

# *Why Luxembourg?*

*A prime location for doing business*



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October 2007 Edition

AMCHAM Luxembourg

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# Summary

1. Introduction: Luxembourg's **profile**
2. 9 key opportunities for **business**
3. 10 key **differentiating advantages** of Luxembourg
4. Economy and finance: a **healthy** country
5. Key players: an attractive location for **companies**
6. Corporate **taxation**: advantages offered by Luxembourg
7. Employment and labour costs: an optimal balance between **low business costs** and **high purchasing power**
8. Luxembourg: one of the best **quality-of-life** locations in the world
9. Main **challenges** for Luxembourg's future
10. A great **competitive location** for business
11. Conclusion: 10 key advantages for **doing business** in Luxembourg

**1<sup>st</sup> for growth environment**

Goldman Sachs, Economic Research 2005

**1<sup>st</sup> for GDI**

(gender-related development index)  
World report on Human Development Index 2006

***Least risky place to do business***

World Markets Research Centre 2005

**1st for economic globalization**

KOF Index of Economic Globalization, 2007

**1<sup>st</sup> GDP per capita**

United Nation 2006

**8<sup>th</sup> for economic freedom**

The Heritage Foundation & The Wall Street Journal 2007

**1<sup>st</sup> for personal safety and security**

Mercer Consulting 2005

**4<sup>th</sup> for global competitiveness**

IMD World Competitiveness 2007

PricewaterhouseCoopers

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Introduction

## Luxembourg's profile



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## Introduction

# The Grand Duchy and its neighbours



- One of the smallest of the 27 European Union countries
- Total area of 2,586 km<sup>2</sup> (nearly 1,000 square miles)
- 476,200 inhabitants  
2055 forecast: 650,000 inhabitants
- Borders with **Belgium** on the West and the North, with **Germany** on the East and with **France** on the South
- Center of the **Greater Region**

Source: Statec 2007

## Introduction

### Once upon a time...

- Written history of « Lucilinburhuc » starts around 960
- Part of Spain, UK, France, Prussia, Austria over the centuries
- One of the most heavily fortified European cities: « Gibraltar of the North »
- Elevated to the status of Grand Duchy in 1815 and given to the King of Holland as « personal property »
- Full independence in 1867 (Treaty of London)
- UNESCO World Heritage site for its fortifications
- Occupied by Germany in both World Wars
- Founder member of the European Union



## Introduction

### Grand Duke Henri, since October 2000



Grand Duke Henri



Jean-Claude Juncker

- Luxembourg is a **constitutional monarchy**
- The **Monarch** (Grand Duke Henri) is head of state since the abdication of his father, Jean, in 2000
- The **Prime Minister** (Jean-Claude Juncker) is head of government and is **chairman of the Euro-Group**, 2004-2007 (Finance Ministers of Euro currency zone)
- The Chamber of Deputies is a **unicameral body** with 60 seats and is elected by a system of **proportional representation** for a five-year term
- Following the 2004 elections, the coalition is formed by the Christian Social party (CSV) and the Socialists (LSAP)
- The next elections will be held in 2009

## Introduction

# Lëtzebuerg as e schèint Land ...



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- **French** and **German** are the official languages for legislative and governmental purposes
- The national, since 1984, and the everyday spoken language is **Luxembourgish** (Lëtzebuergesch), a Moselle-Frankish dialect
- **Reputation for multilingualism:** many people converse fluently in French, German and English

## Introduction

« *We want to remain what we are* »

« *Mir wëlle bleiwe wat mir sin* »

This motto shows that Luxembourg aims to reconcile **international integration** with its citizens' **independent character**



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## Introduction

### Europe: the way to the future ...

- Entered into the Benelux Customs Union in 1944
- Joined NATO in 1945
- 1952 : Luxembourg was the host to the first European institution, the European Coal and Steel Community, whose initiator, Robert Schuman was born in Luxembourg
- One of the six founding countries of the European Economic Community in 1957



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## Introduction

### Europe: the way to the future ...

- Met all EMU convergence criteria (the only one) and joined the euro currency area on January 1, 1999
- Presidency of the EU from January 2005 – June 2005
- The **Legal and Financial operations of the European Union** are headquartered in Luxembourg with more than 10,000 employees:
  - EU Commission (Publications Office, Eurostat, etc.) 3,500 officials
  - Secretariat of the European Parliament 2,500 officials
  - European Courts of Justice 1,700 officials
  - European Investment Bank 1,300 officials
  - European Court of Auditors 760 officials
  - European Translation Agency 175 officials

## Introduction

# Greater Region: major assets



- Lorraine, Luxembourg, Saarland, Wallonia and Rheinland Pfalz are part of the Greater Region
- Perfectly sited in the middle of the area of most important economic development in Europe (Blue Banana)
- Half of old Europe's GDP is produced in the area lying within the Blue Banana
- With their shared historical heritage and common culture, Greater Region inhabitants have a genuine international spirit and are mostly multilingual and highly mobile

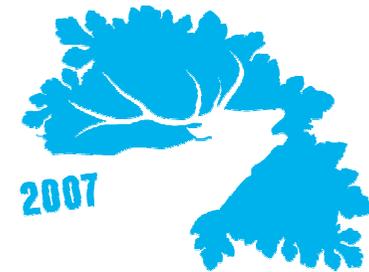
## Introduction

# Luxembourg and Greater Region: European Capital of Culture 2007

Luxembourg was named “European Capital of Culture” with an unique partnership with Sibiu/Hermannstadt, a dynamic Romanian city in the heart of Transylvania

### Two objectives :

- Reaching beyond borders
- Daring to take on the unexpected



More than 500 projects in an 11,3 million inhabitant - area  
A unique melting-pot of culture and cultures

**LUXEMBOURG AND GREATER REGION**  
**EUROPEAN CAPITAL OF CULTURE 2007**

## Introduction

# Luxembourg and Greater Region: beyond borders

## Luxembourg:

*The heart of a wealthy 11,3 million people consumer market*

- Land Area: 65 400 km<sup>2</sup>
- Population: 11,3 million people
- 166,000 cross-border workers of which 132,000 towards Luxembourg

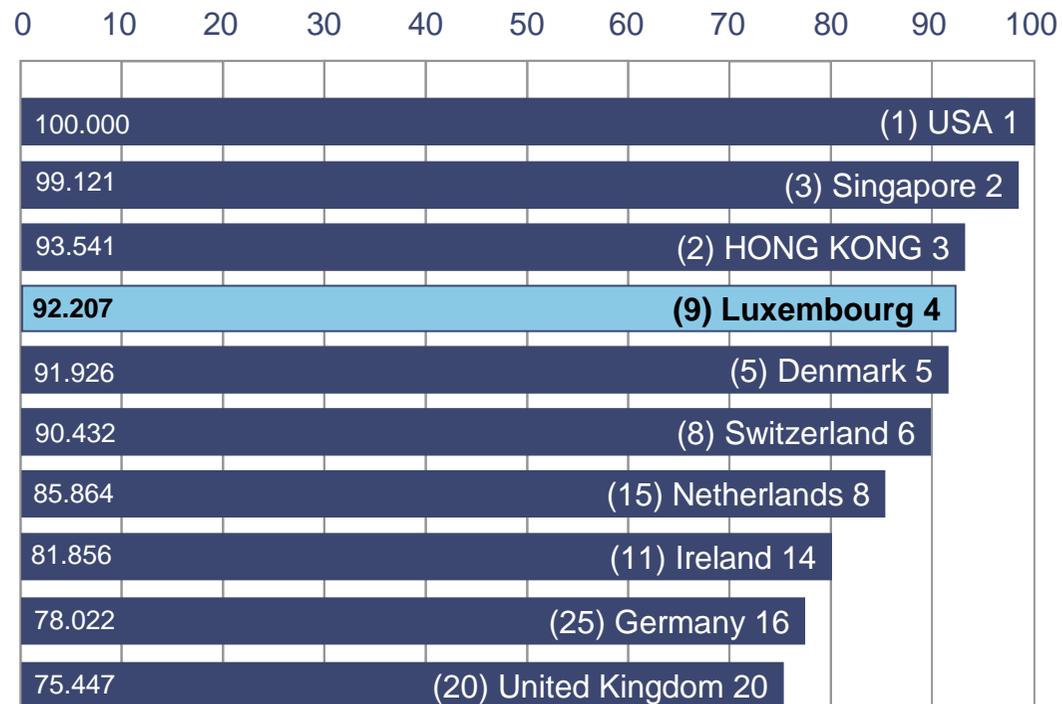


Source: Portail statistique de la Grande Région 2006, Statec 2007

## Introduction

# Luxembourg's competitiveness

## 2007 Global ranking



( ) : ranking 2006

Thanks to an increase in :

- Government efficiency
- Business efficiency
- Infrastructure

Source: The World Competitiveness Scoreboard – IMD – 2007

# Luxembourg's competitiveness

## The Competitive landscape – Luxembourg vs US rankings



## 2. 9 opportunities for business

### Find out more about Luxembourg's business opportunities

*"In Luxembourg we can count on quick and non-bureaucratic Government support for any business-related needs and on well-educated and motivated employees displaying great language and technical skills."*

**FANUC Robotics Europe S.A.**

The logo for FANUC Robotics, featuring the word "FANUC" in a bold, red, sans-serif font above the word "ROBOTICS" in a smaller, black, sans-serif font.

*"Delphi Luxembourg can service customers in many European countries because of its central geographical location in Europe, neutral position regarding our customer base and multilingual, multinational and multicultural environment. Luxembourg is known for its social peace, attractive fiscal and social environment for both employees and employers."*

**DELPHI AUTOMOTIVE Systems**

The logo for Delphi, consisting of the word "DELPHI" in a bold, black, sans-serif font.

*"The Grand Duchy of Luxembourg is an attractive location for international business, because it can offer an experienced and dedicated workforce with broad language skills. In addition, the social environment is remarkably stable, and administrations and the Government are supportive to the business."*

**GOODYEAR Luxembourg**

The logo for Goodyear, featuring the word "GOODYEAR" in a bold, yellow, sans-serif font with a red lightning bolt graphic integrated into the letter "Y".

9 opportunities for business

## A prime location for automotive industry

*At the **crossroads** between Germany, France and Belgium, Luxembourg offers excellent **location** to reach main **suppliers** and **customers** in Europe*



- Nearly 8,000 employees on 30 sites
- These players deliver their products to over 70 plants within a range of 600 kilometers
- Car manufacturers and assembly lines in Germany, France, Belgium, the Netherlands and the UK can be supplied from Luxembourg in the same day delivery basis
- A variety of services have been developed around this sector: certification and approval of vehicles, R&D and innovation...

## 9 opportunities for business

### A prime location for e-business, ITC and broadcasting players

- Various e-business global players decided to set up their activities, or even their headquarters in the Grand-Duchy:



- They enjoy significant advantages:
  - Central situation in Europe
  - Supportive business climate
  - Multilingual resources
  - Efficient and fast administrative channels
  - Interesting fiscal opportunities

## 9 opportunities for business

### A prime location for logistics players and retail companies

*Eurohub Luxembourg : logistics players and consumer goods producers enjoy a lot of advantages:*

- Central situation in Europe
- Direct access to major consumer markets, with over 90 destinations: China, USA, Israel, South America...
- A wealthy population within an accessible perimeter
- At the heart of an excellent communication network
- Multilingual workforce
- Attractive fiscal context (e.g. the possibility to import non-EU goods without the requirement to prefinance import VAT)



Source : C&W, European Distribution Report 2006

9 opportunities for business

A prime location for medical biotechnologies and health industry

### **A health sciences and technologies hub under development**

- Biotechnology development is one of governments key priorities
- 11 universities and 14,000 medical students, high profile biomedical research institutes and international research consortia
- Big pharma players such as Boehringer, Abbot or Biogen and over 300 SMEs in distribution, medical devices and pharma
- Infrastructure support in IP management, seed funding, logistics and industry collaborations
- International clinical trial network



9 opportunities for business

## A prime location for banking

- **157** banks of which 90% are foreigners, with more than **17 nationalities**
- **25,404** employees in the banking sector in June 2007
- Total balance sheet of banks: **€876,222 million** (as at May 2007)
- Centre of excellence for **Private Banking** and **Investment Management**
- **Innovative** financial centre within the European landscape with **new** international **solutions**: securitisation, SICARs, real estate vehicles, pension funds
- Favourable **regulatory environment**

9 opportunities for business

## A prime location for investment funds

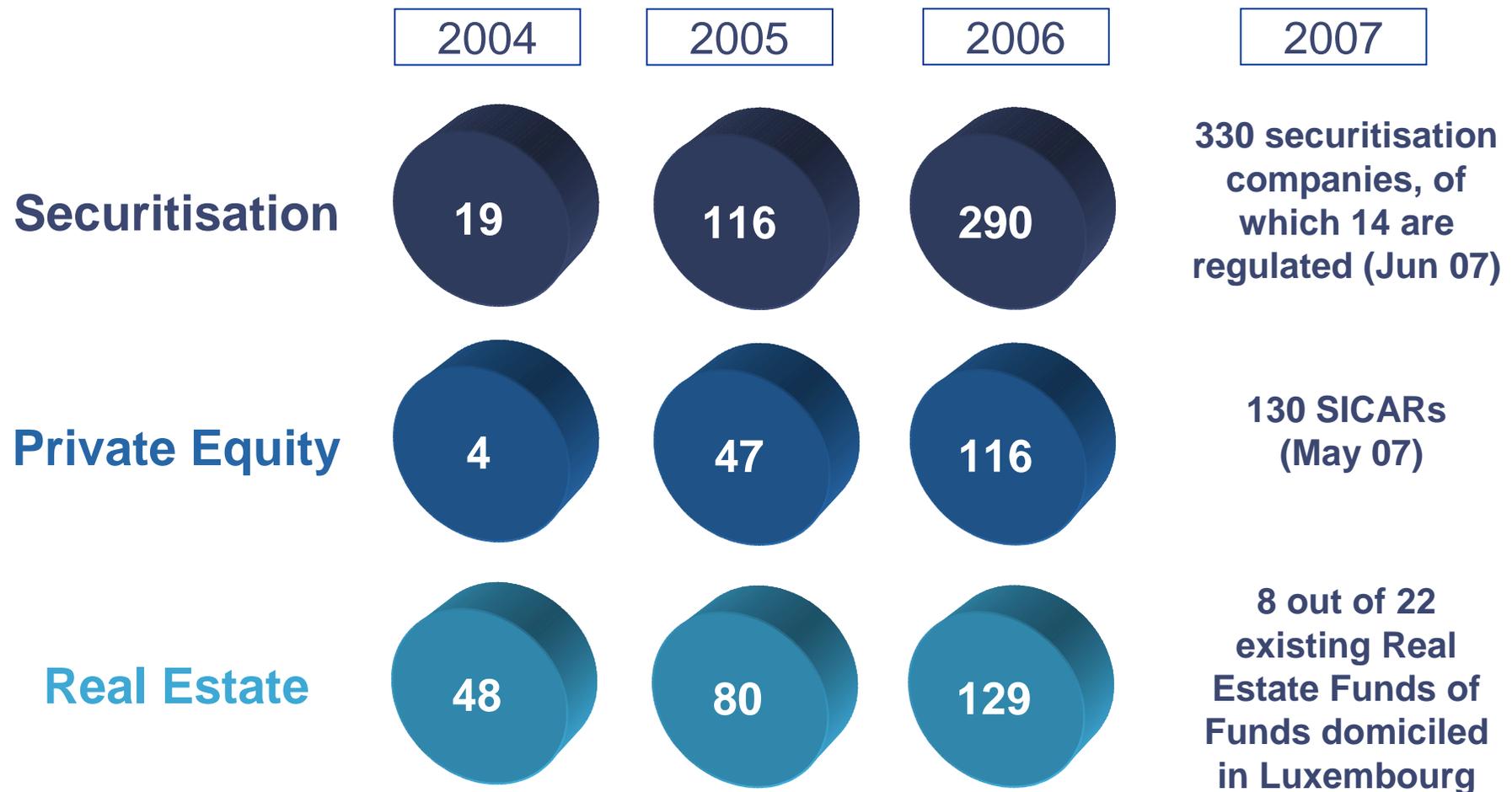
- 2<sup>nd</sup> largest global leader for domiciled funds behind the United States
- 9,900 compartments of UCIs in May 2007
- The total amount of assets under management rose above €2 trillion, i.e. 24.4% of the European investment funds industry
- +21% growth in AuM between 2005 and 2006
- Luxembourg accounts for 67.6% of European UCITS net sales in 2006

## Luxembourg as a hedge fund centre

- Luxembourg accounts for more than 10% of global assets
- 477 hedge funds units under administration in Luxembourg end-2006 (361 in June 2006)
- AuM in hedge funds: €68 billion in December 2006

9 opportunities for business

## A prime location for structured products



Source: CSSF, Mémorial, Fitzrovia, Inrev

9 opportunities for business

## A prime location for listings



*Over the years, the Luxembourg Stock Exchange has consolidated its predominant role in the **international bond** and **investment fund** markets*

- 4,100 issuers coming from about 100 countries
- More than 39,800 quotation lines and 10,544 new listings in 2006
- 28,625 debt securities listed
- 59% of international bonds listed in Europe are listed in Luxembourg
- 511 issuers from 15 different countries list 6,887 lines of UCIs

Source: PwC publication Luxembourg Stock Exchange: a prime location for listing – 2006

Available on [PwC Luxembourg website](http://www.pwc.com/lu) ([www.pwc.com/lu](http://www.pwc.com/lu))

9 opportunities for business

## A prime location for insurance and reinsurance industry

### Assurance

- In 2006, life and non-life premiums grew by **17 %** and reached **€ 13 billion**
- A strong presence on the « international life » : **+ 18.9% of premiums in 2006**
- **3,170** employees in the **insurance** sector in Luxembourg

### Reinsurance

- **262 reinsurance** companies (90 % of foreign companies)
- The positive net result reached **€ 163 Million in 2006**

### 3. 10 KEY DIFFERENTIATING FACTORS

*“Luxembourg is an extraordinary place for doing business. The government understands exactly the importance of a close cooperation between private and public sectors as well as the advantages of an open market economy”*

**GUARDIAN INDUSTRIES CORP** 25 September 2004

*“There is a business friendly environment here with sympathetic regulators and the ability to have a good dialogue with politicians. And our financial backers are here”*

**SKYPE**, March 2005



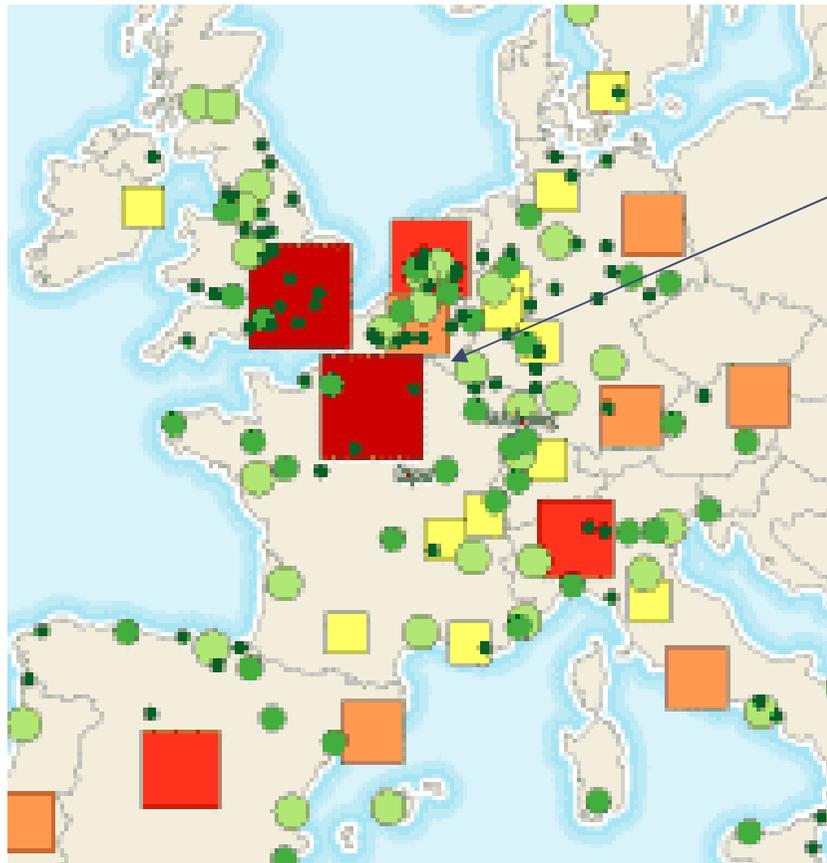
*“In addition, given the scale of the development potential that Luxembourg offers the high-tech industry in Europe, Microsoft will base its e-commerce operations in Luxembourg. Luxembourg’s selling points are: the grand- ducal platform, with its state- of- the- art infrastructure, the presence of major players of the media, telecommunications and information technology sectors, its breeding ground for cutting edge skills that extends to neighbouring areas, a suitable legislative and regulatory framework combined with competent authorities which are prompt to act and respond. All these elements led Microsoft to make this choice of strategic implementation, which will continue to be developed in the future”*

**MICROSOFT**, 2 December 2003

## Ten key differentiating factors

### 1. A highly strategic position

Right in the middle of a 470 million people consumer market



Luxembourg

Luxembourg's location allows direct access to the EU and to the most important European cities: Paris, London, Amsterdam, Brussels, Berlin, Zurich, Milan, Geneva...

