



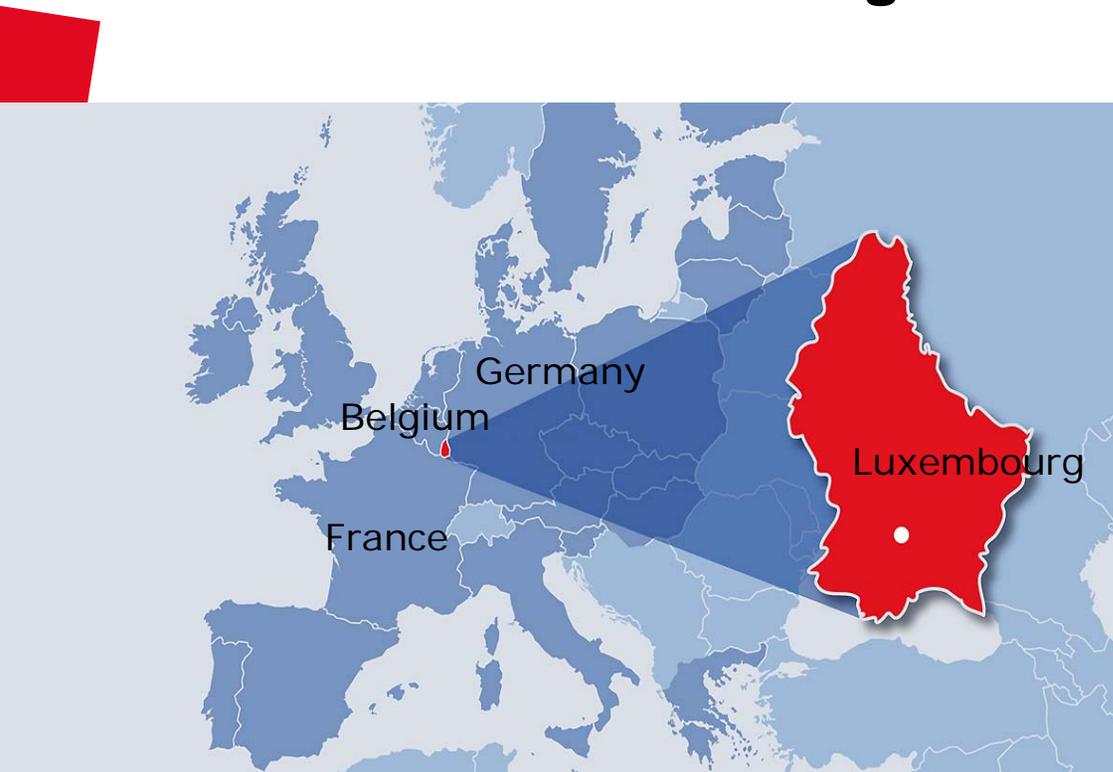
The Luxembourg Economy and its Competitive Advantages

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Luxembourg - Gateway to Europe Strategic Position



