 2,246,211 2,230,902 Long-term capital leases, less current maturities 33,558 4,077 Postretirement medical benefits 391,021 458,225 Pension liability 191,057 195,933 Long-term employee related benefits 133,936 156,327 Long-term tax liabilities 20,352 17,396 Other long-term liabilities 45,821 41,655 Minority interest 16,510 17,891 Total liabilities 3,972,763 4,035,733 Commitments and contingencies (Note 7) Temporary equity (Note 11) 5 Stockholders' deficit: 2 373 373 Additional paid-in capital 89,696 88,806 Accumulated deficit (1,055,196) (1,198,481 Accumulated other comprehensive loss (110,038) (11,278,881 Stockholders' deficit (1,055,196) (1,192,208							
Total current liabilities 924,497 913,313 Long-term debt, less current maturities 2,246,211 2,230,902 Long-term capital leases, less current maturities 3,358 4,077 Postretirement medical benefits 391,021 458,229 Pension liability 191,057 195,932 Long-term employee related benefits 133,936 156,327 Long-term tax liabilities 20,352 17,396 Other long-term liabilities 45,821 41,659 Minority interest 16,510 17,891 Total liabilities 3,972,763 4,035,733 Commitments and contingencies (Note 7) Temporary equity (Note 11) Stockholders' deficit: Common stock—S.01 par value; 270,000,000 shares authorized; 37,278,238 373 373 Additional paid-in capital 89,696 88,808 Accumulated deficit (1,055,196) (1,198,481 Accumulated other comprehensive loss (110,038) (112,785 Stockholders' deficit (1,075,165) (1,222,085					39,814		
Long-term debt, less current maturities 2,246,211 2,230,902 Long-term capital leases, less current maturities 3,358 4,077 Postretirement medical benefits 391,021 458,225 Pension liability 191,057 195,935 Long-term employee related benefits 133,936 156,327 Long-term tax liabilities 20,352 17,396 Other long-term liabilities 45,821 41,655 Minority interest 16,510 178,891 Total liabilities 3,972,763 4,035,733 Commitments and contingencies (Note 7) Temporary equity (Note 11) Stockholders' deficit: Common stock—\$.01 par value; 270,000,000 shares authorized; 37,278,238 373 373 Additional paid-in capital 89,696 88,808 Accumulated deficit (1,055,196) (1,198,481 Accumulated other comprehensive loss (110,038) (112,785 Stockholders' deficit (1,075,165) (1,222,085	Total current liabilities				913,313		
Long-term capital leases, less current maturities 3,358 4,077			, , , , , , , , , , , , , , , , , , ,				
Postretirement medical benefits 391,021 458,222 Pension liability 191,057 195,935 Long-term employee related benefits 133,936 156,327 Long-term tax liabilities 20,352 17,396 Other long-term liabilities 45,821 41,655 Minority interest 16,510 17,891 Total liabilities 3,972,763 4,035,733 Commitments and contingencies (Note 7) Temporary equity (Note 11) 500,000 <	-				4,077		
Pension liability 191,057 195,939 Long-term employee related benefits 133,936 156,327 Long-term tax liabilities 20,352 17,396 Other long-term liabilities 45,821 41,659 Minority interest 16,510 17,891 Total liabilities 3,972,763 4,035,733 Commitments and contingencies (Note 7) Temporary equity (Note 11) 5 Stockholders' deficit: Common stock—\$.01 par value; 270,000,000 shares authorized; 37,278,238 373 373 Additional paid-in capital 89,696 88,808 Accumulated deficit (1,055,196) (1,198,481 Accumulated other comprehensive loss (110,038) (112,785 Stockholders' deficit (1,075,165) (1,222,085					,		
Long-term employee related benefits 133,936 156,327 Long-term tax liabilities 20,352 17,396 Other long-term liabilities 45,821 41,659 Minority interest 16,510 17,891 Total liabilities 3,972,763 4,035,733 Commitments and contingencies (Note 7) Temporary equity (Note 11) 5 Stockholders' deficit: Common stock—\$.01 par value; 270,000,000 shares authorized; 37,278,238 373 373 Additional paid-in capital 89,696 88,808 Accumulated deficit (1,055,196) (1,198,481 Accumulated other comprehensive loss (110,038) (112,785 Stockholders' deficit (1,075,165) (1,222,085							
Long-term tax liabilities 20,352 17,396 Other long-term liabilities 45,821 41,655 Minority interest 16,510 17,891 Total liabilities 3,972,763 4,035,733 Commitments and contingencies (Note 7) Temporary equity (Note 11) 5 Stockholders' deficit: Common stock—\$.01 par value; 270,000,000 shares authorized; 37,278,238 373 373 Additional paid-in capital 89,696 88,808 Accumulated deficit (1,055,196) (1,198,481 Accumulated other comprehensive loss (110,038) (112,785 Stockholders' deficit (1,075,165) (1,222,085	•						
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Temporary equity (Note 11) Stockholders' deficit: Common stock—\$.01 par value; 270,000,000 shares authorized; 37,278,238 shares issued and outstanding 373 373 Additional paid-in capital 89,696 88,808 Accumulated deficit (1,055,196) (1,198,481 Accumulated other comprehensive loss (110,038) (112,785 Stockholders' deficit (1,075,165) (1,222,085	Commitments and contingencies (Note 7)						
Common stock—\$.01 par value; 270,000,000 shares authorized; 37,278,238 373 373 shares issued and outstanding 89,696 88,808 Additional paid-in capital (1,055,196) (1,198,481) Accumulated deficit (110,038) (112,785) Stockholders' deficit (1,075,165) (1,222,085)							
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Additional paid-in capital 89,696 88,808 Accumulated deficit (1,055,196) (1,198,481) Accumulated other comprehensive loss (110,038) (112,785) Stockholders' deficit (1,075,165) (1,222,085)	Common stock—\$.01 par value; 270,000,000 shares authorized; 37,278,238						
Additional paid-in capital 89,696 88,808 Accumulated deficit (1,055,196) (1,198,481 Accumulated other comprehensive loss (110,038) (112,785 Stockholders' deficit (1,075,165) (1,222,085	shares issued and outstanding		373		373		
Accumulated deficit (1,055,196) (1,198,481) Accumulated other comprehensive loss (110,038) (112,785) Stockholders' deficit (1,075,165) (1,222,085)	-		89,696		88,808		
Accumulated other comprehensive loss (110,038) (112,785) Stockholders' deficit (1,075,165) (1,222,085)					(1,198,481)		
Stockholders' deficit (1,075,165) (1,222,085	Accumulated other comprehensive loss				(112,785)		
					(1,222,085)		
	Total liabilities and stockholders' deficit	\$	2,897,598	\$	2,813,648		