Ten key differentiating factors

## 2. A neutral place

### Multinationals that have chosen Luxembourg

*Top international providers – based on number of employees (Statec)*

- Industry



- Telecommunications



- Transports & Logistics



- Financial Services

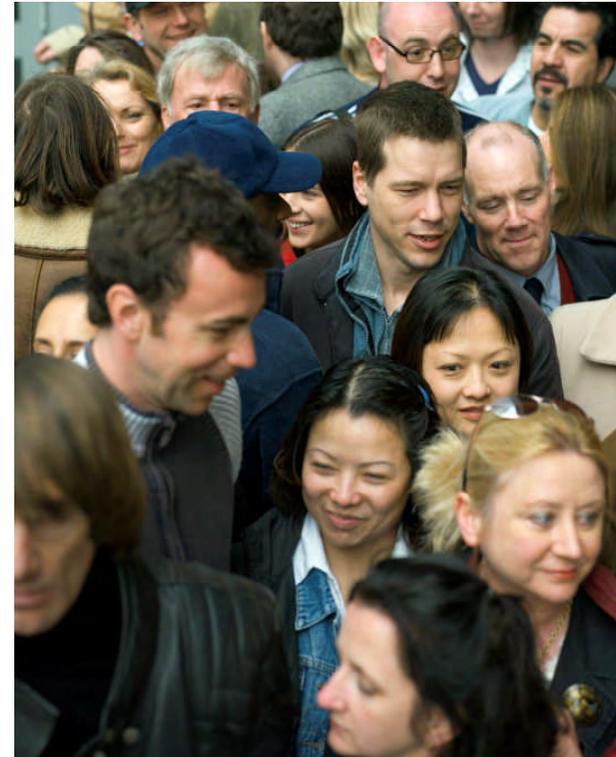


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Ten key differentiating factors

### 3. A very welcoming and safe country

- Luxembourg ranks as the **world's top city for Personal Safety and Security** in 2005. The city scores 122,5 followed by Helsinki, Bern, Geneva and Zurich
- Luxembourg belongs to the top cities in terms of **quality of living** and ranks 18 out of 215 cities in 2005, 2006 and 2007
- Luxembourg, **second best place in the world in terms of lifestyle and facilities for expatriates in 2006**



Source: Mercer Human Resources Consulting, 2005 & 2006, ECA international 2006

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Ten key differentiating factors

## 4. A wealthy country

- **Growth of GDP:**

  - +4% in 2005

  - +6.2% in 2006

  - +6.2% in 2007 (Q1)

- **Stable inflation rate:** +2.5% on the 2006-2008 period

- **Low unemployment rate:** 4.4% (august 2007)

- **High standard of living:** Average income = €3,726/month

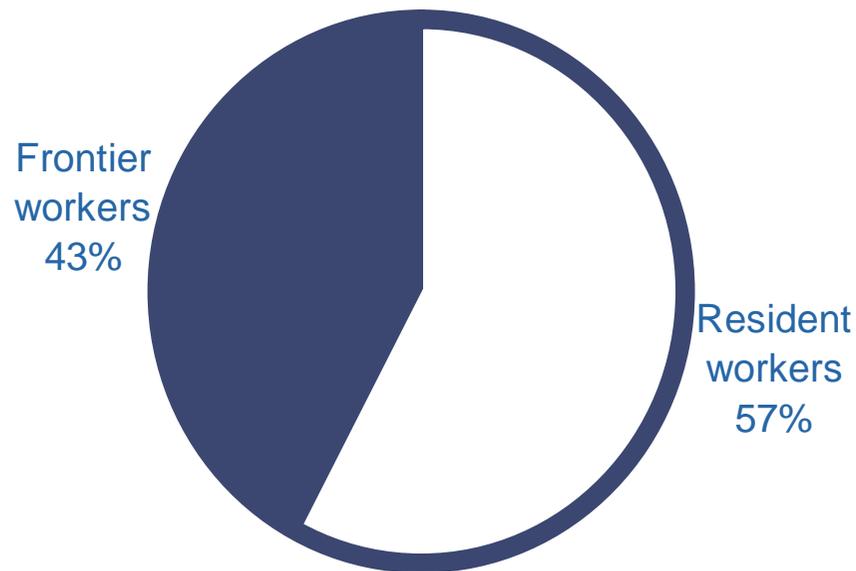
Minimum gross salary per month (adult): €1,570

Ten key differentiating factors

## 5. A skilled multicultural workforce

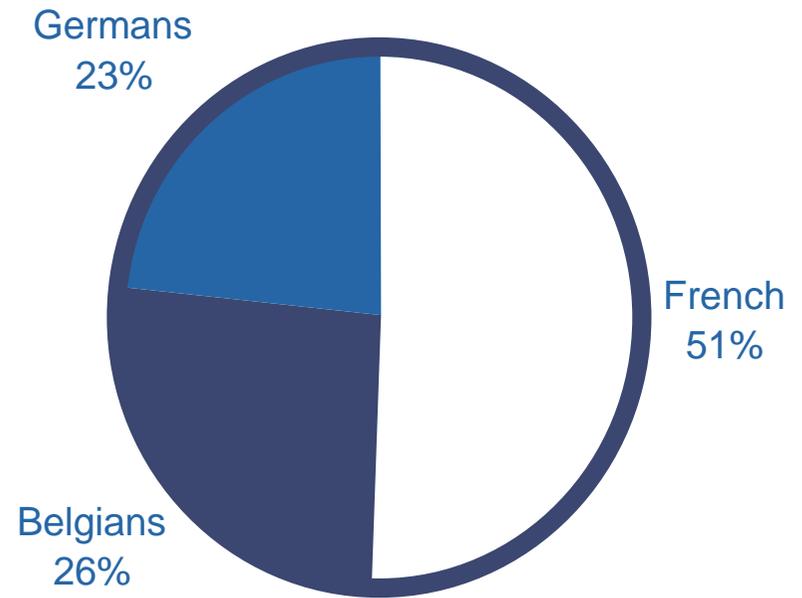
### Who Works in Luxembourg?

Total : 309,405 employees



### Who Commutes Everyday?

Total : 131,623 people



Source : Statec, 2007

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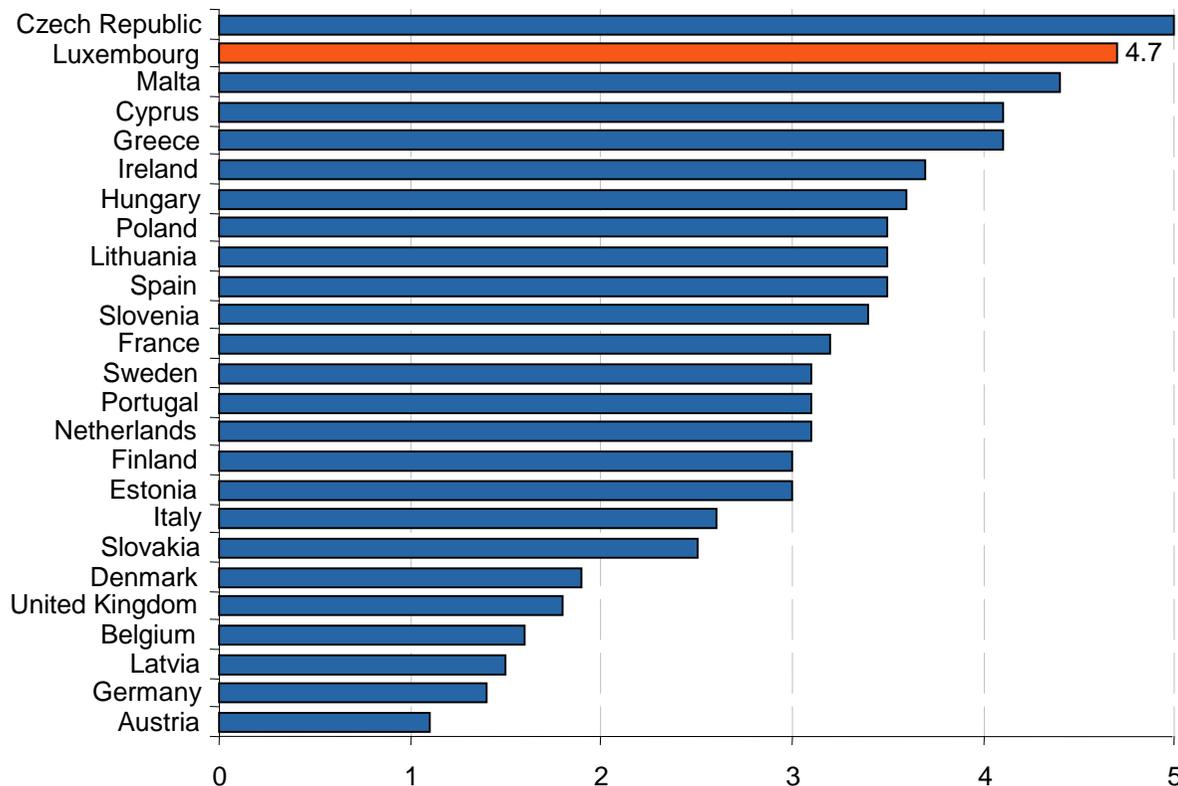
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## Ten key differentiating factors

### 6. Excellent basic infrastructure (1/2)

#### High public investment in public infrastructure (in % of GDP)



- Public investments allow Luxembourg to create infrastructures which are necessary for economic growth

- They help companies to stay competitive

Source: Eurostat, 2006 – data of 2004

Ten key differentiating factors

## 6. Excellent basic infrastructure (2/2)

*In Luxembourg and its neighbourhood you will find:*

- 11 universities, 40 elite university colleges, european and international schools (12 language sections)
- 10 world-renowned research centres
- Around 93 golf courses in the Greater Region



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## Ten key differentiating factors

### 7. Top level financial and multinational IT clusters

- Excellent financial network: **157 banks**
- Luxembourg is the leader of the European Fund Business with 24.4 % of **European funds** domiciled in Luxembourg
- Innovative **investment products**: securitisation, real estate...



- Strong **IT and communication providers**:

- AMAZON
- AOL
- SES Global
- SKYPE
- iTunes
- Vodafone (as at 2008)

## Ten key differentiating factors

### 8. A good logistical network (1/2)



Since June 2007, TGV offers new opportunities from Luxembourg

- Strasbourg : 1h30
- Lille : 2h30
- Paris : 2h15



About 1 hour away by plane

- Paris
- Amsterdam
- Munich
- Zurich
- Lyon
- London
- Frankfurt
- Milan

Ten key differentiating factors

## 8. A good logistical network (2/2)

- **Luxembourg Airport** : More than 1,151,440 passengers in 2006
- **Road-rail transport** : unique railway service that permits intermodal transport without unloading
- **Cargo handling** : 806.000 tons handled
- **Direct airfreight lines** : to 90 destinations:  
China, Israel, USA, South America...
- **Cargolux** : 5<sup>th</sup> European Cargo Carrier & 1st European Air Cargo Hub  
« *Cargo Airline of the year 2005* », Air Transport World Magazine

Ten key differentiating factors

## 9. Flexible and welcoming Authorities

- A **small** country
- Officials easily **contactable**
- **Open** approach adopted by the Authorities
- Readiness for **dialogue** and quick **decision making** process

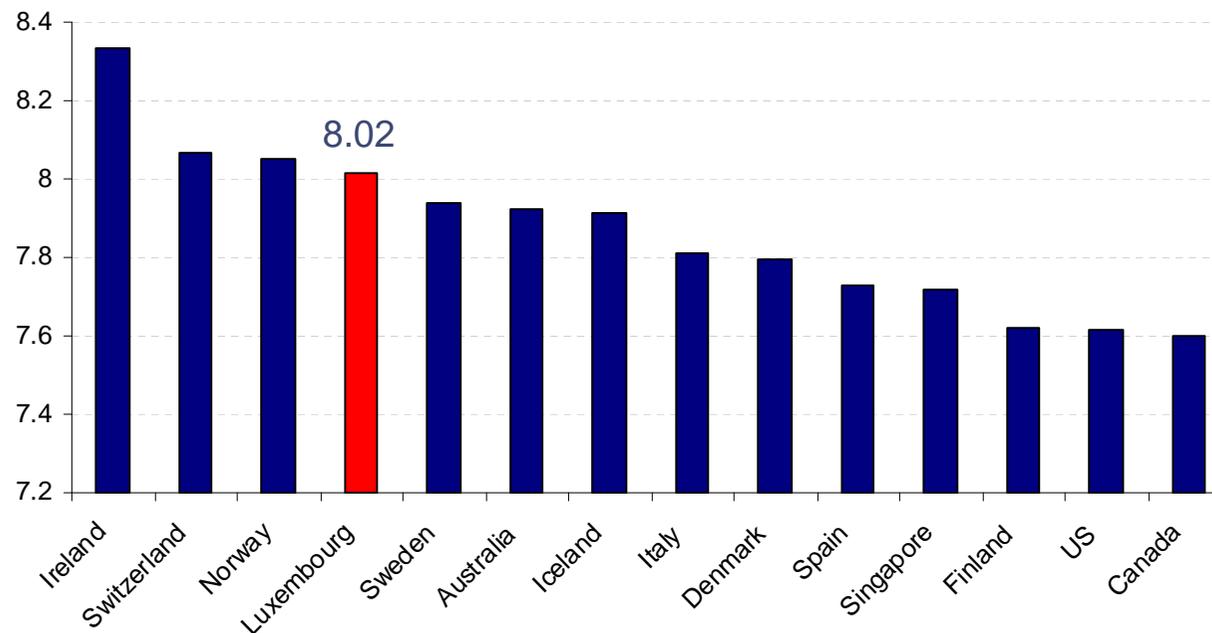
**Result:** potential problems can be discussed with ease and decisions taken within a short time-frame

Ten key differentiating factors

## 10. An attractive life style

- **Luxembourg belongs to the top cities in terms of quality of living and ranks 18 out of 215 cities in 2005, 2006 and 2007** (Mercer Human Resources Consulting)

Worldwide quality-of-life index



## 4. ECONOMY AND FINANCE

Luxembourg: a healthy country

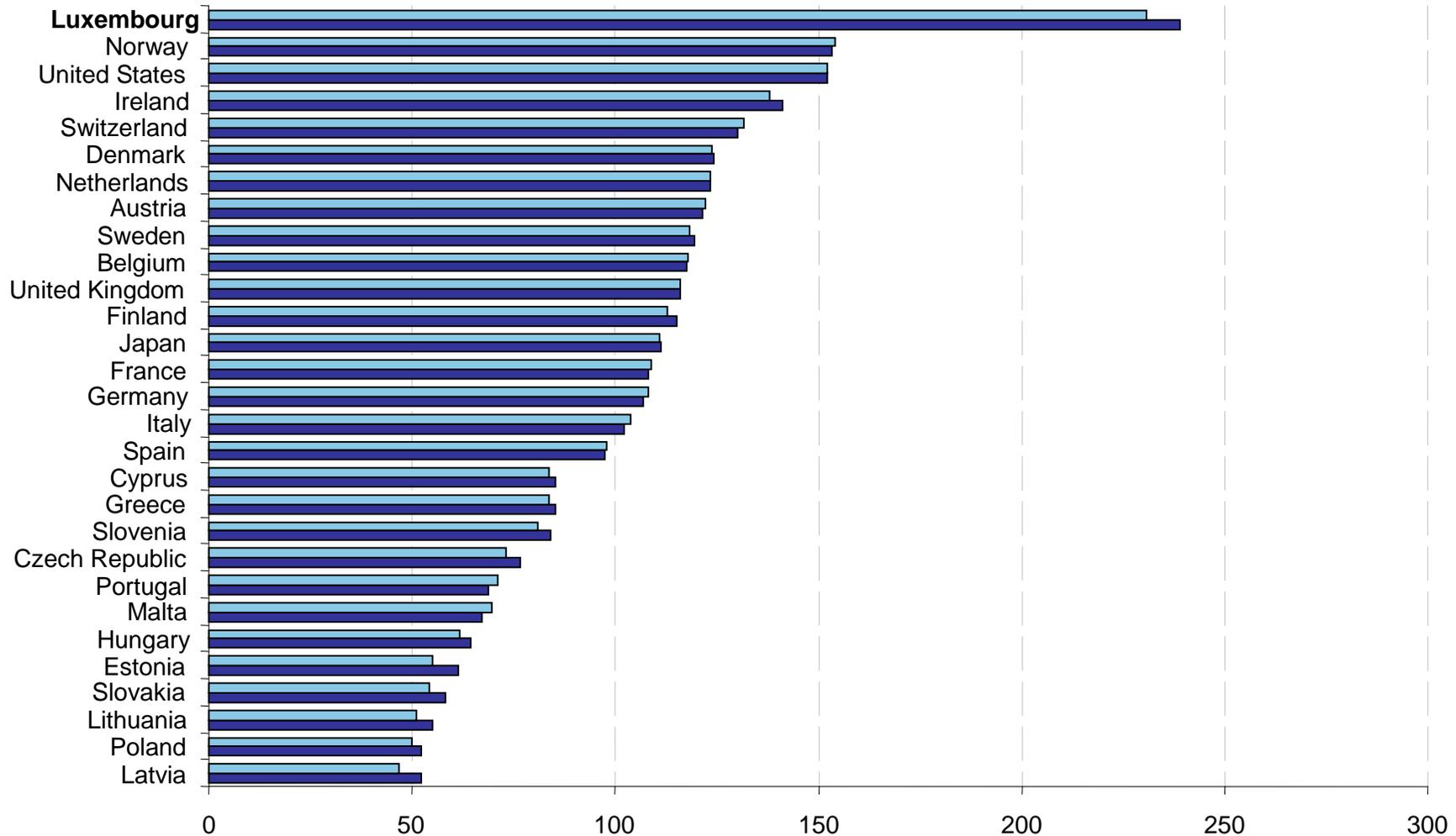


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## Economy and finance

# Current and expected standard of living

## GDP at market prices per inhabitant in Purchasing Power Standards



Source : Eurostat 2006 (based on EU25 = 100)