Area: 2,586 km²

Population: 460,000

Language: Lëtzebuergesch

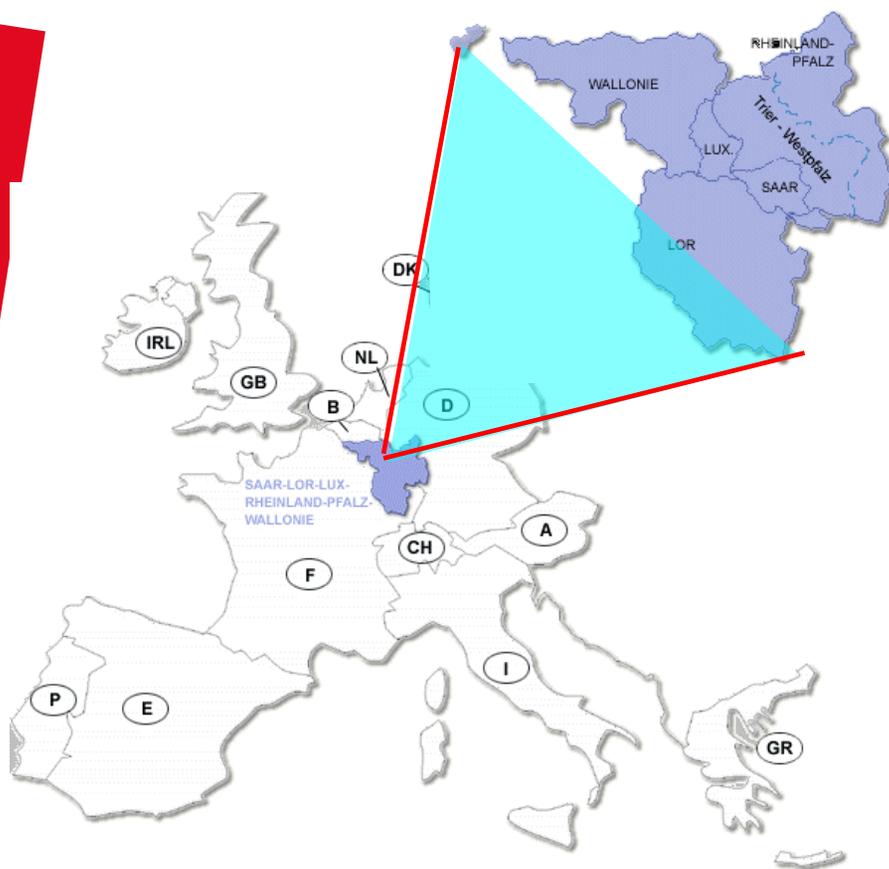
Administrative languages:
French, German

Proven gateway to EU market
with 500 million consumers

Direct access to the markets of
France, Germany and Belgium



Greater Region: one of the most dynamic regions of the EU



Grand Duchy of Luxembourg,
Wallonia, Lorraine, Rhineland-
Palatinate, Saarland

Area: 65,400 km²

Population: 11.3 million

Part of euro zone's GDP: 3.4%

3% average GDP growth (2000-2005)

Over 375,000 companies

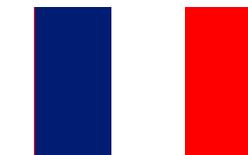
50,000 new companies per year

15 universities with 223,000 students



Luxembourg - A skilled multilingual labour force Melting pot of cultures and nationalities

- 40% foreigners
 - Portuguese: 37.3%
 - French: 12.6%
 - Italian: 10.3%
 - Belgian: 8.9%
 - Spanish: 2.0%
- 310,000 wage earners
- 65% foreign labour force
- 40% of total employment = commuters

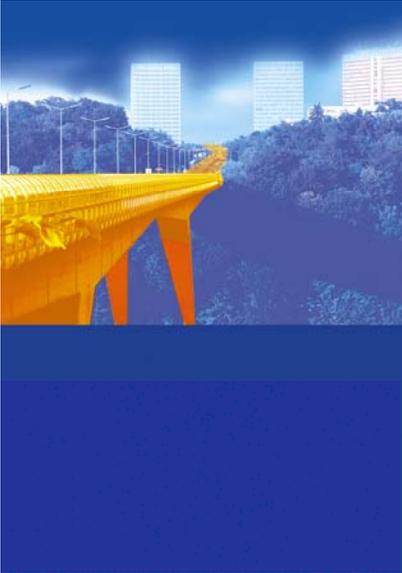


=> Luxembourg & neighbouring regions:
availability of 5 million experienced and qualified labour force



Luxembourg - Key actor in the European Union

Integration into larger entities





Luxembourg – A Sound Business Environnement

- ▶ Stable political situation and social peace
- ▶ Very open and yet safe country
- ▶ High quality of life; High purchasing power
- ▶ Key actor in the European Union
- ▶ Easy access to decision makers
- ▶ Modern infrastructures
- ▶ Research centres and business parks
- ▶ A skilled multilingual labour force
- ▶ Melting pot of cultures and nationalities - 40% foreigners

