LEVI STRAUSS & CO. STATEMENT IN RESPONSE TO POTENTIAL U.S.–IMPOSED TARIFFS ON IMPORTS FROM MEXICO AND INCREASED TARIFFS ON CHINESE IMPORTS

Background

President Trump announced on Thursday, May 30, that, starting on June 10, the United States may impose a 5 percent tariff on all goods imported from Mexico and increase that tariff by 5 percent each month until it reaches 25 percent. Additionally, the U.S. government continues to increase tariffs on goods imported from China, expanding the tariffs to include apparel imports, as the U.S. and Chinese governments negotiate on trade and investment issues.

Levi Strauss & Co.'s Position

The success of Levi Strauss & Co. and other U.S. companies has been fueled in part by free trade policies that ensure U.S. consumer access to high-quality products at reasonable prices. We believe tariffs broadly hurt all U.S. consumers, workers, businesses and the overall U.S. economy.

While we oppose tariffs for these reasons, we have taken steps to help insulate our business from the negative impacts of these kinds of policies in light of the recent global policy environment; and we do not anticipate this new proposed tariff will have a material impact on our business.

Economic Impact

As we have previously disclosed, sourcing from Mexico and China combined comprises 15-20 percent of LS&Co.'s U.S. imports. Given the ongoing threat of tariffs and trade disputes, we have been proactively managing down sourcing from each of these countries over the past two years.

China

Currently, total annual China imports represent less than 8 percent of U.S. imports, and we are in the process of actively managing this down to very low-single-digits by Fiscal year 2020. We expect that the economic impact of the tariff on China imports to the U.S. will be **negligible** in Fiscal years 2019 and 2020.

Mexico

Currently, total annual Mexico imports represent approximately 8 percent of U.S. imports. If enacted, we anticipate the proposed Mexico tariffs would have a **negligible** impact in Fiscal 2019; and we are confident that we will be able to **substantially mitigate** any impact in Fiscal 2020 and beyond.

If left unmitigated (which as indicated we do not expect will be the case, given the levers we discuss below), we would anticipate the worst-case scenario to cause a 10 bps gross margin impact in Fiscal 2019 and a 50 bps gross margin impact in Fiscal 2020. The marginal impact on Fiscal 2019 is due, in part, to the fact that we are already more than halfway through the current fiscal year.

LS&Co. has a successful track record of reducing the impact of these types of disruptions, including our previous handling of the cotton crisis of several years ago and, more recently, the currency crisis.

Regarding the potential for tariffs targeting Mexico, we have several possible levers available to mitigate the impact, including:

- Cost sharing with our suppliers in Mexico;
- Moving sourcing to other markets in our supply chain;
- Raising prices to reflect the impact of the tariff; and/or
- Offsetting these increased costs with other cost-saving initiatives.

These types of strategies have served us successfully during past disruptions and did not create material negative impact from consumers or to the long-term financial health or performance of our business.

Given that we have a number of options to employ if it becomes necessary, and in consideration of the six-month lead time we have to finalize our approach to Fiscal 2020, we are confident that we will be able to **substantially mitigate** the impact of these potential tariffs to Fiscal 2020 and beyond, were they to be enacted.

While we are confident in our ability to mitigate this specific disruption – if it happens – we still believe wholeheartedly that businesses, workers, and consumers always benefit more from an open global economy and are hurt by policies such as this proposed new tariff. Tariffs are taxes paid by U.S. businesses, and consumers ultimately pay the price in the form of higher prices on consumer goods.

Forward Looking Statement

This statement contains, in addition to historical information, forward-looking statements, including statements related to sources of supply and gross margin. The company has based these forward-looking statements on its current assumptions, expectations and projections about future events. Words such as, but not limited to, "may," "believe," "will," "anticipate," "expect," "project" and similar expressions are used 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 senior management and involve a number of risks and uncertainties, including future US government policies towards trade and tariffs, which could cause actual results to differ materially from those suggested by the forward-looking statements. Investors should consider the information contained in the company's filings with the U.S. Securities and Exchange Commission (the "SEC"), including its Annual Report on Form 10-K for fiscal year 2018 and its Quarterly Report on Form 10-Q for the quarter ended February 24, 2019, 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 future results, performance or achievements. In light of these risks, uncertainties, assumptions and factors, the forward-looking events discussed in this statement may not occur. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date stated. The company is not under any obligation and does not intend to update or revise any of the forward-looking statements contained in this statement to reflect circumstances existing after the date of this statement or to reflect the occurrence of future events, even if such circumstances or future events make it clear that any expected results expressed or implied by those forward-looking statements will not be realized.