■ 2007 ■ 2005

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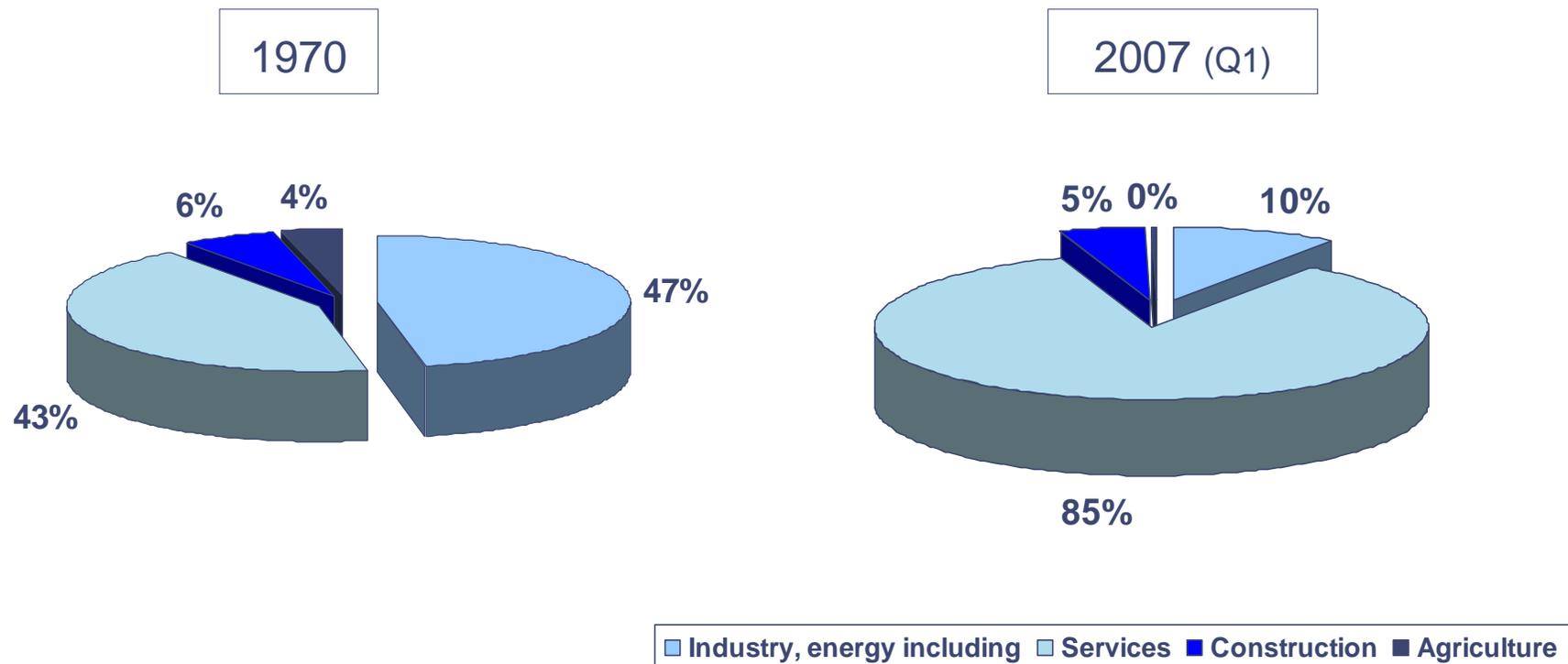
## Industrial development in Luxembourg

### **Luxembourg's industrial production grew by 6.2 % in 2006**

- Until recently dominated by steel which fell from 60% of GDP contribution in 70s to 20% in 2000
- Efforts to diversify the industrial structure started in the early 1950s
- Chemicals, rubber, plastics and high-tech industries have developed into a second major industrial focus alongside steel
- Media, global satellite and films are important and thriving new industries

## Structure of the economy

### Move from an Industry based to a Service based economy (in % of GDP)

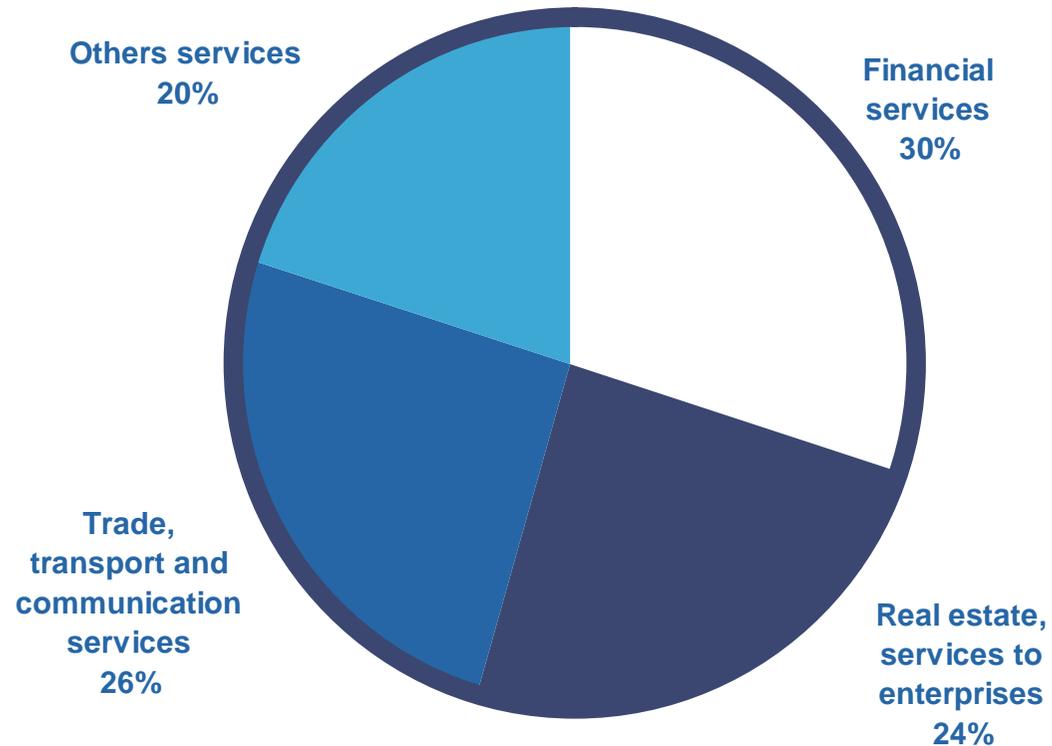


Source : Statec - 2007

## Economy and finance

### Focus on services

Structure of the services sector in 2007 (Q1)  
(% of gross added value)



Source : Statec - 2007

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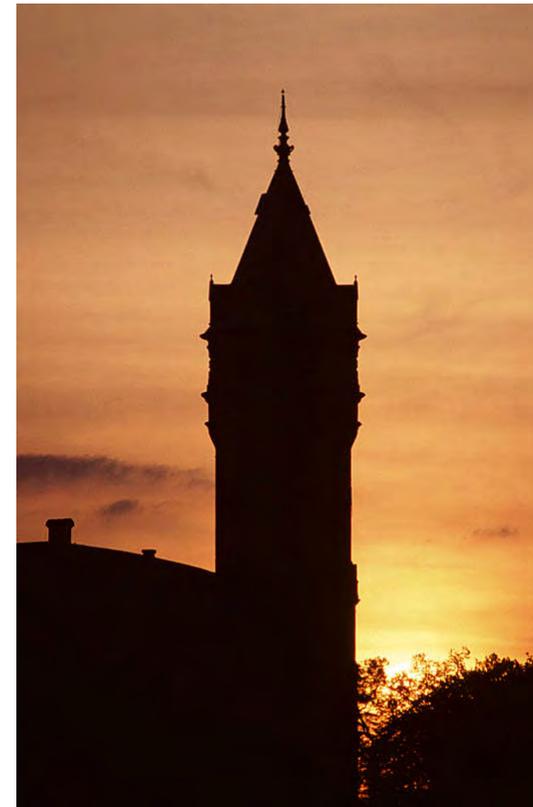
## The competitive position of Luxembourg as a global financial centre

### External positions of banks in USD billions

1	United Kingdom	4,970.7
2	Germany	2,588.0
3	USA	2,184.2
4	France	2,031.2
5	Japan	1,845.8
6	Cayman Islands	1,498.1
7	Switzerland	1,130.6
8	Netherlands	941.8
<b>9</b>	<b>Luxembourg</b>	<b>871.6</b>
10	Belgium	788.3
11	Ireland	722.2

## Banking in Luxembourg: keys to success

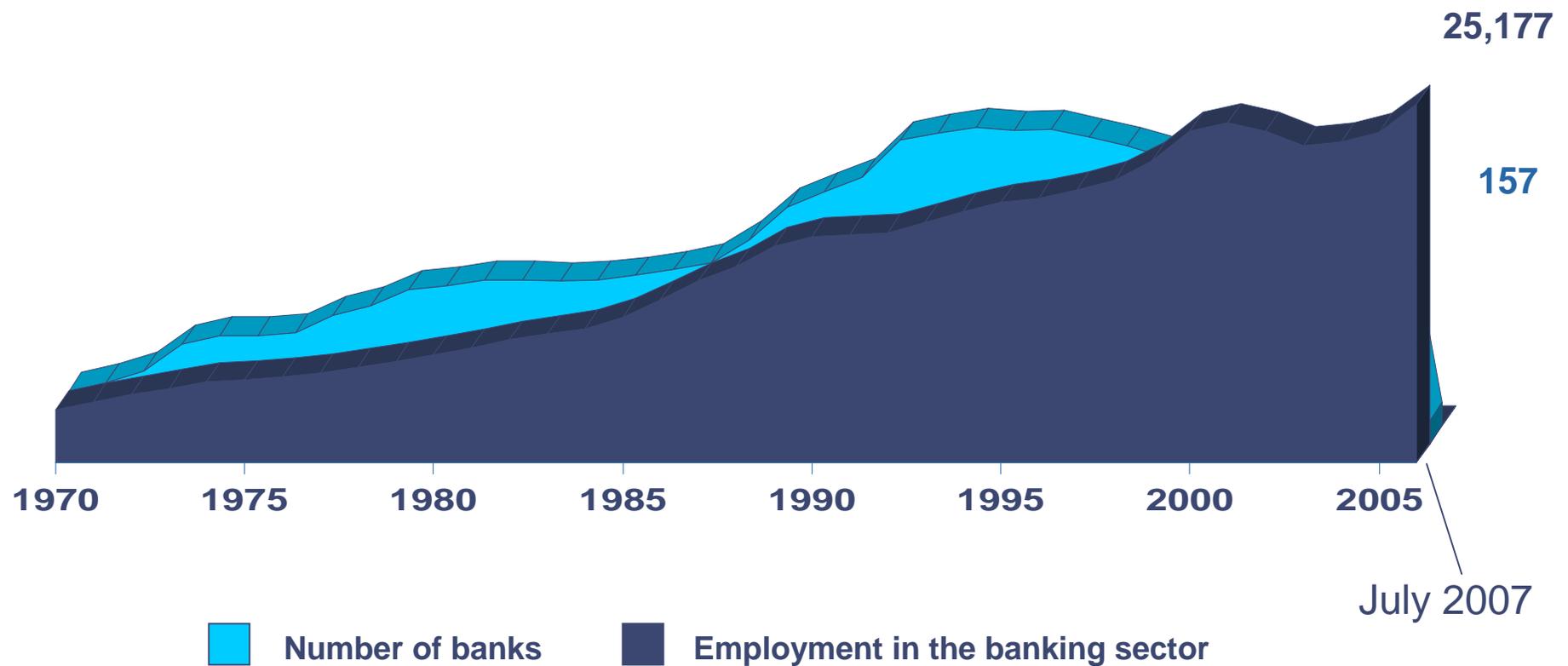
- Liberal legislative environment
- Political and economic stability
- Statutory banking confidentiality
- Competitive fiscal framework
- Professional expertise
- Multilingual staff



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# Economy and finance

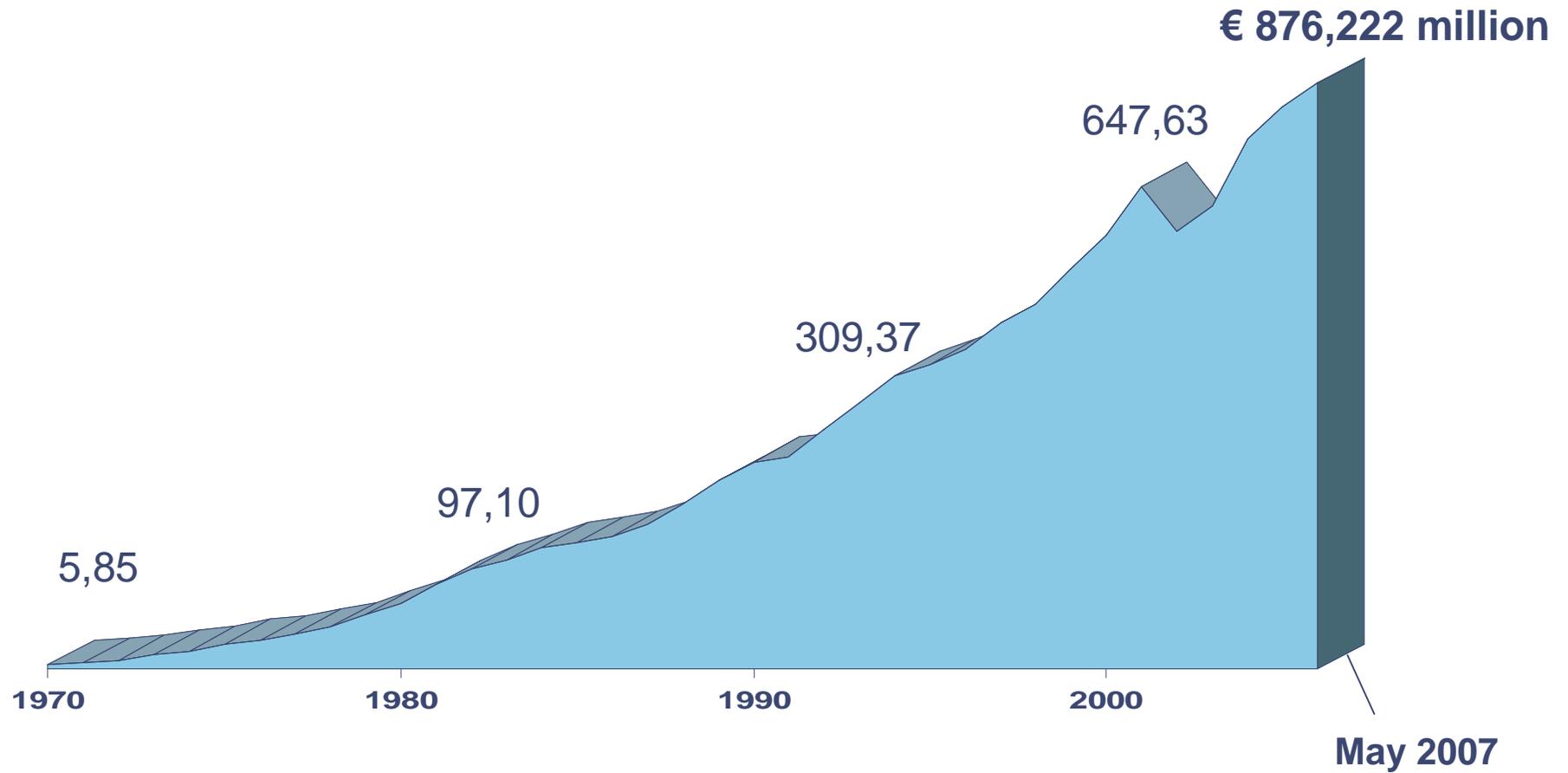
## Banks: history of growth



Source: ABBL/BCL, December 2006

## Economy and finance

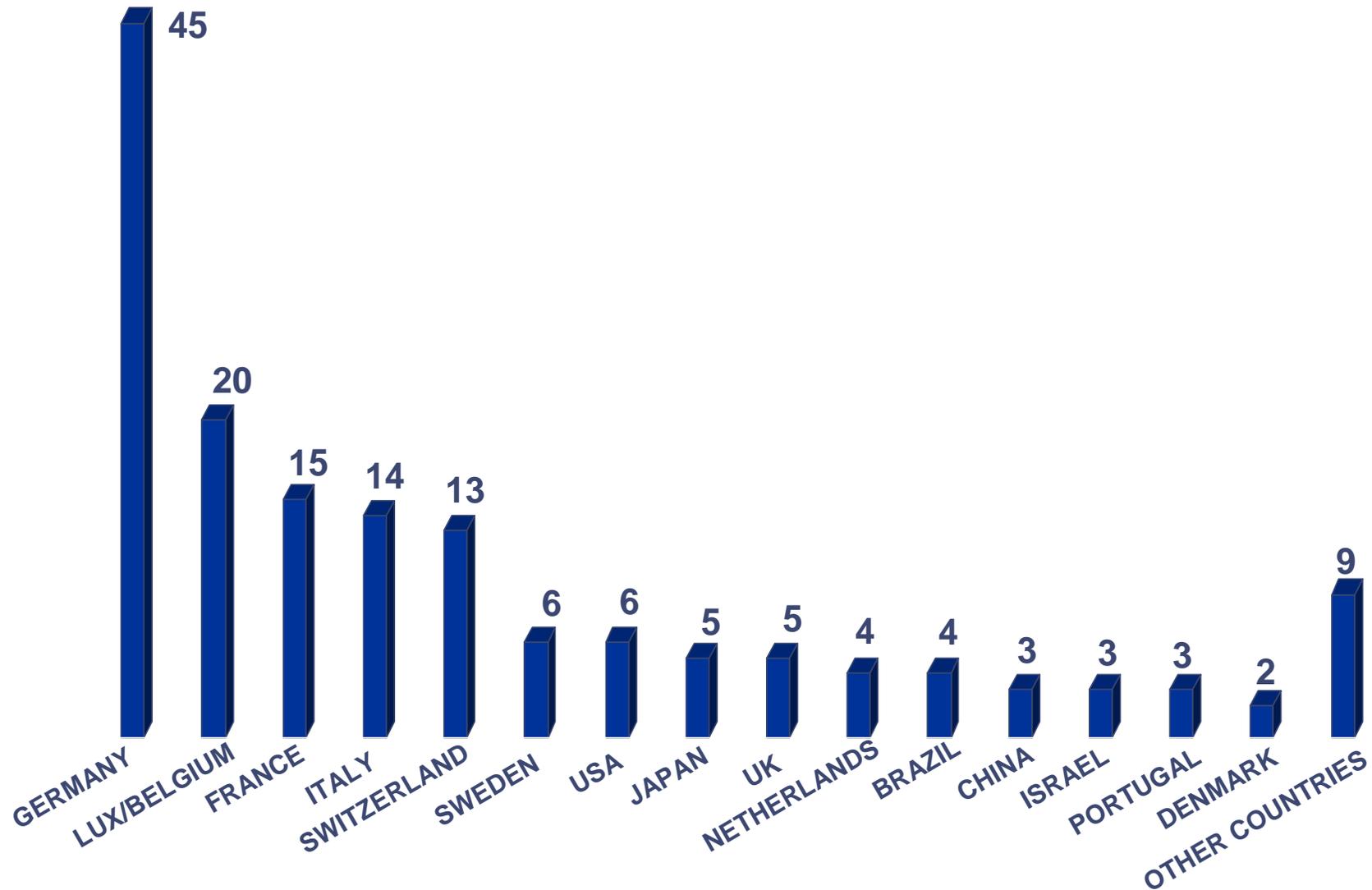
# Balance sheet of Luxembourg banks



Source: CSSF, July 2007

## Economy and finance

### Origin of banks in Luxembourg



Source: CSSF – May 2007

## A first class reputation in the fund industry

- First country to transpose the European directive 611/85/EEC in March 1988
- Second fund domicile in the world behind the United States
- Major trends are :
  - Globalisation of the world's economies and capital markets
  - Convergence and concentration in the financial services industry
  - Changing regulatory climate and customer needs
  - Technological advances