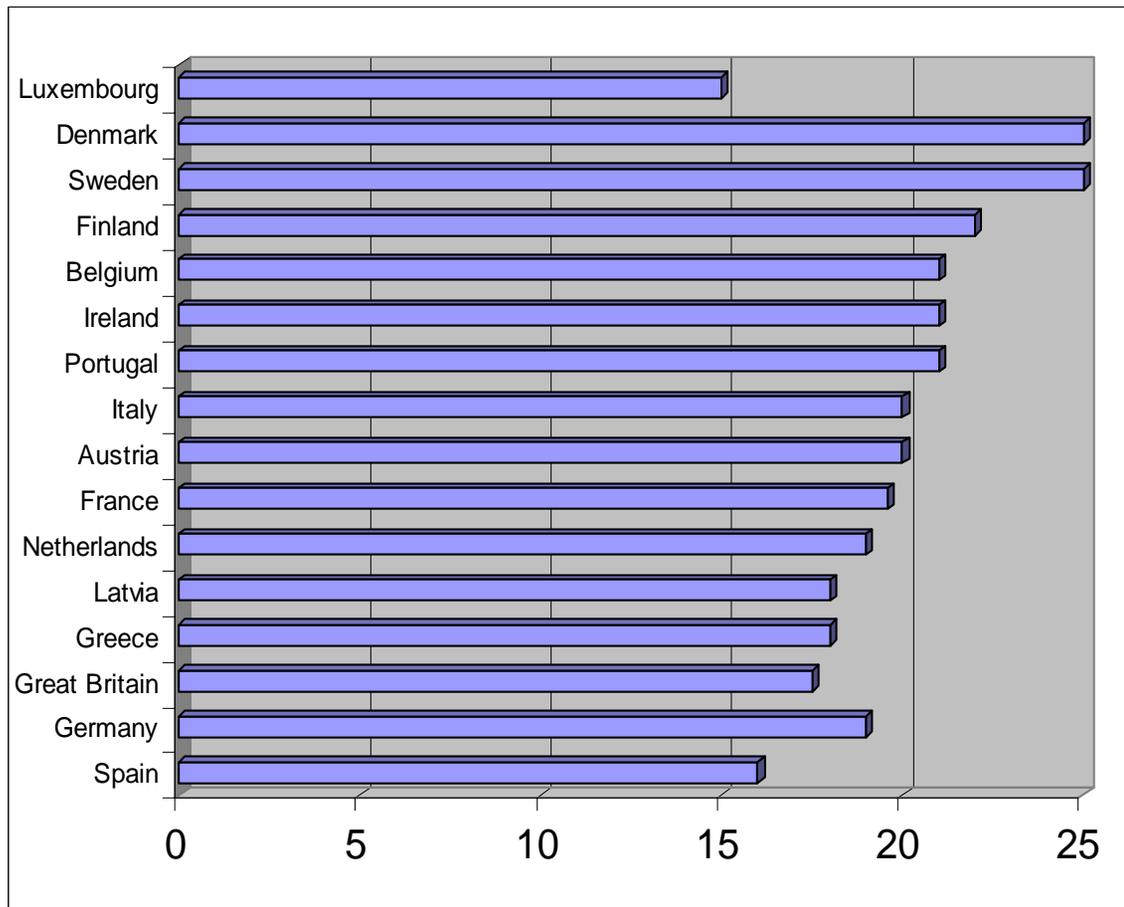




Nominal taxation rates of companies' benefits (in %)

Germany	38,31
Italy	37,25
Spain	35
France	33,83
Belgium	33,99
Netherlands	31,5
Luxembourg	30,38
Great-Britain	30
Denmark	30
Sweden	28
Portugal	27,5
Finland	26
Latvia	15

Normal VAT rate : 15% (EU lowest)
Reduced rates : 3%, 6%, 12%



Tax/Benefit Position and Labor costs (in US\$ using PPP, 2005)

Employer social charges

	Luxembourg	France	Belgium	Germany	Netherlands
Total Labour Cost	113.7	136	124.8	120.1	111.7
Gross salary	100	100	100	100	100