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

LEVI STRAUSS & CO. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

		Three Months Ended				Nine Months Ended			
	August 27, 2006		August 28, 2005		August 27, 2006		August 28, 2005		
		(Dollars in thousands)							
Net sales	\$	1,003,379	\$	1,018,816	\$	2,880,231	\$	2,968,358	
Licensing revenue		19,340		17,705		55,454		49,068	
Net revenues		1,022,719		1,036,521		2,935,685		3,017,426	
Cost of goods sold		555,592		564,870		1,573,185		1,590,328	
Gross profit		467,127		471,651		1,362,500		1,427,098	
Selling, general and administrative expenses		306,532		327,466		905,962		945,868	
Restructuring charges, net of reversals		2,615		5,022		13,064		13,436	
Operating income		157,980		139,163		443,474		467,794	
Interest expense		60,216		63,918		188,304		198,625	
Loss on early extinguishment of debt		-		39		32,958		66,064	
Other income, net		(9,524)		(2,805)		(14,101)		(7,358)	
Income before income taxes		107,288		78,011		236,313		210,463	
Income tax expense		58,019		39,765		93,028		98,131	
Net income	\$	49,269	\$	38,246	\$	143,285	\$	112,332	
							_		

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

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

(Unaudited)

August 27, 2006 (Dollars in Cash Flows from Operating Activities: Net income \$ 143,285	 ugust 28, 2005 ands)
Cash Flows from Operating Activities:	ands)
	\$
Net income \$ 143.285	\$
	112,332
Adjustments to reconcile net income to net cash provided by (used for)	
operating activities:	
Depreciation and amortization 46,765	44,608
Gain on disposal of assets (1,127)	(5,788)
Unrealized foreign exchange gains (14,109)	(3,922)
Postretirement benefit plan curtailment gain (29,041)	-
Write-off of unamortized costs associated with early extinguishment of debt 16,051	12,473
Amortization of deferred debt issuance costs 6,765	9,098
Stock-based compensation 888	-
(Benefit) provision for doubtful accounts (1,355)	8,042
Change in operating assets and liabilities:	
Decrease in trade receivables 93,743	52,443
Increase in inventories (34,461)	(107,300)
Increase in other current assets (18,223)	(13,701)
(Increase) decrease in other non-current assets (26,839)	3,743
Decrease in accounts payable and accrued liabilities (10,639)	(130,852)
Increase in income tax liabilities 65,869	43,075
Increase (decrease) in restructuring liabilities 142	(19,587)
Decrease in accrued salaries, wages and employee benefits (37,436)	(64,956)
Decrease in long-term employee related benefits (27,600)	(37,122)
Increase (decrease) in other long-term liabilities 435	(902)
Other, net (1,616)	(366)
Net cash provided by (used for) operating activities 171,497	(98,682)
Cash Flows from Investing Activities:	
Purchases of property, plant and equipment (41,090)	(22,005)
Proceeds from sale of property, plant and equipment 1,910	11,163
Acquisition of retail stores (1,373)	-
Acquisition of Turkey minority interest -	(3,835)
Cash outflow from net investment hedges -	2,163
Net cash used for investing activities (40,553)	(12,514)
Cash Flows from Financing Activities:	
Proceeds from issuance of long-term debt 475,690	1,031,255
Repayments of long-term debt (492,269)	(979,112)
Net decrease in short-term borrowings (2,991)	(4,240)
Debt issuance costs (12,168)	(24,552)
Increase (decrease) in restricted cash1,653	(1,067)
Net cash (used for) provided by financing activities (30,085)	22,284
Effect of exchange rate changes on cash 1,520	(491)
Net increase (decrease) in cash and cash equivalents 102,379	(89,403)
Beginning cash and cash equivalents 239,584	299,596
Ending cash and cash equivalents \$ 341,963	\$ 210,193
Supplemental disclosure of cash flow information:	
Cash paid during the period for:	
Interest \$ 179,721	\$ 201,092
Income taxes 66,892	74,137
Restructuring initiatives 13,289	34,924

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