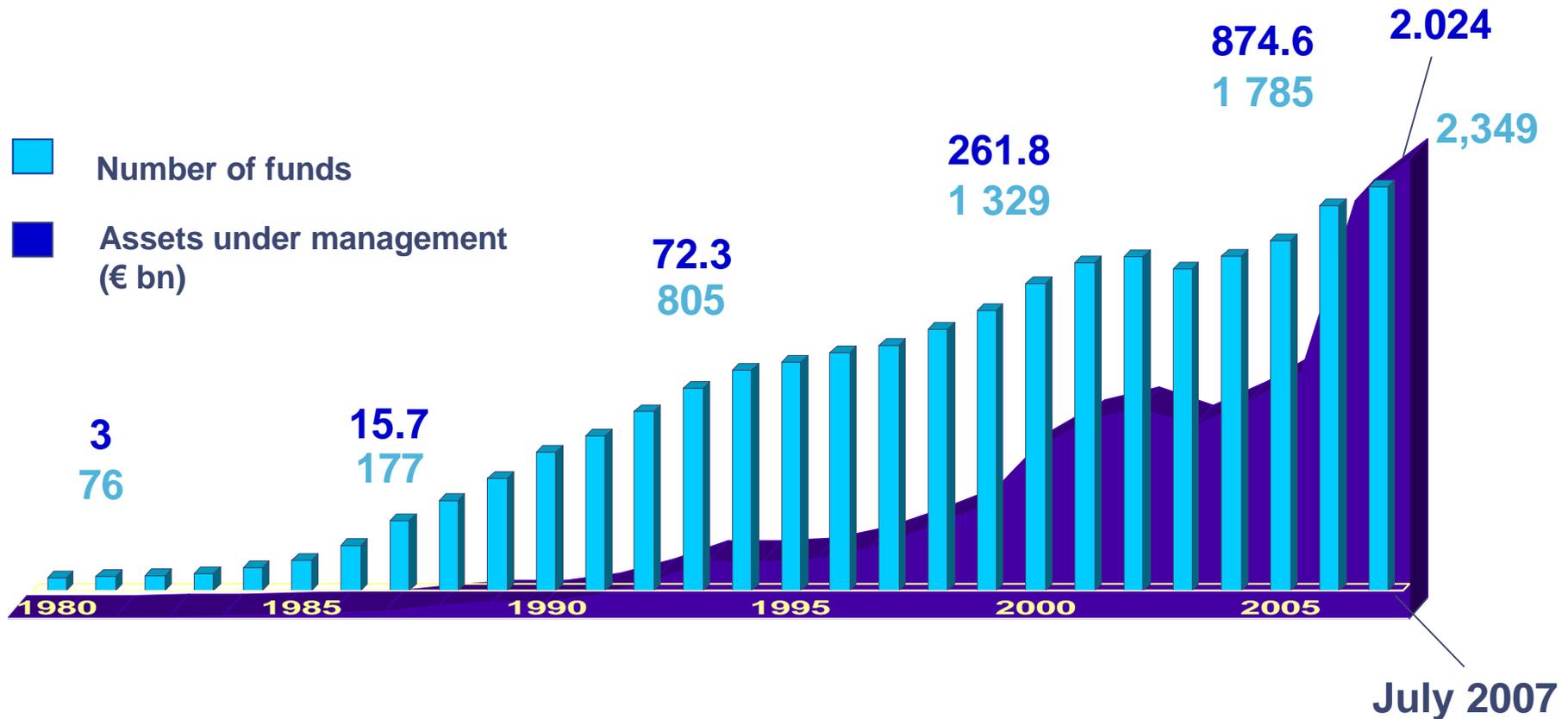
## A prime location within the European investment funds market

### Ucits and Non-Ucits net assets by country of domiciliation

<b>Luxembourg</b>	<b>1,844,850</b>	<b>24.40%</b>	Netherlands	101,793	1.30%
France	1,494,400	19.70%	Finland	60,932	0.80%
Germany	1,017,699	13.40%	Norway	41,052	0.54%
UK	776,650	10.30%	Portugal	38,895	0.51%
Ireland	717,718	9.50%	Poland	25,800	0.34%
Italy	383,435	5.10%	Greece	24,822	0.33%
Spain	287,793	3.80%	Liechtenstein	14,920	0.20%
Austria	168,876	2.20%	Turkey	13,430	0.18%
Switzerland	151,668	2.00%	Hungary	9,040	0.12%
Sweden	140,835	1.90%	Czech Republic	5,693	0.08%
Belgium	127,920	1.70%	Slovakia	3,073	0.04%
Denmark	122,565	1.60%	<b>TOTAL</b>	<b>7,573,859</b>	<b>100.00%</b>

## Growth in the number and volume of funds

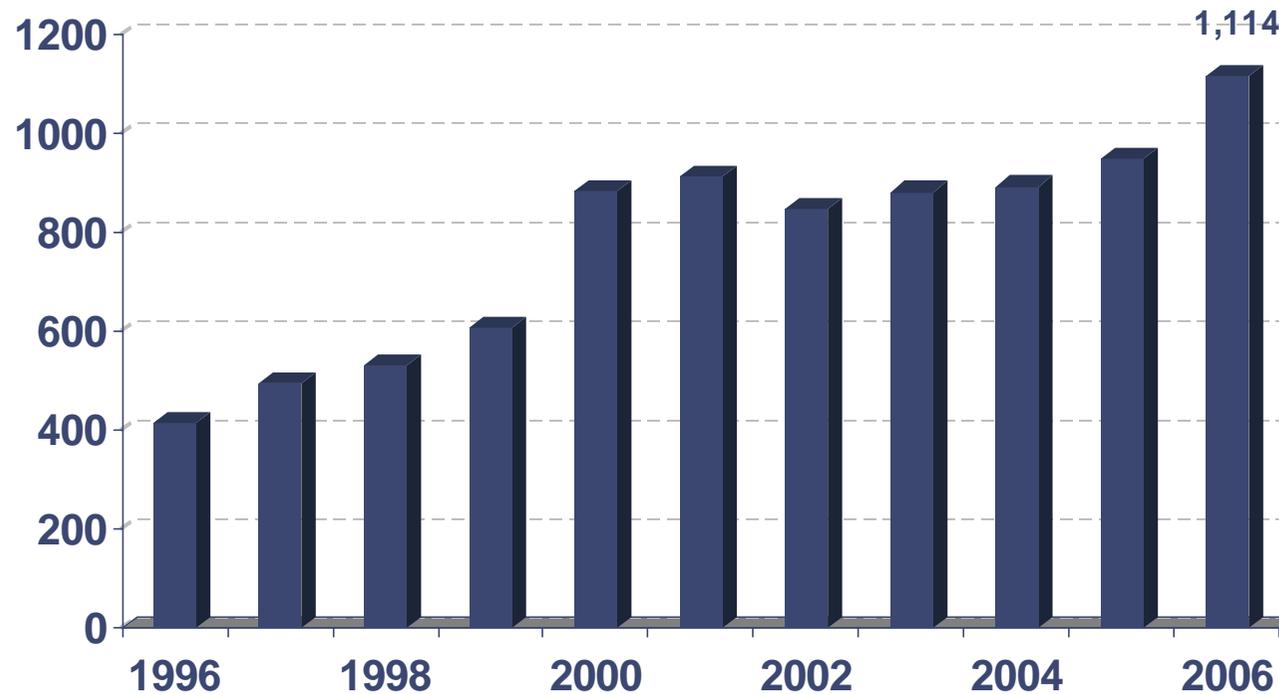
The record of €2 trillion assets under management surpassed



Source: CSSF - July 2007

## Presence of US fund promoters in Luxembourg

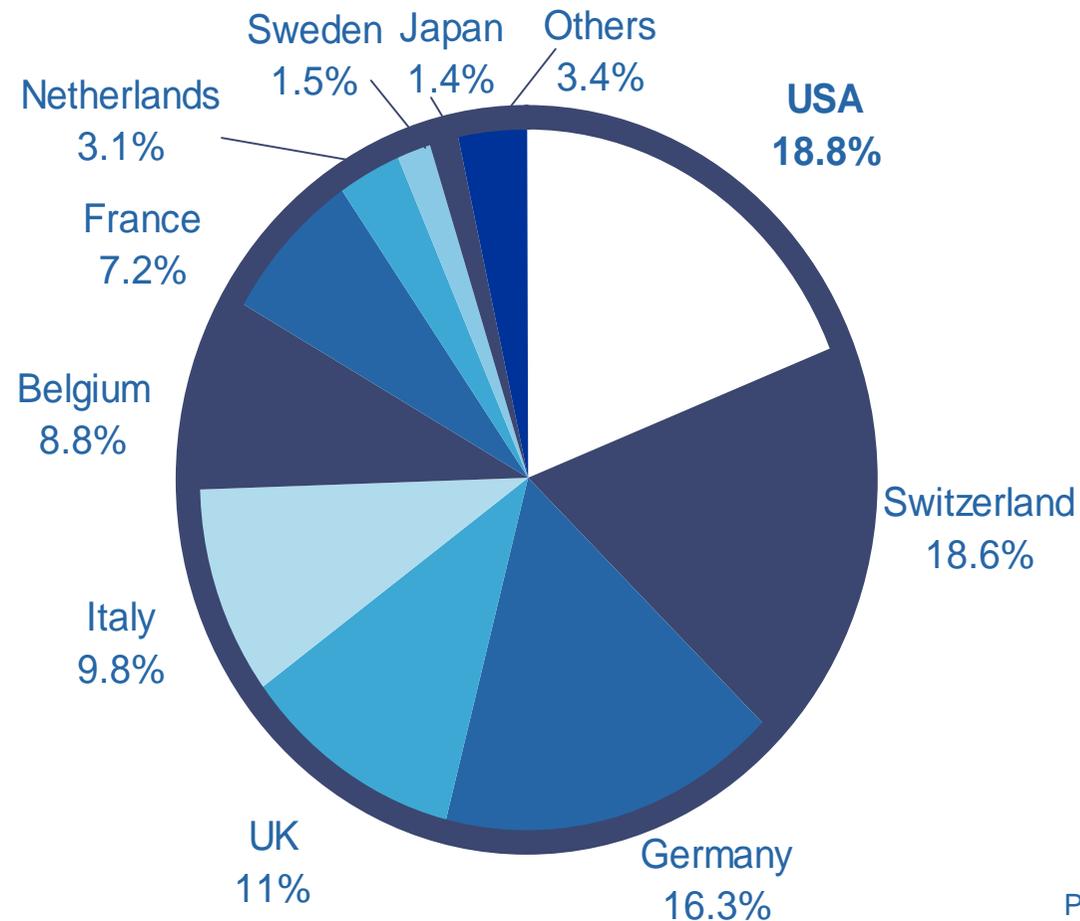
Number of Luxembourg-based mutual funds sponsored by US promoters



# US fund promoters, now the most important in Luxembourg

## Assets under management of Luxembourg domiciled funds by origin of promoter

(by net assets, in % as at 12/31/06)



Source: Fitzrovia - 2006

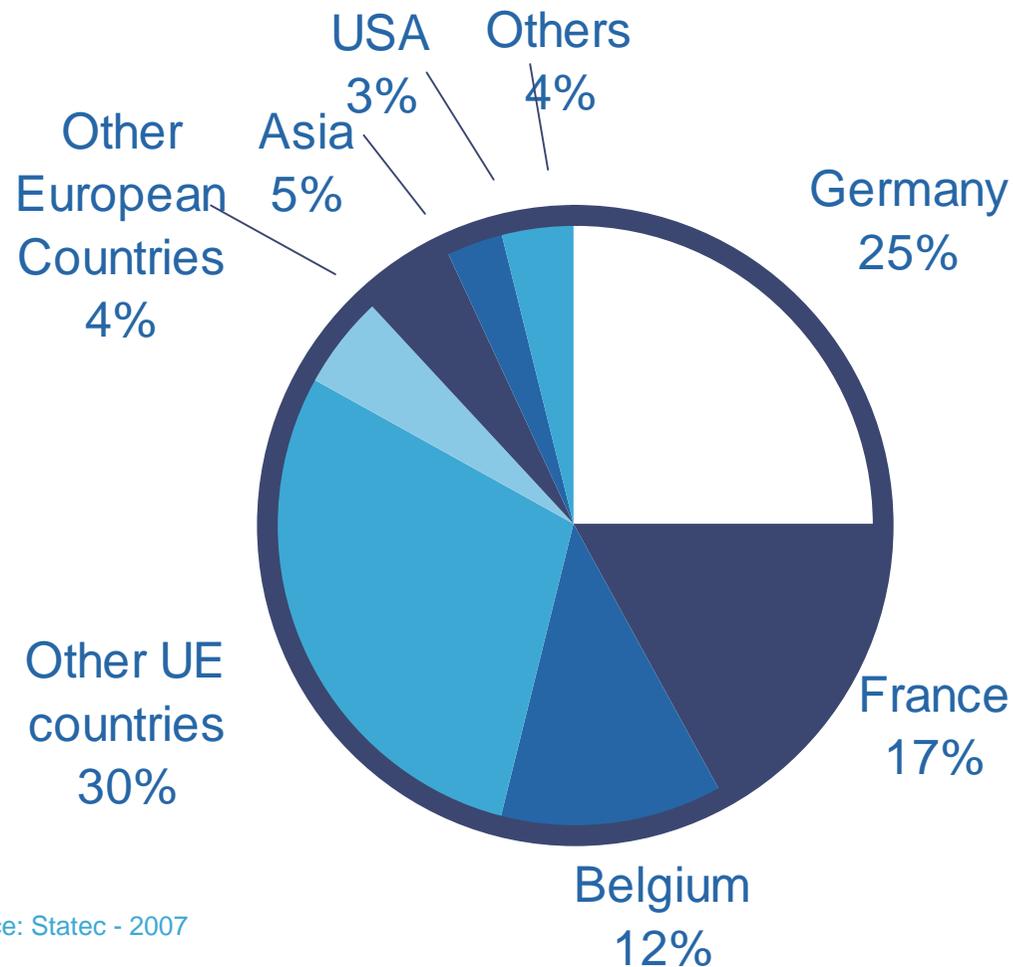
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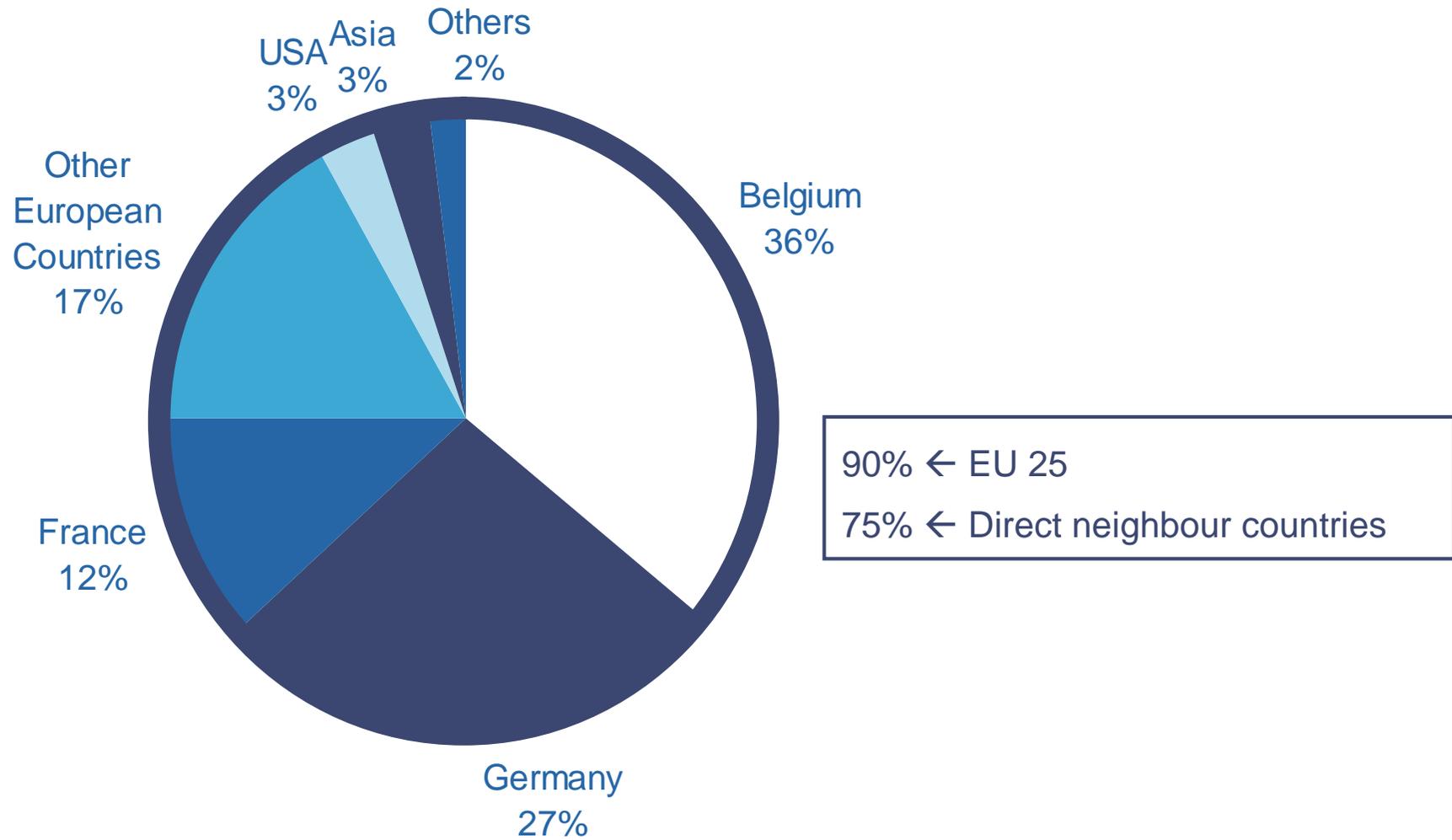
## Export trade partners (2006)

The total amount of exports reached **€11.3 billion** in 2006  
( + **9.5%** compared to 2005)



More than 84% → EU 25  
54% → Direct neighbour countries

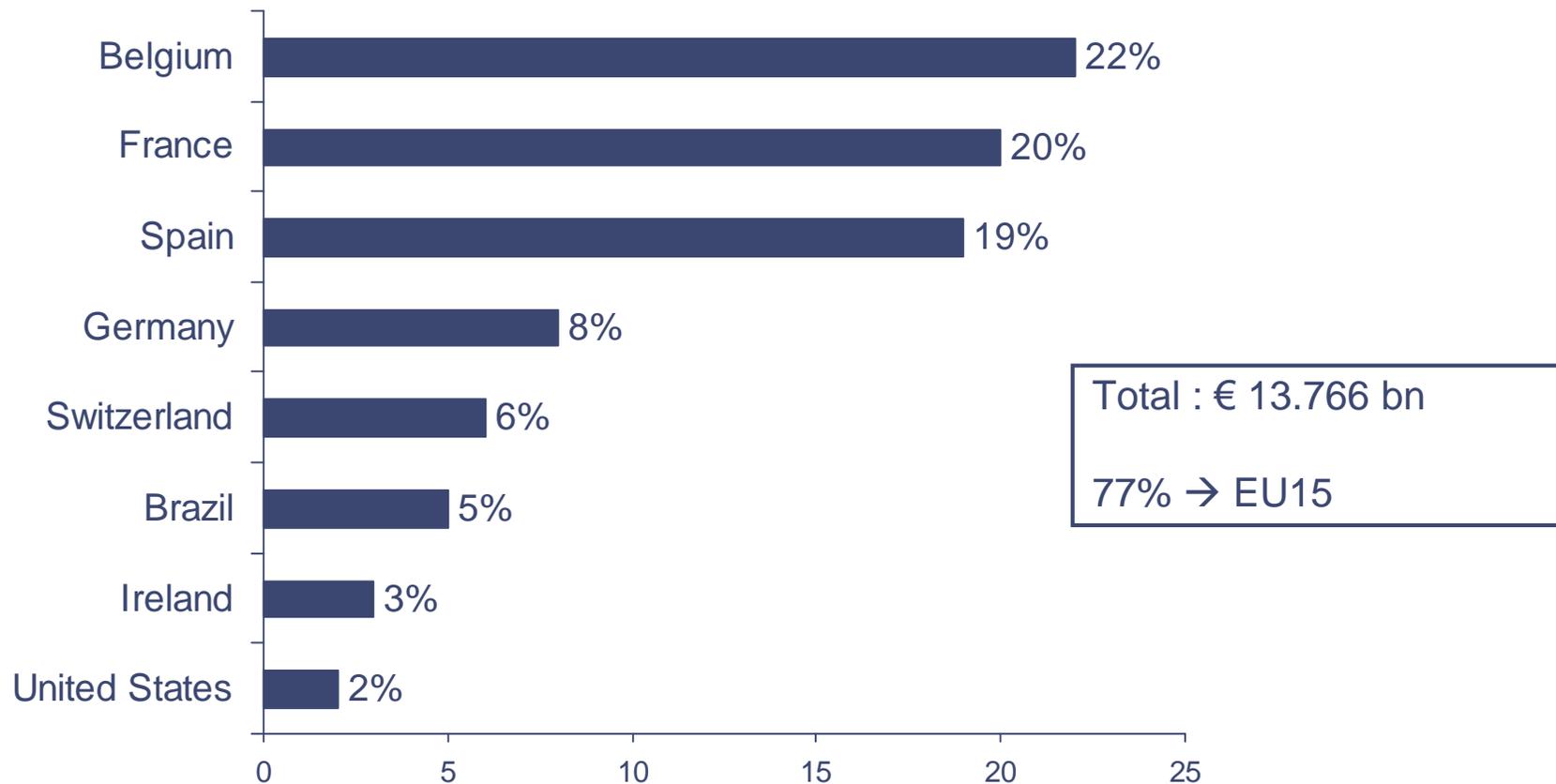
# Import trade partners (2006)



