



**To : Pak Hendik Sasmito
PT Panarub Industry**

Date: July 13th, 2006

Re: Immediate Reinstatement of the 30 dismissed workers

Dear Hendrik,

As you are aware, adidas has directly intervened on several occasions in the past, where we have viewed dismissals, or threats of dismissals, to infringe trade union rights, or to be destructive to the ongoing efforts to improve industrial relations in the factory. In each case we have counselled either reinstatement, or for PT Panarub to confine its disciplinary actions to warning letters only.

In the past 8 months we have been in intensive discussions regarding the reinstatement of 30 workers who were suspended (together with 3 others, who have since been reinstated) following industrial action in late October 2005. The case was considered by the Manpower department who, to our surprise, supported the dismissal of the workers a number of whom were Perbupas trade union officials. The Manpower's decision is currently open to appeal.

We have communicated on repeated occasions – in meetings, telephone calls and emails – our support for an independent investigation that was requested by the trade union and was subsequently conducted by the Indonesian Human Right Commission (Komnas HAM). We have also communicated to you and to other stakeholders our commitment to follow the recommendations made by the Commission with respect to the dismissals, as per our letter of 20th February, 2006.

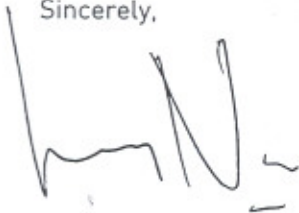
Komnas HAM's investigations concluded in April 2006 and the Commission issued its findings in a final letter dated 31st May, 2006. In that letter Komnas HAM states that insufficient evidence has been presented to justify the worker dismissals and that the dismissals breached Article 158, paragraph (1) and (2) of Manpower Act No. 13, 2003 regarding Manpower, and Article 17, and 38, paragraph (2) of Law No.39, 1999 related to Human Rights. On these grounds the decision reached by Manpower has to be called into question and despite the arguments, legal and otherwise, that you have presented on the applicability of Manpower Act No 13, 2003 we would conclude that all 30 workers should be reinstated to their former positions within the company. We have also raised our concerns with Government over the apparent inconsistencies between the Manpower's decision and the findings of the Human Rights Commission.

We are writing to restate our earlier communication to you and, as before, request that you immediately reinstate the dismissed workers. If no action is taken, we will have no other choice but to proceed to follow our enforcement policy and issue a formal warning letter. As you know, repeated refusal to comply will result in a termination of our business relationship.

adidas

Please confirm receipt of this letter, by return.

Sincerely,



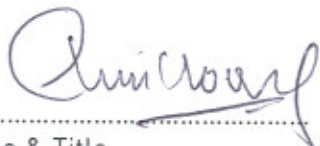
Harry Nurmansyah
Regional Manager, SEA
West Asia



William Anderson
Head of Social and Environmental Affairs
Asia Pacific

Cc:
Paul Griffiths
Duncan Scott
Kitty Potter
Steven Xie

Acknowledged Receipt by:
PT Panarub Industry



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Name & Title

Date:

Chris Lee
13 July 2006