

**EXPLANATIONS CONCERNING THE
LUXEMBOURG LAW OF JULY 23, 1991
REGARDING SUBCONTRACTING
ACTIVITIES**

This law aims to protect the SubContractor against the default in paying by the Main Contractor (i.e. PAUL WURTH). Indeed the law imposes on the Final Client (i.e. PAUL WURTH's client) to directly pay the SubContractor in bypassing the Main Contractor.

This law was introduced by the Luxembourg legislator as a reaction to two specific insolvency cases of Main Contractors in the real estate field.

The Belgian and French legislators previously introduced a similar law. Contrary to the Luxembourg law, this law only provides a direct action of the SubContractor against the Final Client in case of contracts between private companies and if there is a default in paying of the Main Contractor.

The Luxembourg law does not provide for any limitation on the applicability of this law, neither for contracts between private companies, nor for specific fields of business, nor in relation to the financial situation of the Main Contractors involved. However it gives the SubContractor the option to declare by an explicit statement, to be consigned at the bottom of the subcontracting agreement at the time of its conclusion, that the subcontracting agreement is not subject to the law of July 23, 1991 regarding the subcontracting activities.

The system of direct payment imposes additional administrative obligations to the Final Client. It seems not appropriate in the business sector of this particular contract and the financial situation of PAUL WURTH S.A. should give its subcontractors sufficient security. Thus PAUL WURTH S.A. requests its subcontractors to sign the statement set forth on the bottom of the subcontracting agreement whereby they declare that the agreement will not be subject to the abovementioned law.