Source: Statec - 2007

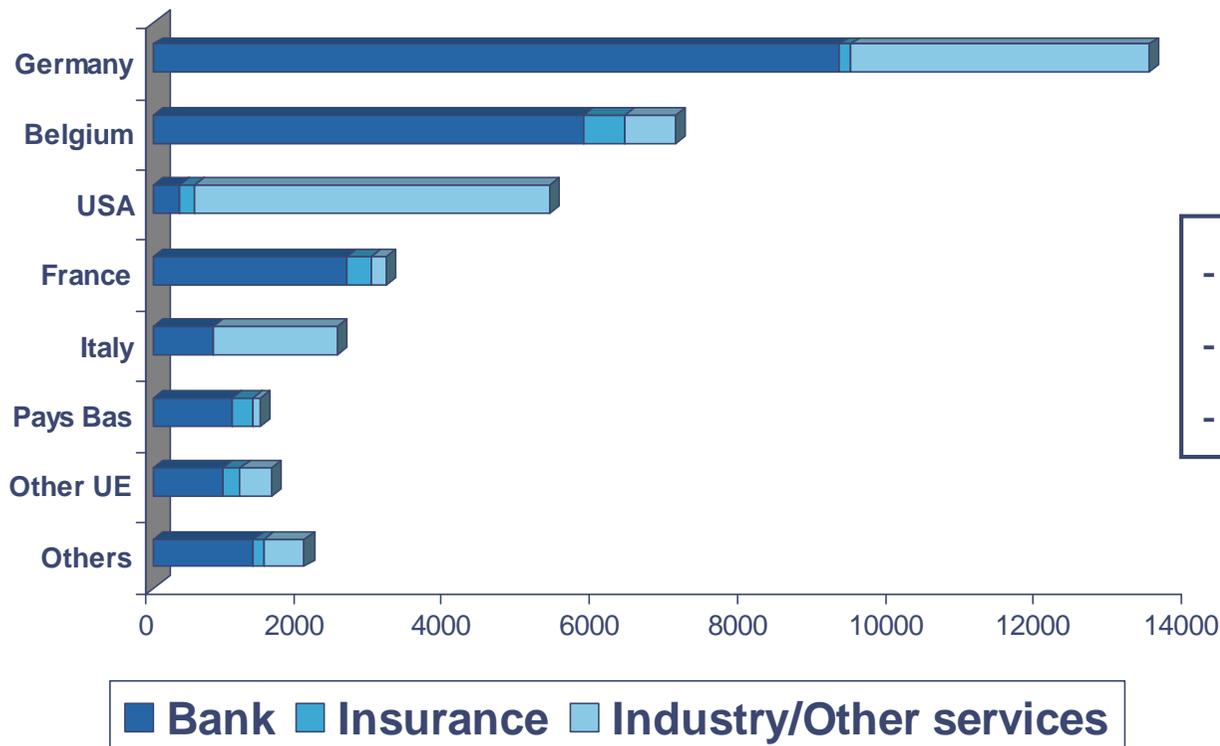
## Foreign direct investment from Luxembourg

Total amount of direct investments **from Luxembourg** in other countries (in %)



## High level of foreign direct investment

Total amount of direct investments in Luxembourg (in € Mio)



- € 36.6 bn invested in 2005  
- 60% in the banking sector  
- 68% from neighbour countries

## Luxembourg, a wealthy country

- **Insignificant government debt** (6,8% of the country's GDP)
- **Annual Budget 2007** : €7,472 billion
- **Growth of GDP** : + 6.2 % in 2006  
+ 6.2 % in 2007 (Q1)

- **High standard of living**

Average income per household = €3,726 /month

## Economy and finance

### 2007 Government budget

A balanced budget dedicated to economic health and innovation

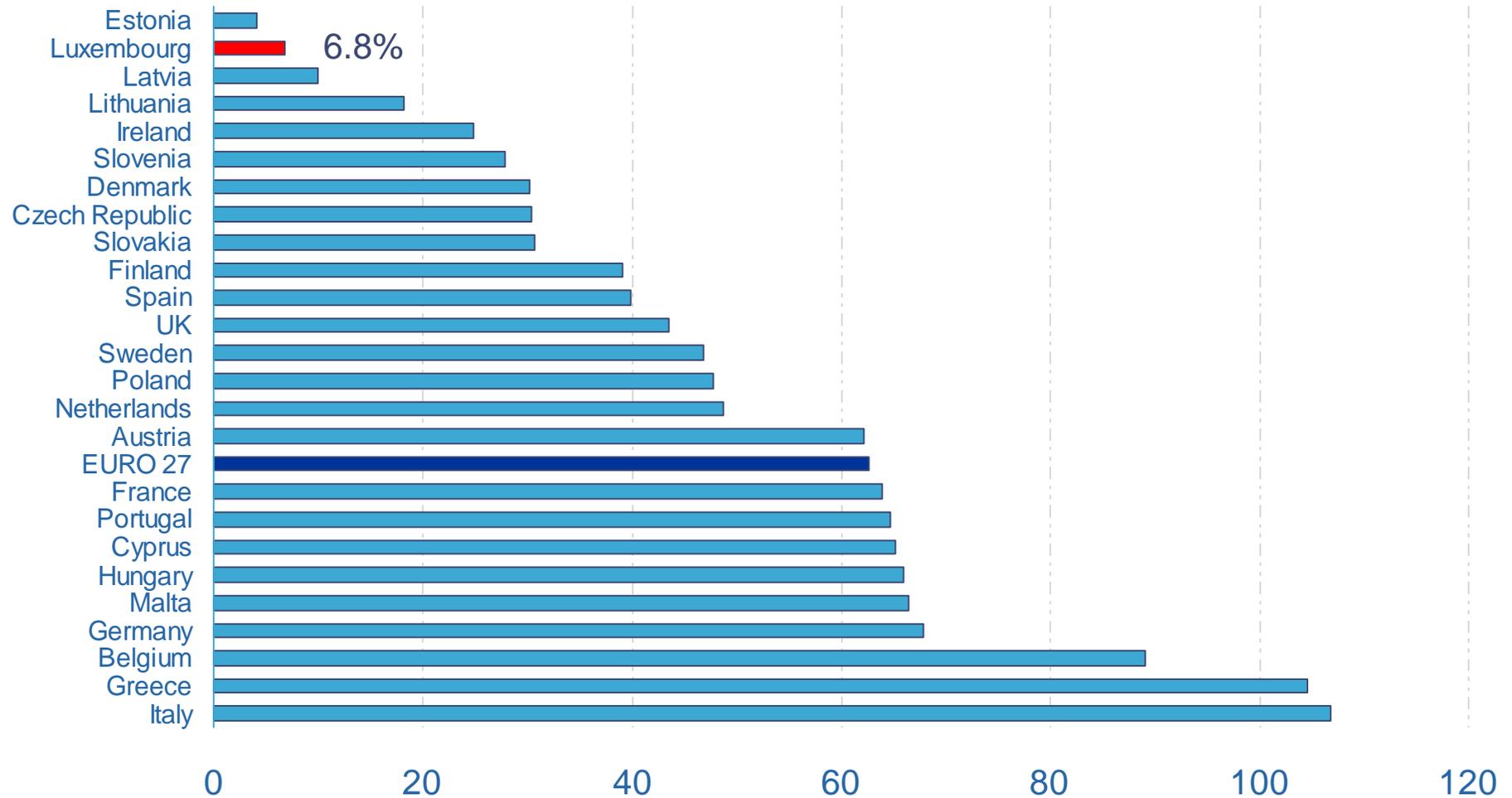
X 1000 €	2006 – Voted		2007 – Draft	
Corporate Tax	1,302,000	19%	1,354,200	18%
Personal Tax	2,006,630	29%	2,263,000	30%
Wealth Tax	100,000	1%	100,000	1%
VAT	1,352,289	19%	1.350.711	18%
Other	2,185,977	31%	2,403,986	33%
<b>Total</b>	<b>6,946,896</b>	<b>100%</b>	<b>7,471,897</b>	<b>100%</b>

Source: PwC - 2007

## Economy and finance

# An insignificant Government debt which guarantees stability

### General government debt, 2006 in % of GDP



Source: Eurostat, 2006

## 5. KEY PLAYERS

### An attractive country for companies



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Key players

SES Global Leadership

The logo for SES GLOBAL, featuring a blue horizontal bar above the text "SES" in a bold, sans-serif font, followed by a stylized blue triangle pointing upwards, and then the word "GLOBAL" in a bold, sans-serif font.

**The world's leader in global satellite communication**

### Main markets

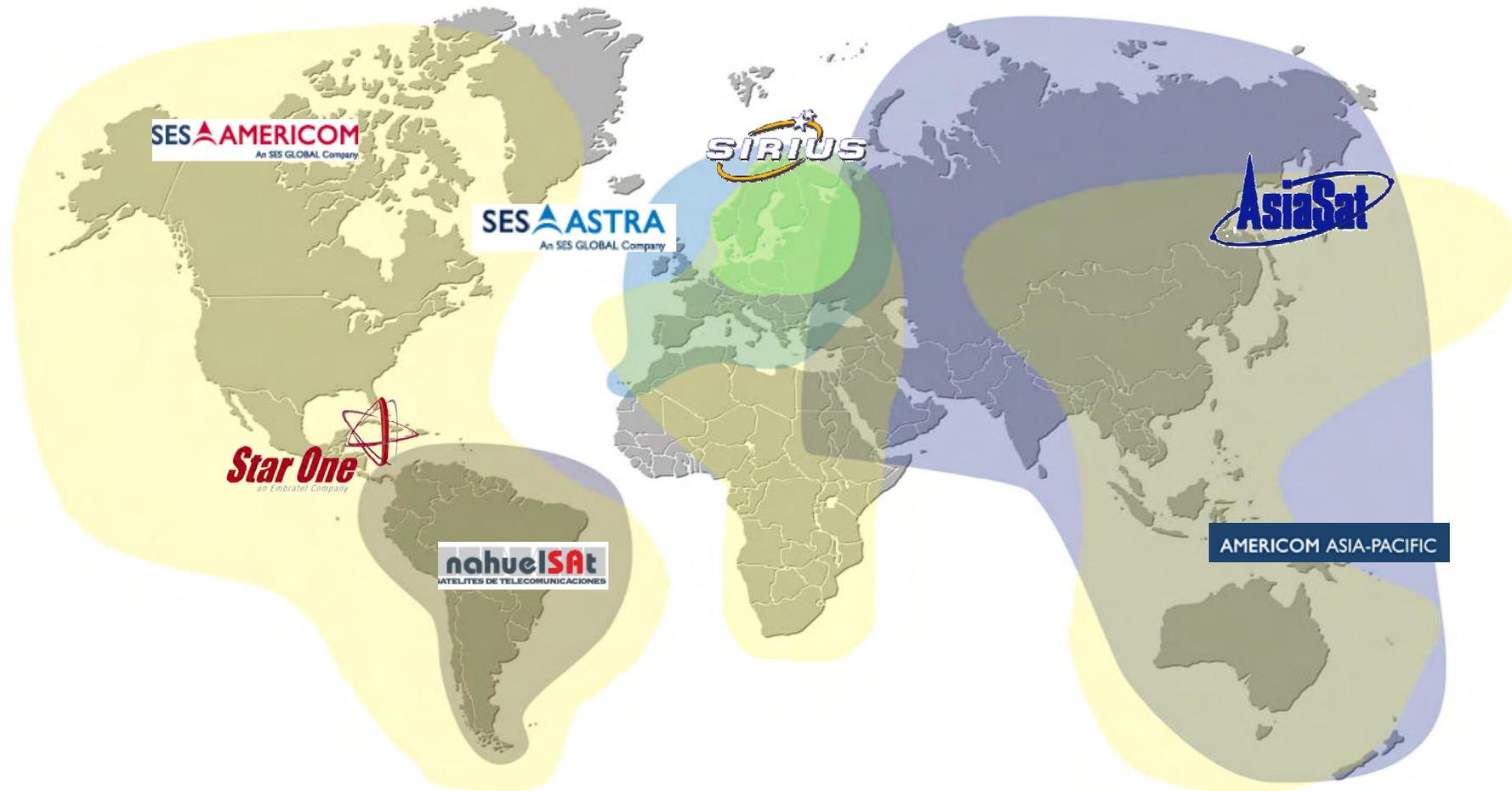
- Audio-visual broadcasting
- Internet trunking
- Corporate networks
- Telecommunications services

### 2006 Key figures

- Total revenues: €1,615.2 million
- Profit of the group: €435.8 million
- SES satellite fleet: 44 + 8 future satellites
- World's population covered: 99%

## Key players

SES Global world headquarters  
Coupled with regional market focus



Source: SES Global – December 2006

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Key players

RTL Group world headquarters



**RTL Group, the leading European Entertainment Network**

### Main features

- European leader in TV and radio broadcasting
- Global leader in content (Production & Rights)
- Largest independent distribution company outside US

### 2006 key figures

- 38 TV channels, 29 radio stations in 10 countries
- 300 programmes in 22 countries  
Audience: 200 million viewers per month
- More than 10,000 employees in 25 countries

Key players

CARGOLUX at a glance...



**Cargolux, the 8<sup>th</sup> biggest cargo airline in the world,  
has been elected Cargo Airline of the Year 2005 by *ATW Magazine***

**Key markets**

- Freight Services & Equipment
- Charters
- Special Handling
- Luxair Cargo Center

**2006 key figures**

- Turnover: \$1,552 million
- Number of employees: 1 446
- Total metric tons carried: 650,947
- 1st Air Cargo Carrier in Europe
- Fleet : 15 + 1 in 2008 (Boeing 747)

Source: Cargolux – December

Key players

CARGOLUX

Worldwide presence



Source: Cargolux – December 2006

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Key players

ARCELOR-MITTAL world headquarters



**The Group is a leading force in the transformation of the global steel industry**

**Main markets**

- Automotive
- Construction
- Packaging
- General Industry

**2006 key figures**

- 320,000 persons over 60 countries
- 5 911 people in Luxembourg (2005)
- Turnover: \$89 billion
- Production: 118 million tons of steel (10% of world steel output)
- **2007 key event : merger with Mittal**

Key players

eBay-SKYPE world headquarters



**This Luxembourg-based company has revolutionised telephony**

- 40 employees
- The most downloaded software, close to 200 million registered users
- Turnover 2006 : \$193 million
- “There is no question in my mind that Skype will become a \$1 billion company”,  
Niklas Zennstrom, CEO – March 2005
- Why Luxembourg?
  - Corporation tax and VAT
  - Business friendly environment
  - Ability to have a good dialogue with authorities

**Event 2007** : with a new banking license, PayPal has recently established itself in Luxembourg to develop the European market



## Key players

# Amazon Services Europe: European decision-making centre in Luxembourg



## The world's largest online retailer

- About 50 employees
- Sales and services activities based in Luxembourg
- Operational units centre for its European websites
- Why Luxembourg?
  - Favourable business climate
  - Efficient and fast administrative channels
  - Multilingual, highly-qualified staff
  - VAT advantages

## Key players

iTunes: leading the way for the world's digital download market

# iTunes

**The number 1 download music store for PC and Mac**

- The iTunes Music Store commands 70% of the legal music download
- Over 100 million songs sold on iTunes in Europe and more than 1 billion worldwide
- Why Luxembourg?
  - Geographical proximity of iTunes markets and Apple entities: Germany, France, Belgium, Switzerland and the UK (existing direct flights)
  - Business friendly environment
  - VAT advantages

## Key players

# Performance Fibers : European shared-services center and executive management headquarters



**One of the world's leading suppliers of high-tenacity polyester fibers, engineered fabrics, sewing thread fibers and advanced materials**

- Multinational manufacturing company with production sites on three continents
- 2006 revenues – approximately \$700 million
- Over 2,500 employees – worldwide

*“The sound business environment, vitality of the workforce and stable infrastructure in Luxembourg are key reasons we chose this prime location,”*

*“Luxembourg is conveniently located to Germany, Belgium and France and close to many of the areas where we are seeking to expand our business.”*

Mr. Carnevale, Performance Fibers' vice president  
and managing director, Europe.

## Key players

### Elcoteq SE : Head Office (as from January 2008)



**A leading electronics manufacturing services company**  
(with original design manufacturing capabilities in the communications technology field )

- Elcoteq provides global end-to-end solutions for telecommunication networks
- They operate in 16 countries on 4 continents and employ some 25,000 people
- The consolidated net sales for 2006 totalled €4.3 billion
  
- Why Luxembourg?
  - Central location
  - Efficient and business-friendly administration
  - Effective legal environment

## Key players

Vodafone : global center for procurement (as from 2008)



### The world's leading mobile telecommunications company

- Significant presence in Europe, the Middle East, Africa, Asia Pacific and the United States (Partner Networks in a further 40 countries )
- 232 million customers
- Total market capitalisation of approximately £88 billion (july 2007)
- The group will create 130 jobs on 3 years, and expects to save around “**250 millions pounds**”
- Why Luxembourg?
  - Business friendly environment
  - Officials easily contactable
  - Multilingual
  - High Connectivity development (via Internet)

## 6. CORPORATE TAXATION

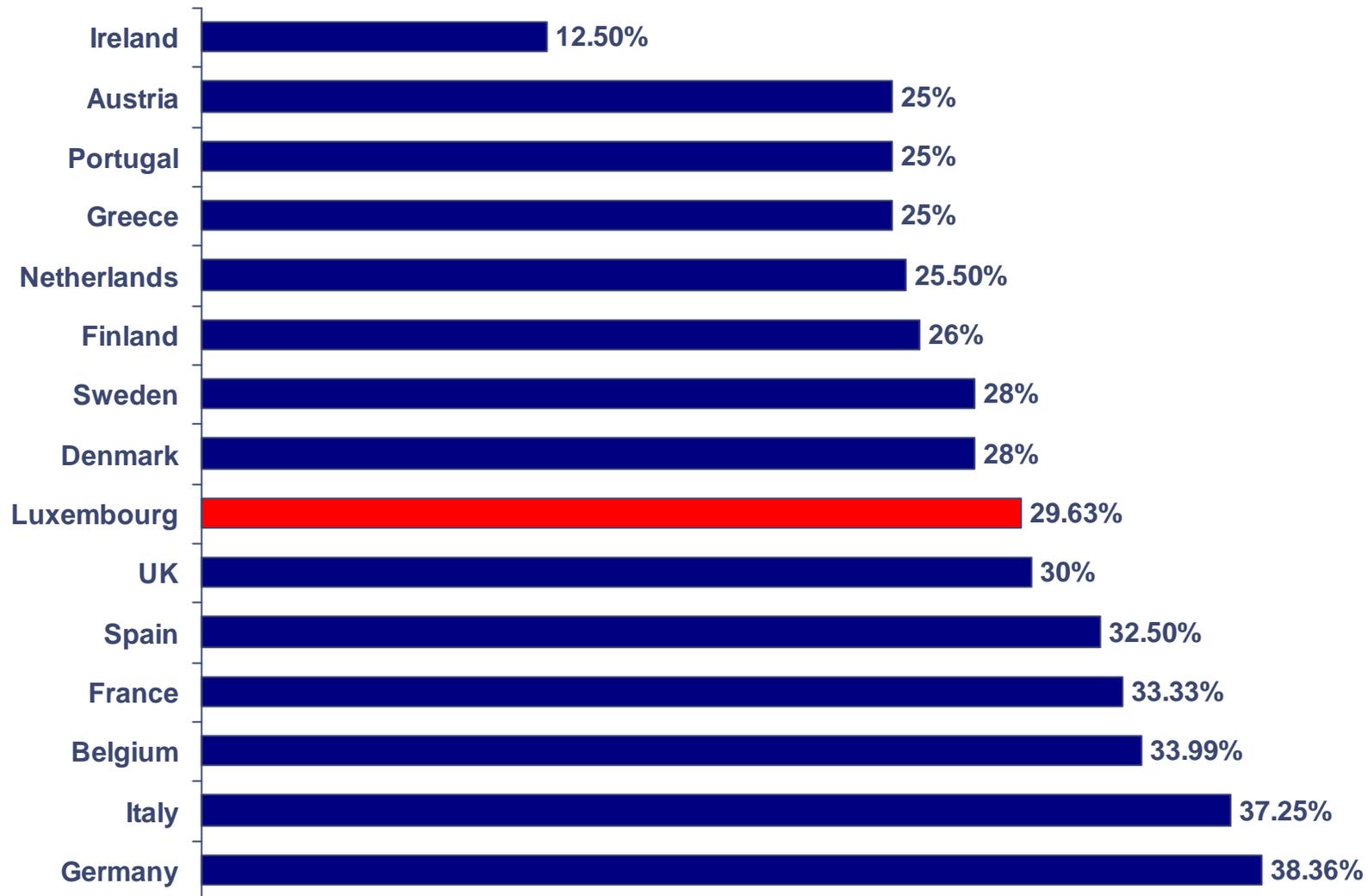
### Advantages offered by Luxembourg



© AUTHOR'S IMAGE / Jupiterimages

## Corporate taxation

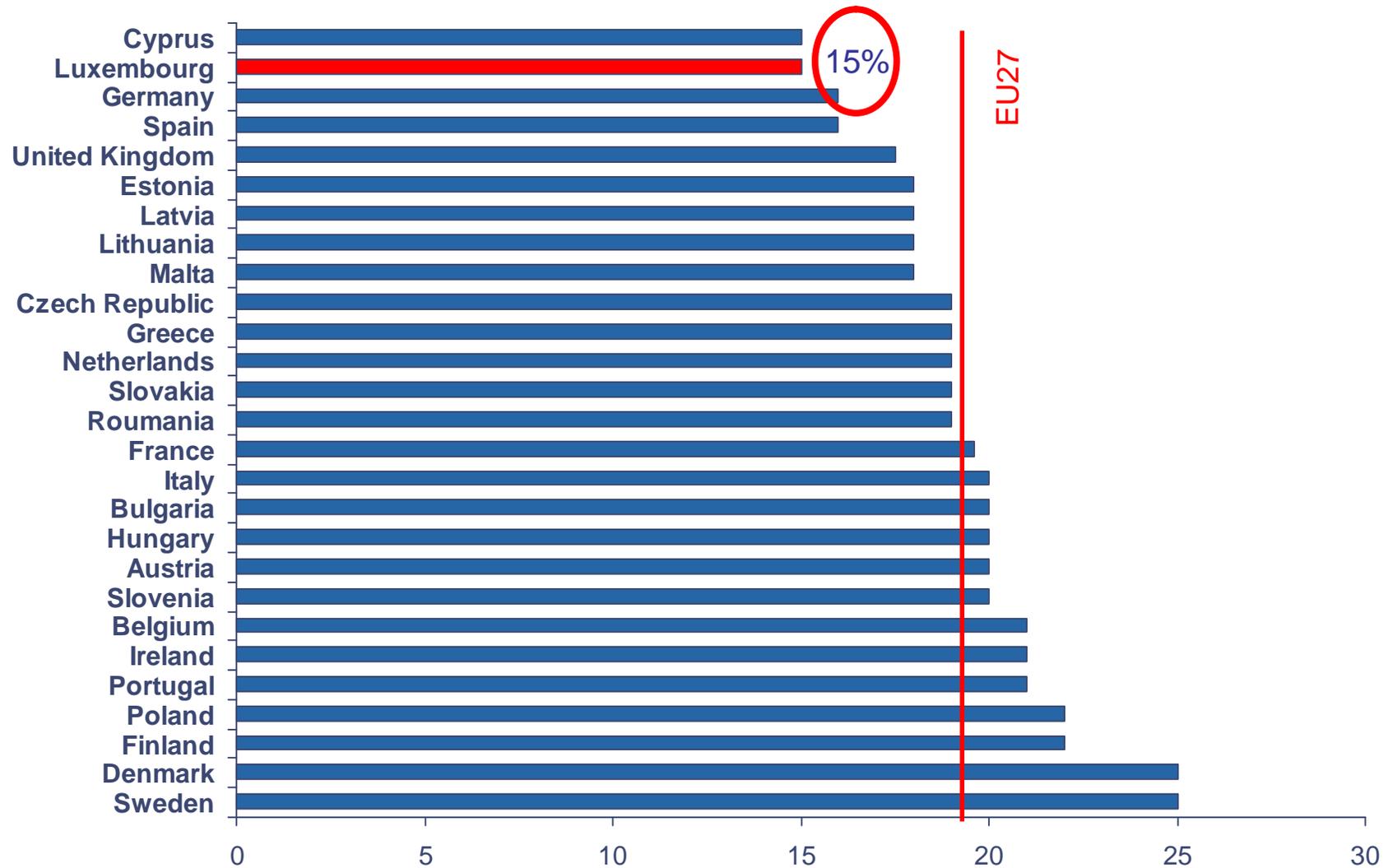
### Corporate income tax rates



# Corporate taxation

## VAT Rates in the EU

Standard VAT rate, May 2007, in %



Source: European Commission 2007

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## VAT advantages in Luxembourg

- **Low VAT rates (the lowest combined rates in the EU)**
  - 3%, 6%, 12%, 15%
- **Pre-financing optimization (B2B transactions)**
  - Importation, supply of goods and services
- **Financial sector**
  - The widest scope of application of the VAT exemption in the EU
  - A flexible application of the exemption to sub-contracted services
- **Full VAT deduction**
  - Car leasing, fuel, entertainment expenses,...
- **VAT compliance**
  - Easy and flexible
  - Extended deadlines

## International structures: why Luxembourg?

- Low effective tax rate
- Fiscal unity allowing the consolidation of tax results
- Reliability of tax laws
- Flexible tax efficient structuring possible
- Application of EU Directives on taxation reduces the reliance on double tax treaties
- Expanding tax treaty network for non EU investments
- Flexible transfer pricing rules
- Tax certainty through Advance Tax Agreements

Corporate taxation

Luxembourg tax products

Bolt on products

- **Standard holding company structures**
  - benefits from double tax treaty protection
  - benefits from 0 % WT on parent/subsidiary dividends
  
- **Finance holding companies**
  - benefits from enlargement of EU countries
  - no thin capitalisation rules

Corporate taxation

Luxembourg tax products

Bolt on products

- **Intellectual Property Planning companies**
  - EU Directives on Interest and Royalties
  - No amortisation recapture
  - No exit costs
  
- **US inward Bound Finance Structures**
  - Benefit from US treaty

## 7. EMPLOYMENT AND LABOUR COSTS

An optimal balance between low business costs and high purchasing power

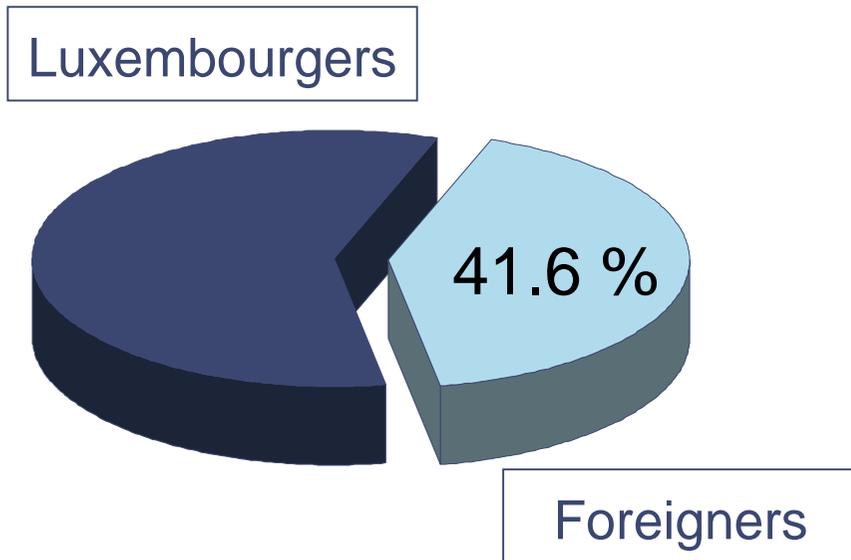


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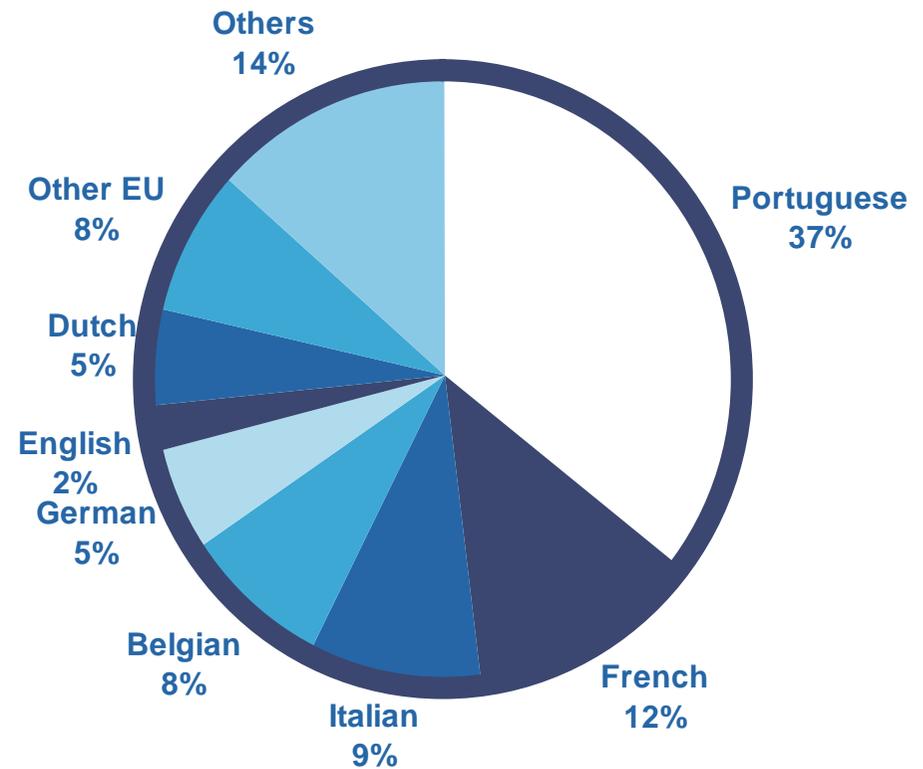
# Employment and labour costs

## Who lives in Luxembourg?

**Total Population 476,200**



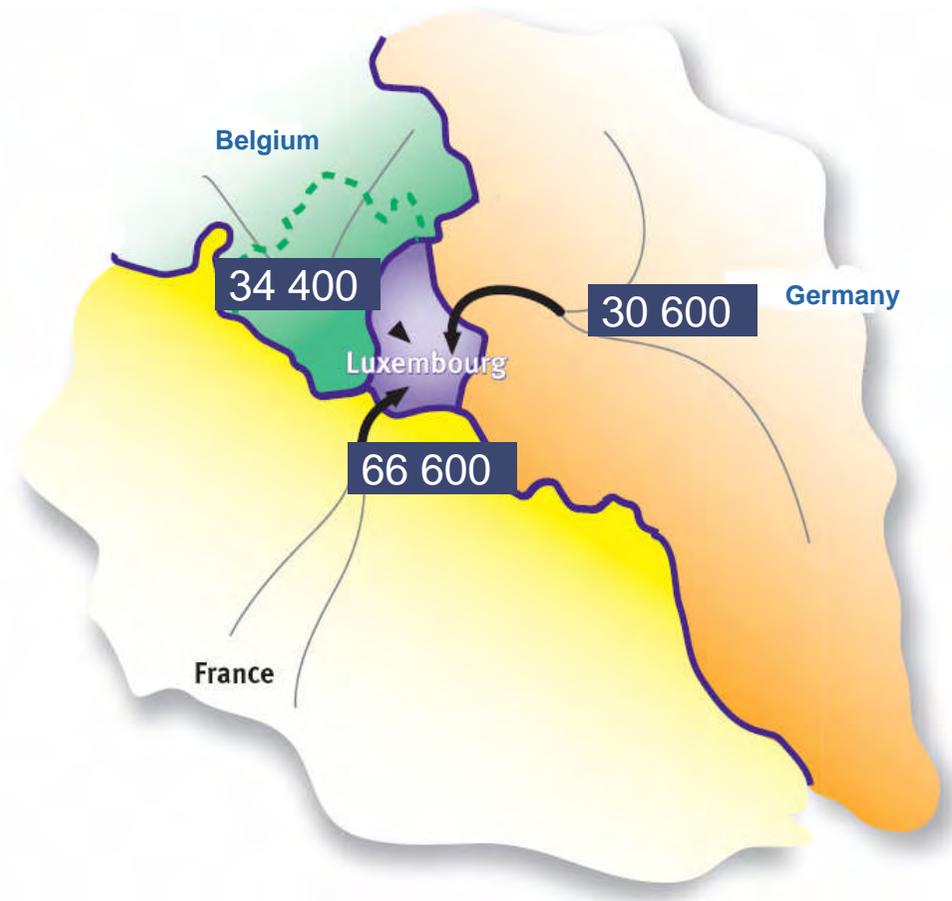
**Of which 198,300 foreigners**



Source : Statec – 2007

## Employment and labour costs

### Who works in Luxembourg?



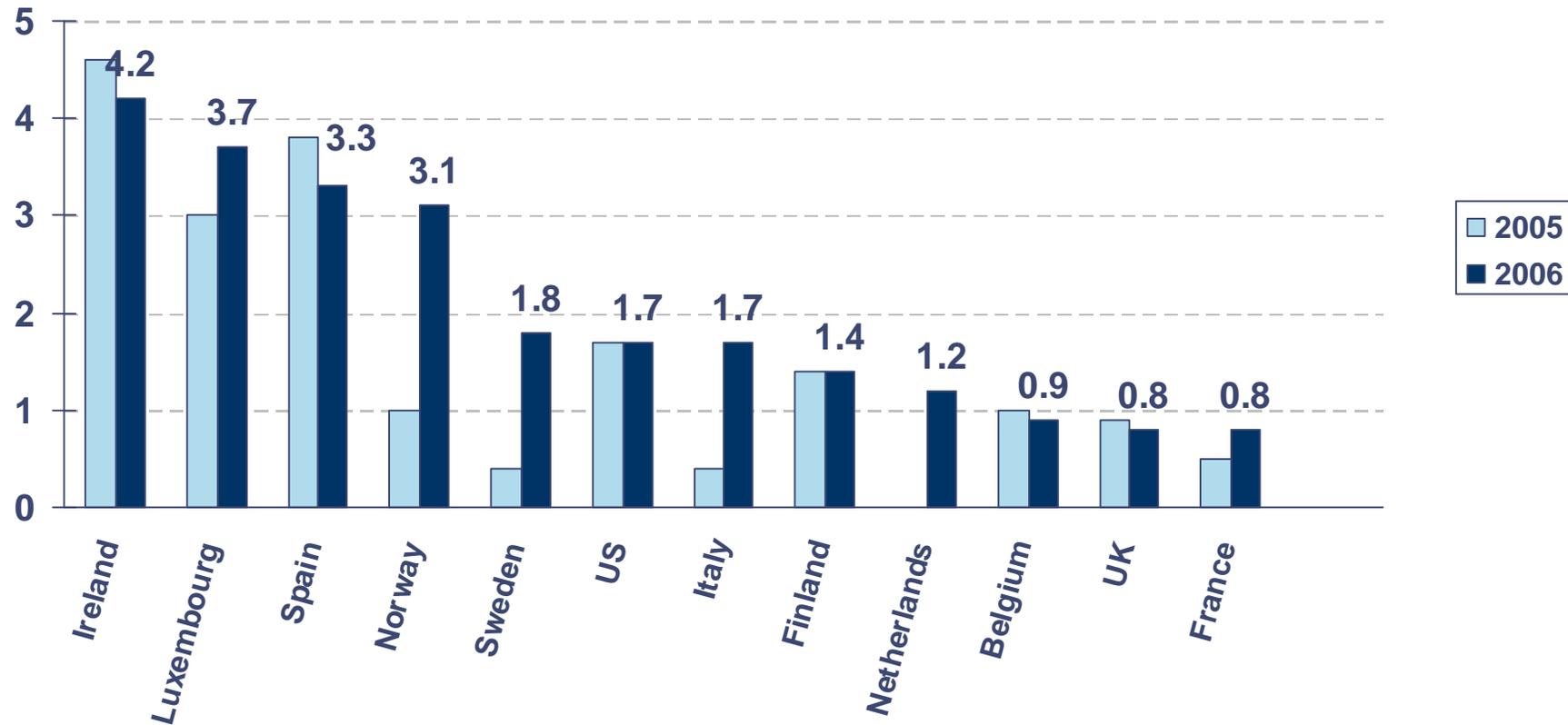
- **International and multicultural workforce**

- **Frontier workers** (about 131,600 people) and **foreign residents** (about 198,300 people) make an eclectic population and a multicultural workforce

Source : Statec – 2007

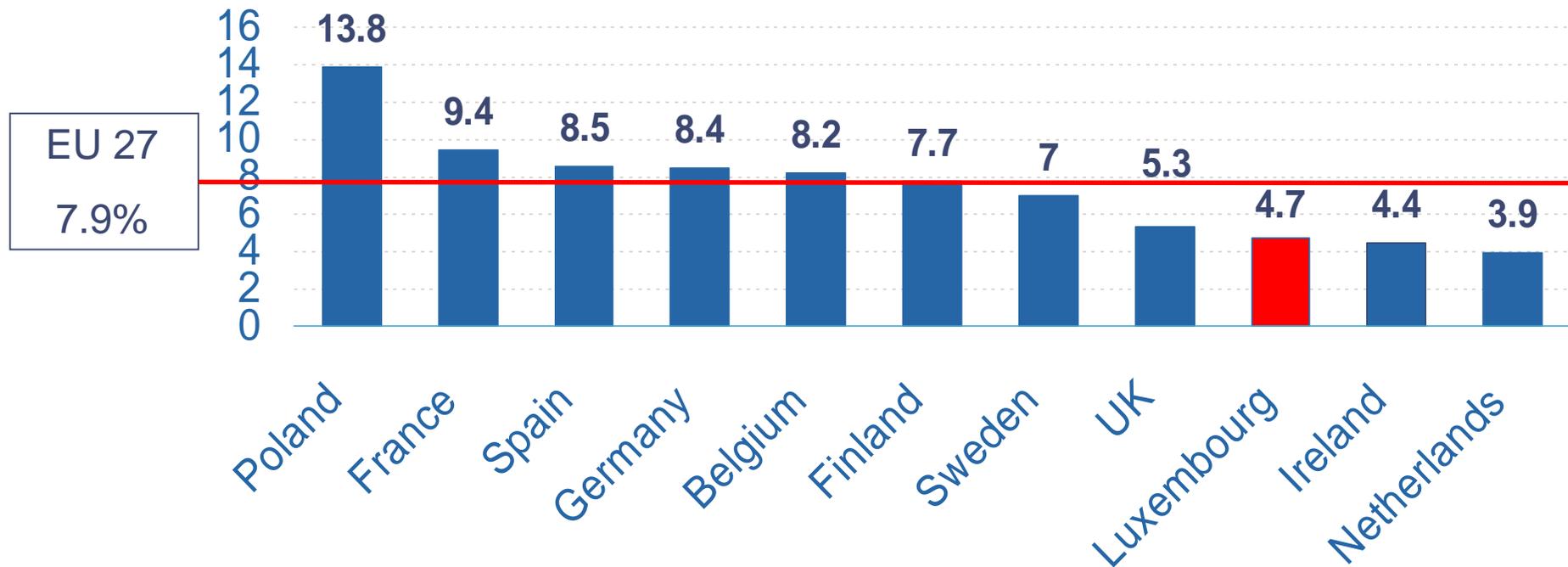
## Employment and labour costs

### Total employment growth (in % of total employed population)



## Employment and labour costs

### Total unemployment rate (2006, in % of labour force)



## Employment and labour costs

# Lower taxation and social charges

2007 annual gross salary of € 100,000 - Single

	United Kingdom	Ireland	Luxembourg	Netherlands	Germany	France	Belgium
<b>Total cost for employers</b>	112	111	111	107	111	149	135
<b>Minus tax/soc sec employers</b>	12	11	11	7	11	49	35
<b>Gross salary (t=100)</b>	100	100	100	100	100	100	100
<b>Minus tax/soc sec</b>	32	34	38	43	46	39	53
<b>Net</b>	68	66	62	57	54	61	47
<b>Ratio Net/Cost (%)</b>	61	59	56	53	49	41	35

## Employment and labour costs

# Lower taxation and social charges

2007 annual gross salary of € 100,000 - Married / 2 children

	Luxembourg	Ireland	United Kingdom	Germany	Netherlands	France	Belgium
<b>Total cost for employers</b>	111	111	112	111	107	149	135
<b>Minus tax/soc sec employers</b>	11	11	12	11	7	49	35
<b>Gross salary (t=100)</b>	100	100	100	100	100	100	100
<b>Minus tax/soc sec</b>	28	31	32	36	43	29	48
<b>Net</b>	72	69	68	64	57	71	52
<b>Ratio Net/Cost (%)</b>	65	62	61	58	53	48	39

## 8. Luxembourg

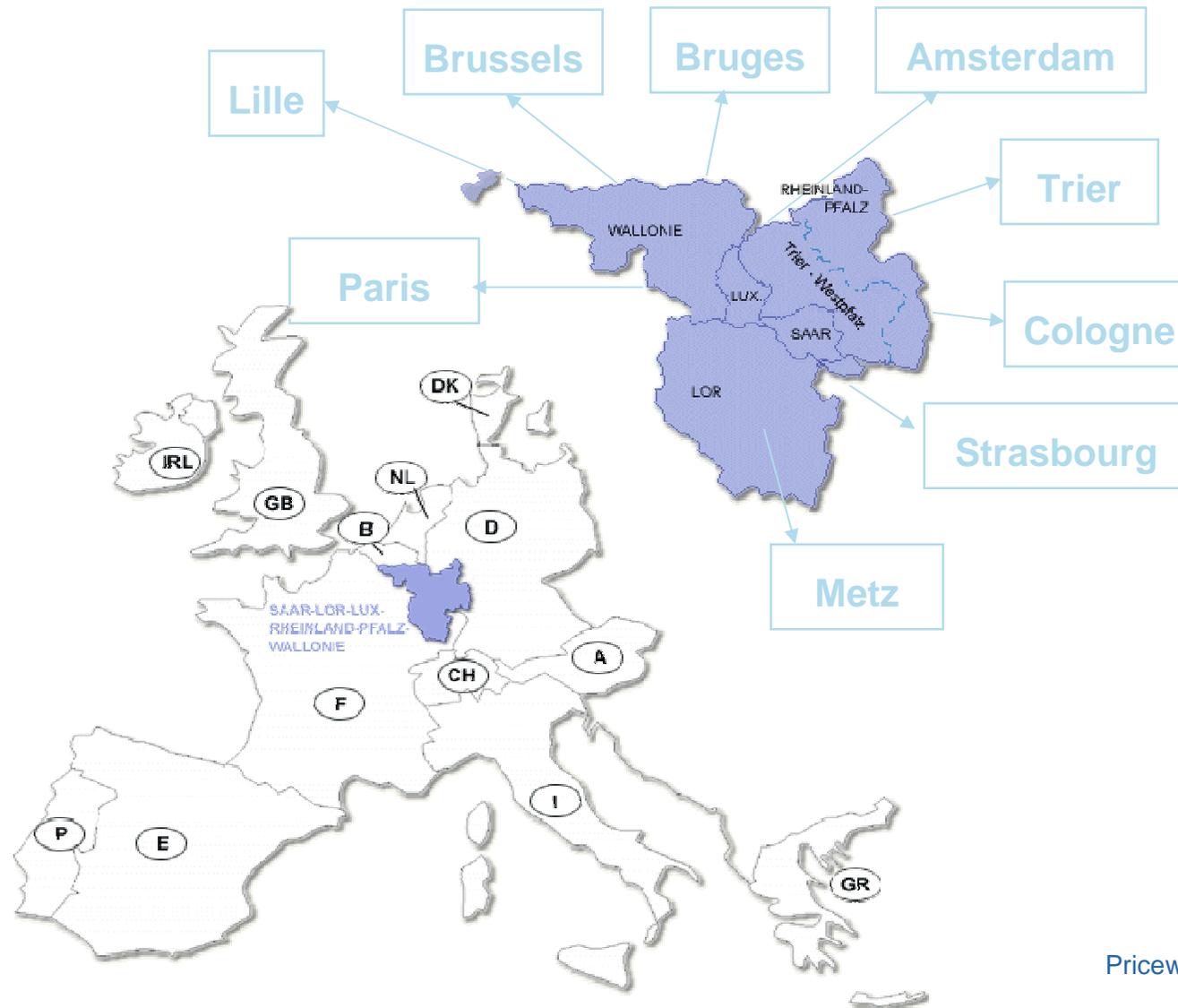
One of the best quality-of-life locations in the world



© AUTHOR'S IMAGE / Jupiterimages

Quality of life

A great multicultural place in the middle of Europe



Quality of life

## Excellent ranking for satisfaction of urban residents

**According to the Urban Audit Perception Survey,  
72 % of residents are very satisfied to live in Luxembourg**

City	Residents very satisfied to live in their city
Stockholm	81 %
Luxembourg	72 %
Helsinki	69 %
Paris	44 %
London	43 %

Source: Urban Audit Perception Survey, 2005

Quality of life

A welcoming country

**Foreigners who live in Luxembourg are well integrated**

City	Foreigners who believe that they are well integrated
Luxembourg	64 %
London	54 %
Brussels	44 %
Paris	43 %
Amsterdam	33 %

Source: Urban Audit Perception Survey, 2005

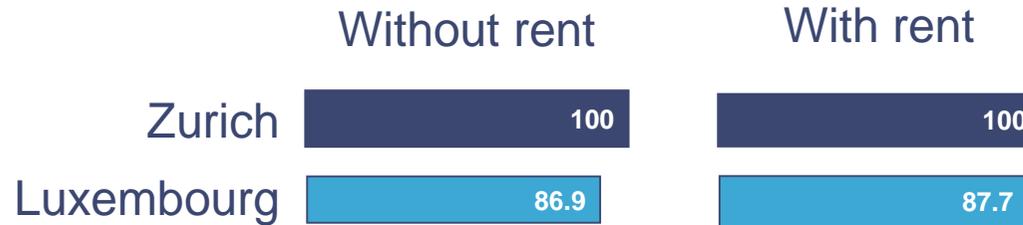
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## Quality of life

### An affordable cost of living



### Cost index of basket of goods in major cities, including housing (New York = 100)

Oslo	121,5	New York	100
London	110,6	...	
Copenhagen	109,2	Paris	95,6
Zurich	107,4	...	
Tokyo	106,8	<b>Luxembourg</b>	<b>93.3</b>
Geneva	102,9		

**“Among the households living in Luxembourg, 81% have the feeling of good living with the monthly resources they have.”**

Quality of life

## Luxembourg reconciles business with culture and leisure activities



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Contact: Luxembourg City Tourist Office

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Quality of life

## Golf courses in Luxembourg and surroundings

**Around 93 golf courses in the Greater Region, of which 6 are located in Luxembourg**

- Kikuoka Country Club
- Golf Club Grand Ducal
- Golf de la Gaichel
- Golf de Clervaux
- Golf de Luxembourg
- Golf de Christnach



Quality of life

## Culture in Luxembourg

### **Museums**

- National Museum of Art and History
- Modern Art Museum
- National Museum of Natural History
- Museum of Luxembourg City
- Victor Hugo's House

### **Theatres and National Orchestra**

- Great Theatre of Luxembourg City
- Theatre des Capucins
- Luxembourg National Theatre
- Centaure Theatre
- Esch Theatre
- Luxembourg Philharmonic Orchestra

Quality of life

## Hospitals in Luxembourg and vicinity

**In Luxembourg, or less than one hour away,  
you will find about 20 hospitals and clinics**

### Major Hospitals

### Number of employees

Luxembourg Hospital

1, 840

Emile Mayrisch Hospital

1, 250

Kirchberg Hospital

900

St Louis Hospital

740

Ste Thérèse Clinic

660

Metz (France)

7 hospitals

Nancy (France)

6 hospitals, 9 renowned clinics

Quality of life

## At the leading edge of International Knowledge

**With various renowned international schools, Luxembourg allows an excellent access to education for foreign kids**

### In Luxembourg

- International School of Luxembourg
- European School
- St. George's International School
- Lycée Français Vauban
- Luxembourg University
- Sacred Heart University
- Miami University Luxembourg

### About 2 hours away

- Liège University, Liège - BELGIUM
- Leuven University, Leuven - BELGIUM
- Université Libre, Brussels - BELGIUM
- Louvain University, Louvain La Neuve - BELGIUM
- Metz University, Metz – FRANCE
- Henri Poincaré University, Nancy – FRANCE
- Robert Schuman University, Strasbourg – FRANCE
- Trier University, Trier – GERMANY
- Universität des Saarlandes, Saarbrücken - GERMANY

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Quality of life

## The University of Luxembourg



- A recently established university with 3,300 students
- Located in the middle of Europe
- A multilingual working environment that encourages geographical mobility
- 3 Faculties on 3 different campuses in the Grand Duchy
- A wide range of student domains, such as:
  - Mathematics, engineering, law, financial economics, banking and finance, psychology, philosophy, European sustainable spatial development and analysis...
- ...and much more on [www.uni.lu](http://www.uni.lu)

# 9. MAIN CHALLENGES FOR LUXEMBOURG'S FUTURE

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## Main challenges for Luxembourg's future

### **2007: a turning point**

- **Diversification of the Economy**
  - Strong impact of the financial sector on the economy
  - Added value of non financial industries currently being developed
- **European enlargement**
  - Increasing competition from new EU Member States
  - Identify new opportunities to strengthen/ develop business in Europe
- **Maintaining and developing a multicultural and qualified workforce**
- **Developing communication and technological infrastructures**
  - Hot city web portal since 2007, 48 antennas in Luxembourg city for a free public Wi-Fi

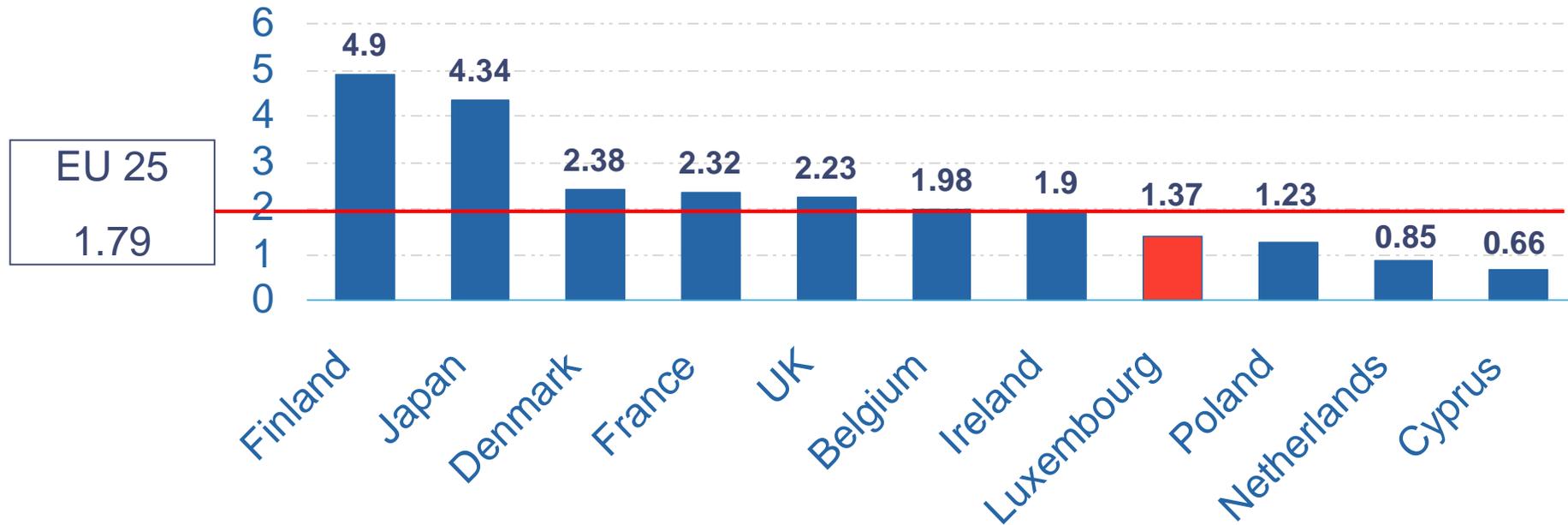
## 10. A GREAT COMPETITIVE LOCATION FOR BUSINESS



A great competitive location for business

## Telecommunication costs to the USA

Price in Euro per 10 minutes call, in 2006



Source : Eurostat - 2006

A great competitive location for business

One of the freest economies in the world

## 2006 Index of Economic Freedom

### TOP 10

1. Hong Kong
2. Singapore
3. Ireland
4. **Luxembourg**
5. United Kingdom
6. Iceland
7. Estonia
8. Denmark
9. United States
10. Australia

### And the others...

15. Switzerland
17. Netherlands
20. Germany
22. Belgium

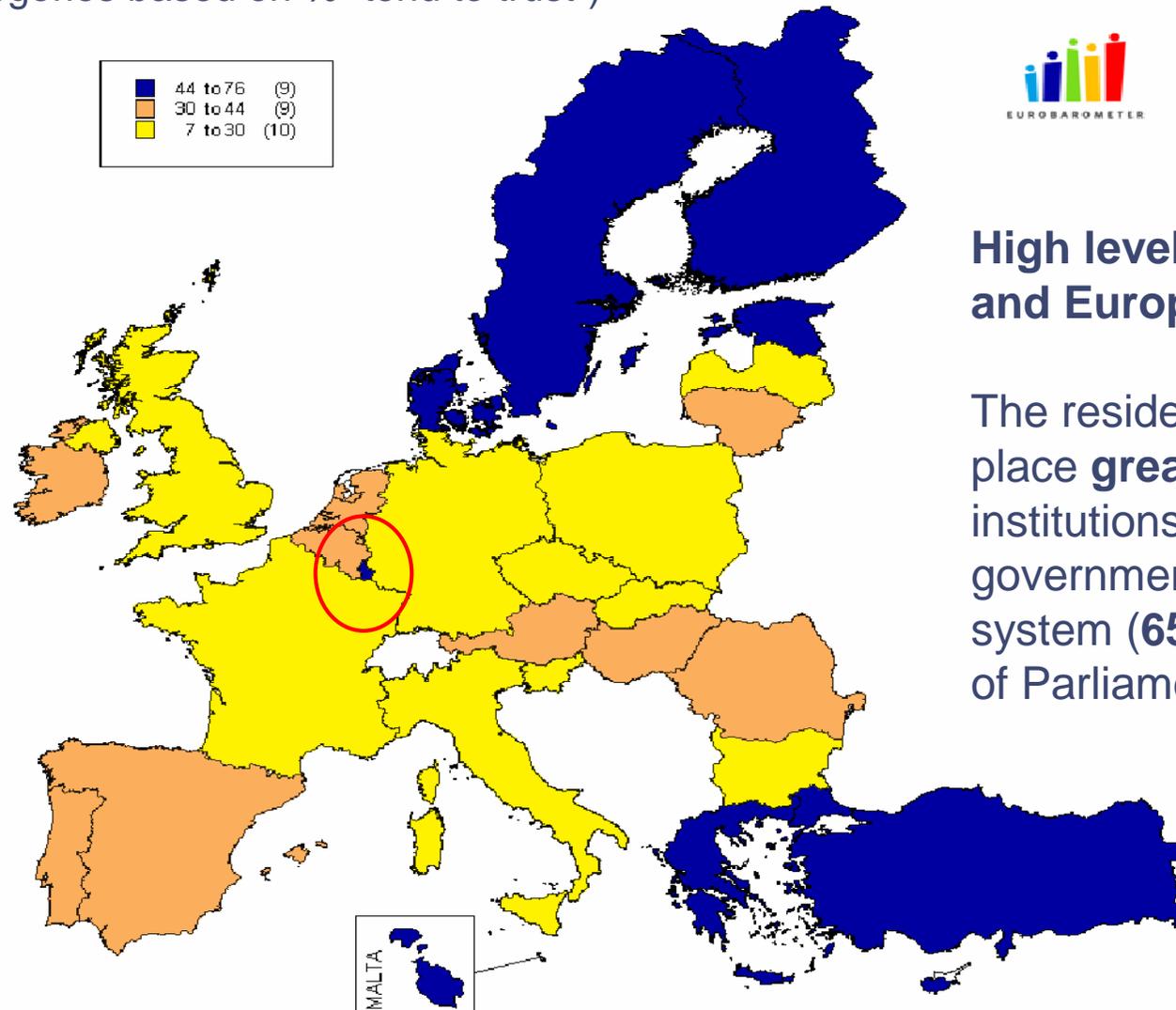
*It measures 161 countries against a list of 10 broad factors of economic freedom :*

- Trade policy
- Fiscal burden of government
- Government intervention in the economy
- Monetary policy
- Capital flows and foreign investment
- Banking and finance
- Wages and prices
- Property rights
- Regulation
- Informal market activity

A great competitive location for business

## Trust in the [country] Government

(categories based on % “tend to trust”)



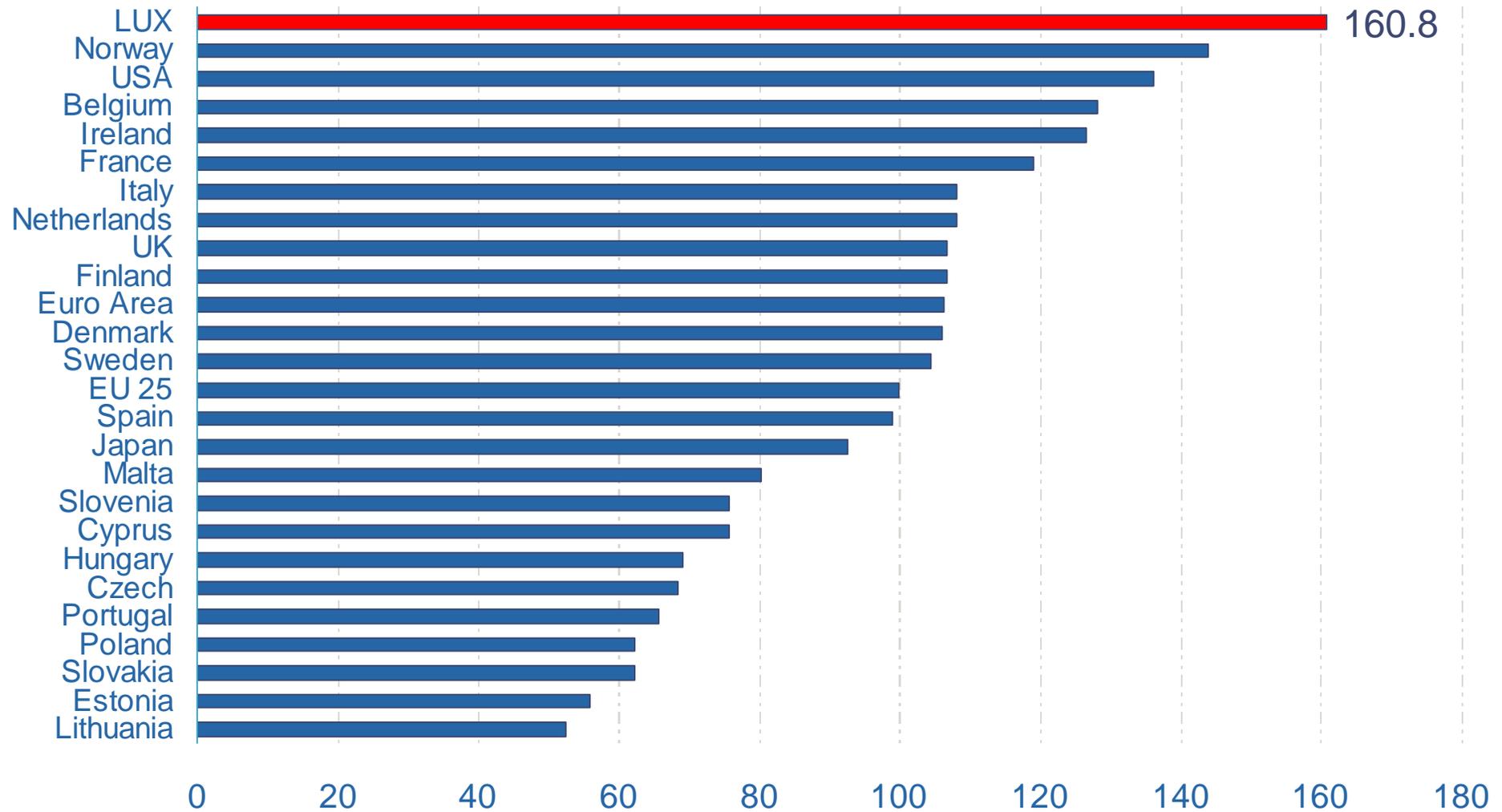
### High levels of trust in national and European institutions

The residents of Luxembourg place **great trust** in their institutions – above all, in their government (**68%**), their legal system (**65%**) and their House of Parliament.

A great competitive location for business

## Labour productivity per person employed

(EU 25 = base 100, base on a PPS series, figure 2005)

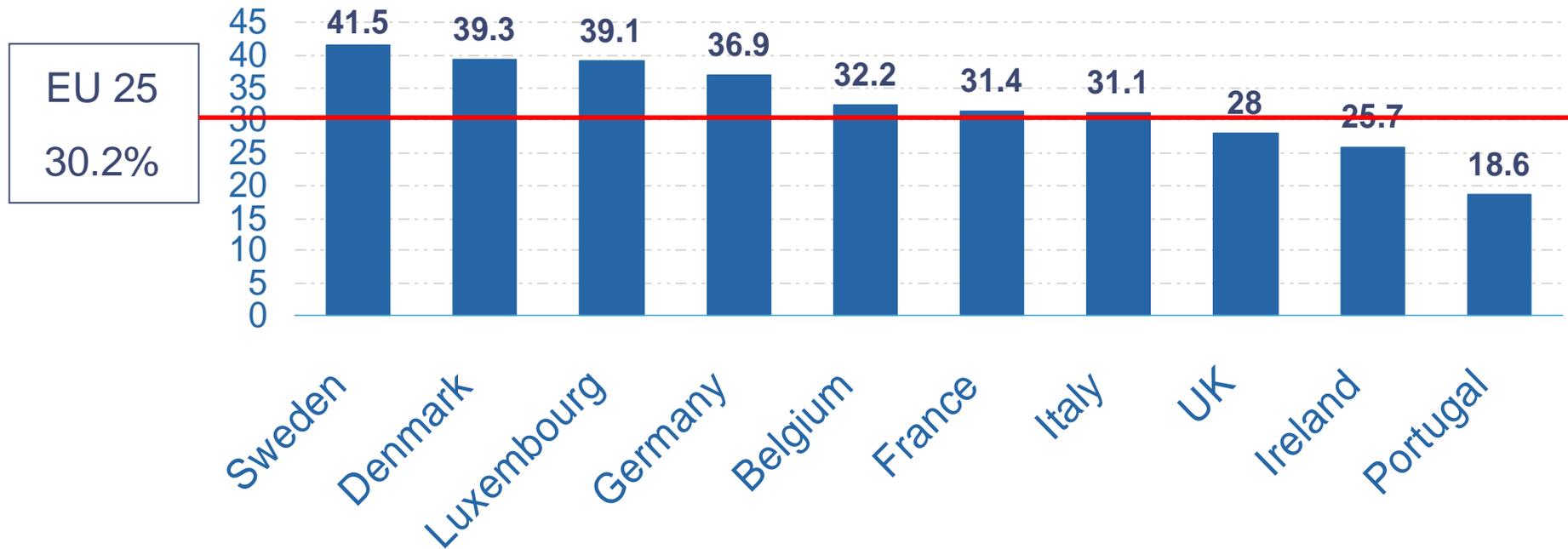


Source: Eurostat – Yearbook 2006-07

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A great competitive location for business

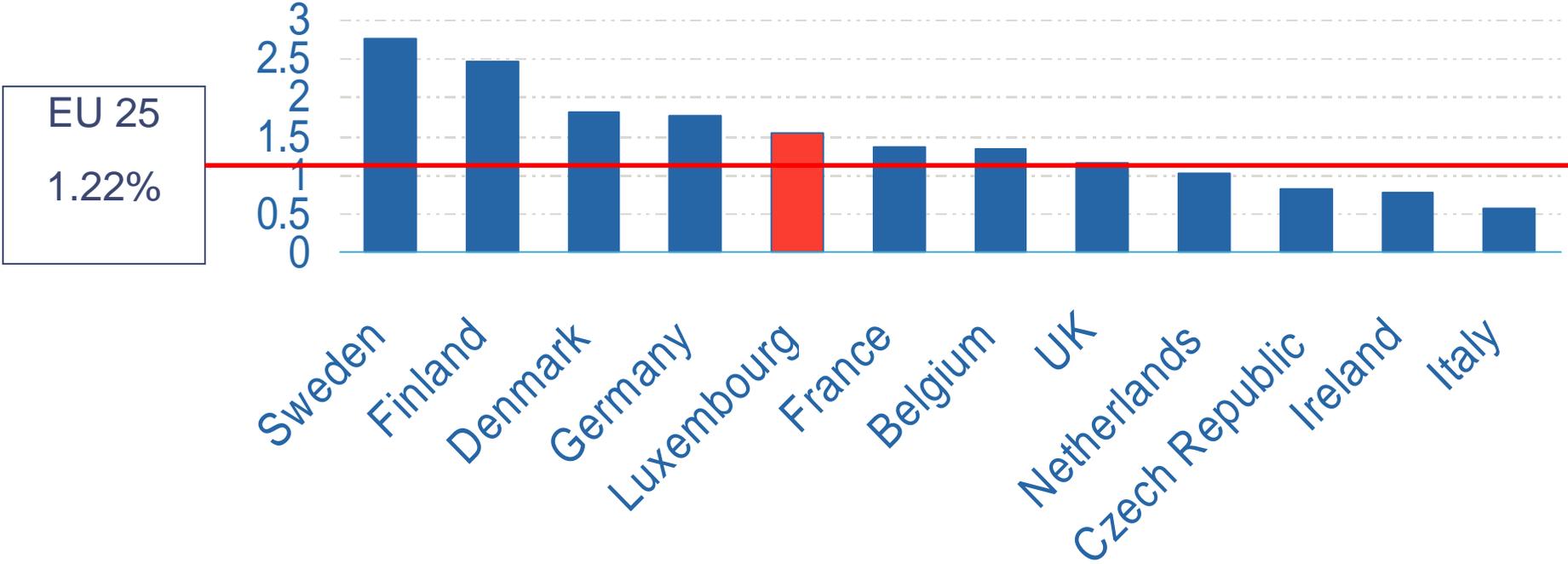
## Human resources in science and technology for all sectors (in % of total employment)



Source: Eurostat Yearbook 2006-07

A great competitive location for business

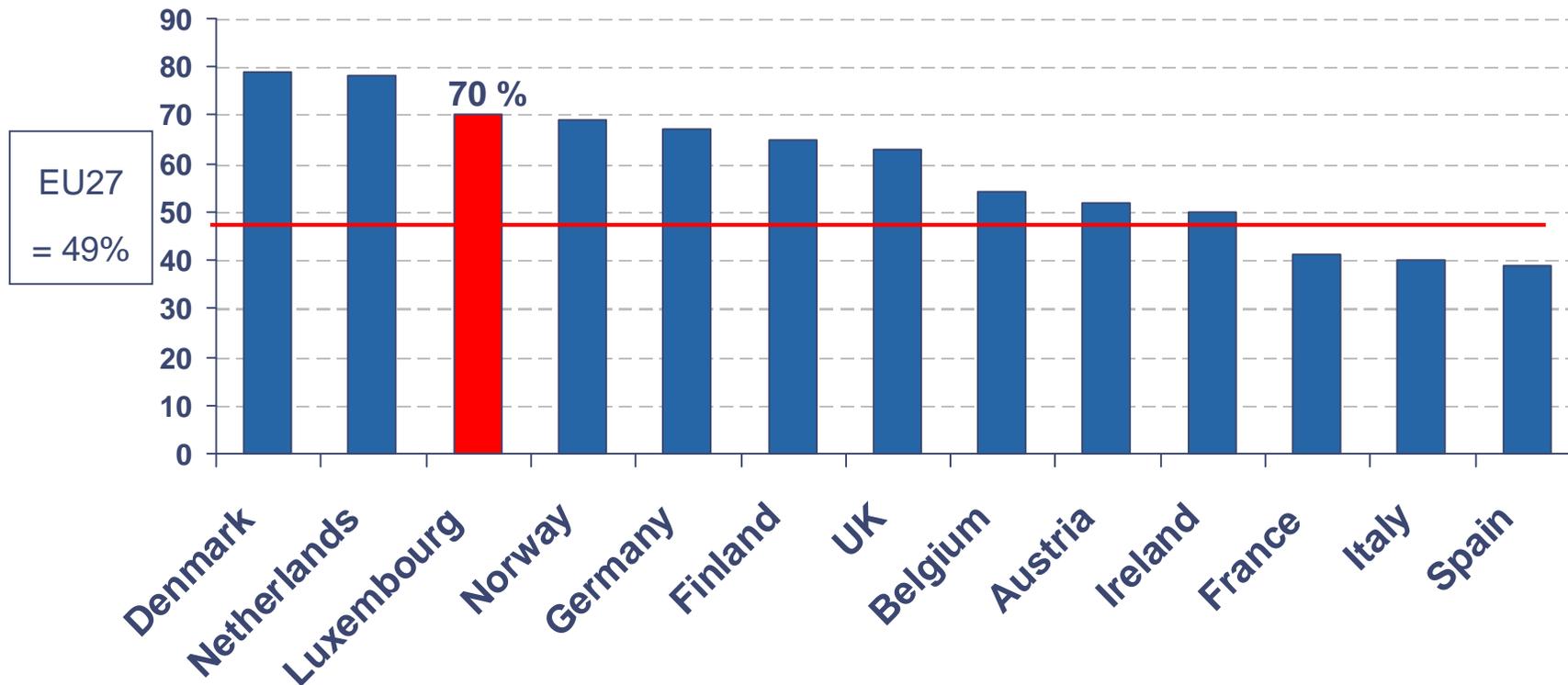
# Research and development expenditure for business enterprise sector (in % of GDP)



Source: Eurostat Yearbook 2006-07

A great competitive location for business

## Access to the Internet % of households, in 2006



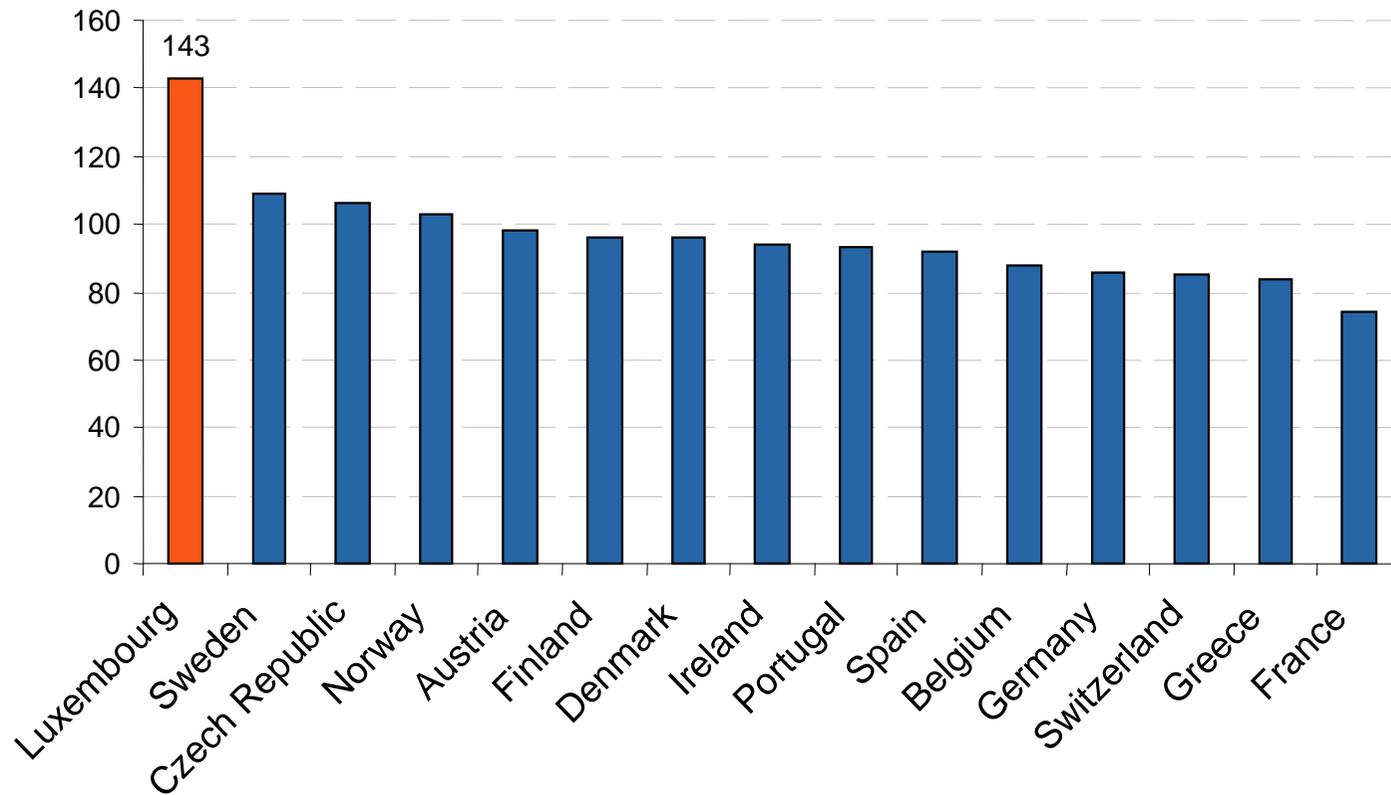
- Luxembourg Hotcity : As from July 2007, the city of Luxembourg is offering free mobile Internet access for Laptop, PDA or mobile phones. Hotcity is Luxembourg's mobile future...



## A great competitive location for business

# Phones and mobile phones

Level of access for 100 inhabitants



Source: Eurostat, 2006 – data 2004

A great competitive location for business

## Country competitiveness structure

### Strengths

- Best in class in Europe
- Business and Government efficiency
- Reduced time to market
- Strong wishes to develop global infrastructures

### Weaknesses

- Over capacity of road infrastructures
- Market size
- Entrepreneurship

### Risks

- European integration
- Globalisation

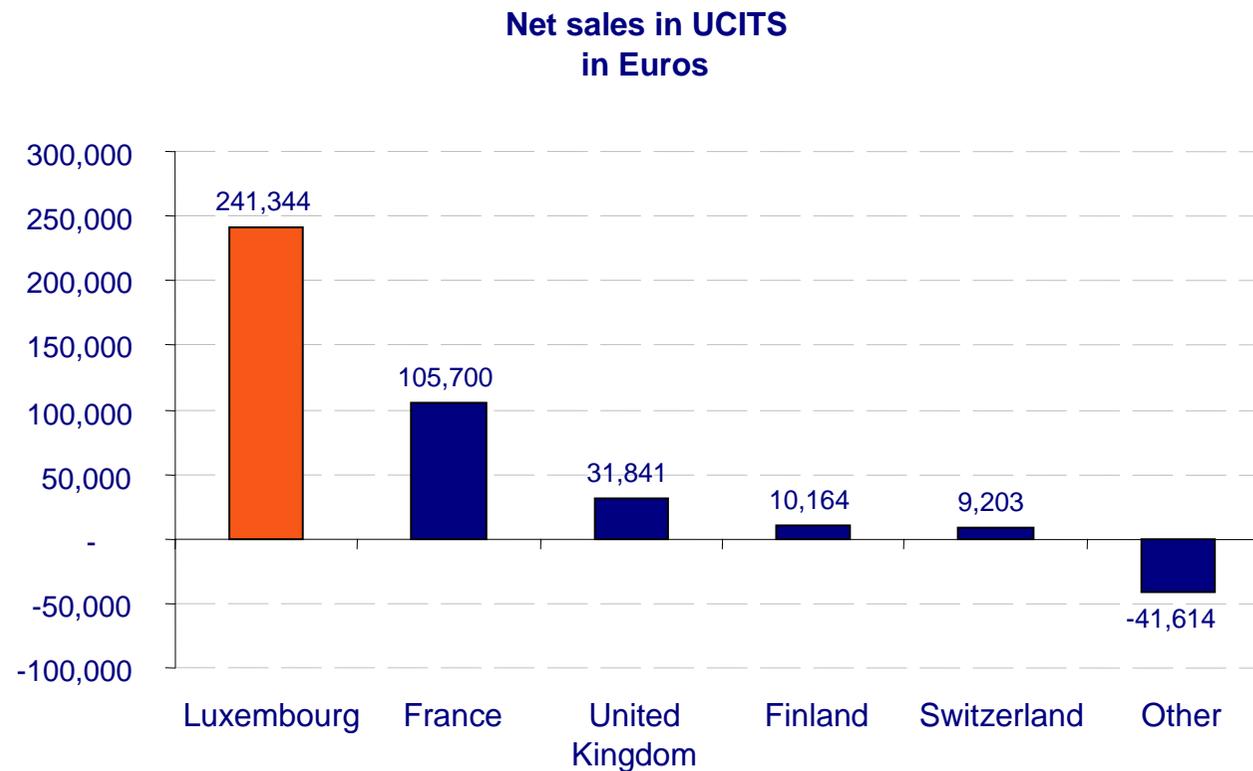
### Opportunities

- Hub for research, products and services in international markets (Biotechnologies)
- E-commerce and Logistics
- Intellectual property
- International group structuring

A great competitive location for business

## A highly competitive hub for the European markets

**Financial Services Hub** : *Luxembourg accounts for 65 % of sales of investment funds in Europe at the end of 2005*



A great competitive location for business

## A highly competitive hub for the European markets

- As from 1<sup>st</sup> July 2003, non-EU suppliers of ESS are required to register for VAT purposes in one Member State and charge VAT on their services at the rate applicable in the customer's country when supplying private individuals in the EU
- Instead of VAT-registering, by setting up an establishment in Luxembourg, non-EU suppliers will charge their EU customers only with Luxembourg VAT at 15% which is the lowest VAT rate in the EU



**Competitive advantage / easier pricing**

### To be noted:

- European services platform set up by Amazon, AOL and iTunes in Luxembourg
- Worldwide platform set up by Skype in Luxembourg
- Establishment of the **Vodafone** Group in Luxembourg (mid 2008)



A great competitive location for business

A highly competitive hub for the European markets

## A Great Distribution Center

Neighbour countries account for 55% of Luxembourg exports

- Located in the middle of Europe, a 470 million-consumer market
- Major Trading Partner
- Germany 2005 Exports: 27%
- France 2005 Exports: 17%
- Belgium 2005 Exports: 11%

Source: Statec - 2006

## 11. CONCLUSION

10 key advantages for doing business in Luxembourg

1. A highly strategic position
2. A neutral place
3. A very welcoming and safe country
4. A financially healthy country
5. A skilled multilingual workforce
6. Excellent infrastructure
7. Top level financial and multinational IT Clusters
8. A good logistics network
9. Flexible and welcoming authorities
10. An attractive life style

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[www.amcham.lu](http://www.amcham.lu)

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