Employee taxes and social charges

Married - 2 Children

	Luxembourg	France	Belgium	Germany	Netherlands
Average Gross Wage earnings	100	100	100	100	100
Central Government Income Tax	1	8	19	8	8
Employee's Social Security Contribution	14	14	11	20	19
Net	85	78	70	72	73



Key Macroeconomic Figures

	1985 - 2005	2005	2006	2007*
GDP growth	5.1%	4.0%	6.2%	4.5%
Unemployment rate	2.3%	4.2%	4.5%	4.3%
Employment growth	3.3%	3.0%	3.8%	3.7%
Inflation	2.3%	2.5%	2.7%	2.1%
Current account surplus in % of GDP	Average: 10%	11.1%	11.3%	-

Source: Statec, * forecast



Luxembourg - A diversified Economy Industry

10% of GDP; 15% of Employment





Iron and Steel Industry





Metal Processing



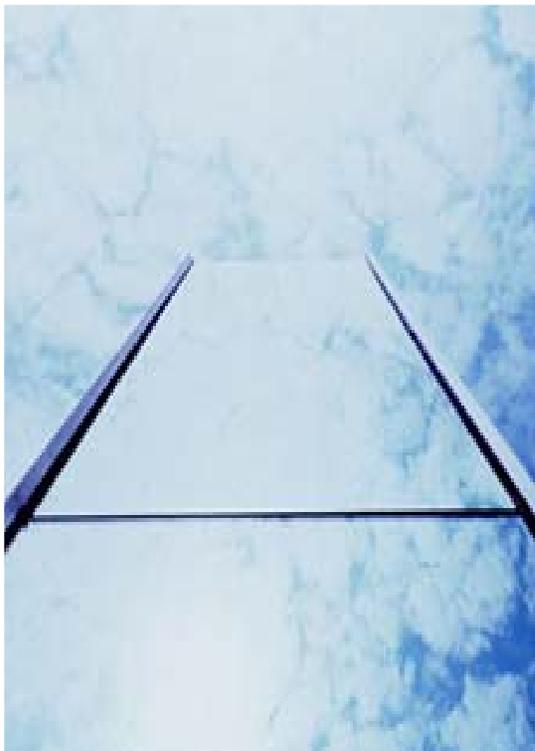


Chemical Industry, Materials, Plastics



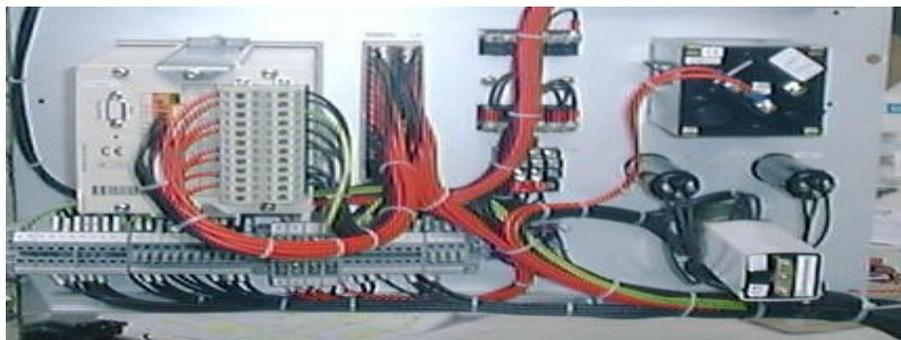


Non-Metallic Mineral Industry





Electric and Electronic Industry, Automotive Component Industry





Food Industry

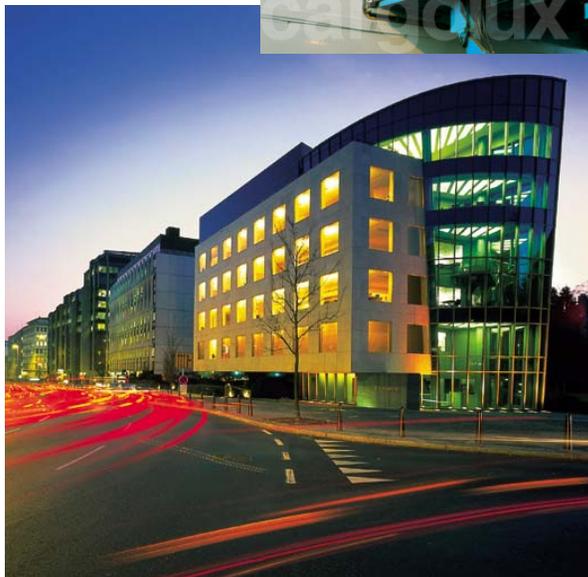




Luxembourg - A diversified Economy

Service Sector

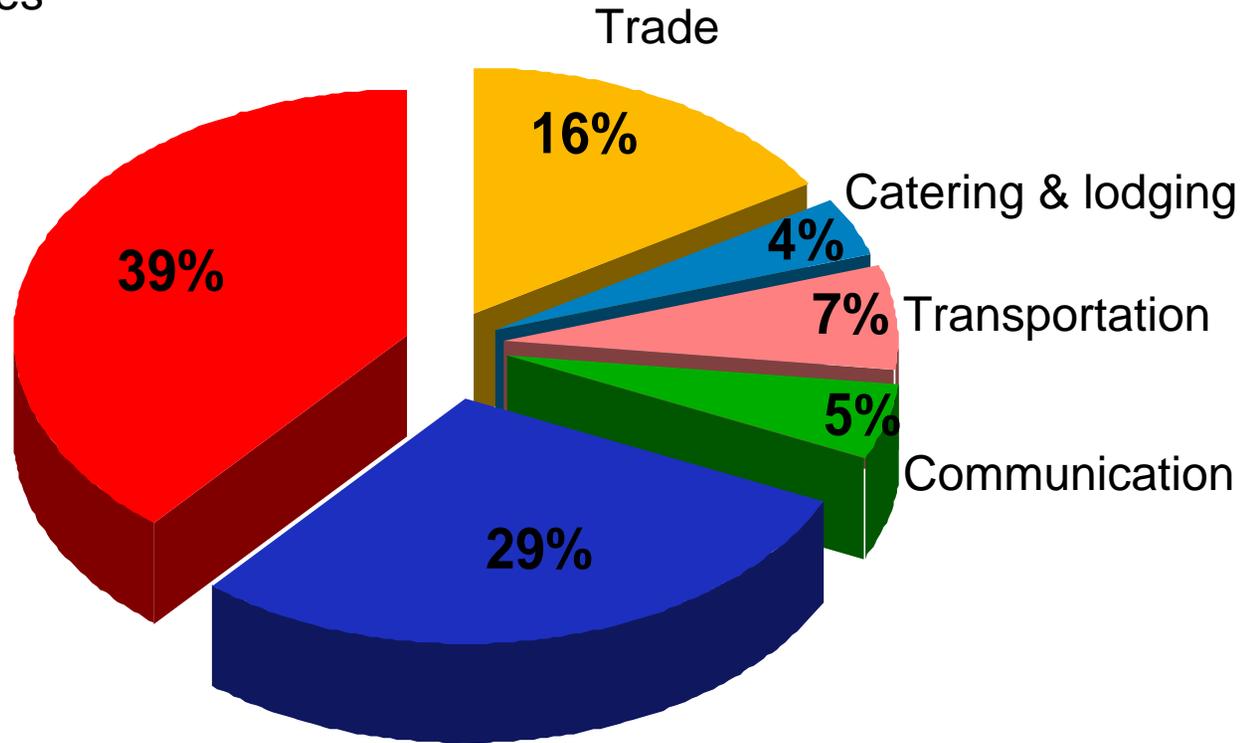
82% of GDP; 75% of Employment





Services Sector 2006 (%)

Market services
(advertising,
accounting,
tax experts,
security,
cleaning, ...)



Credit & insurance institutions



Financial Center

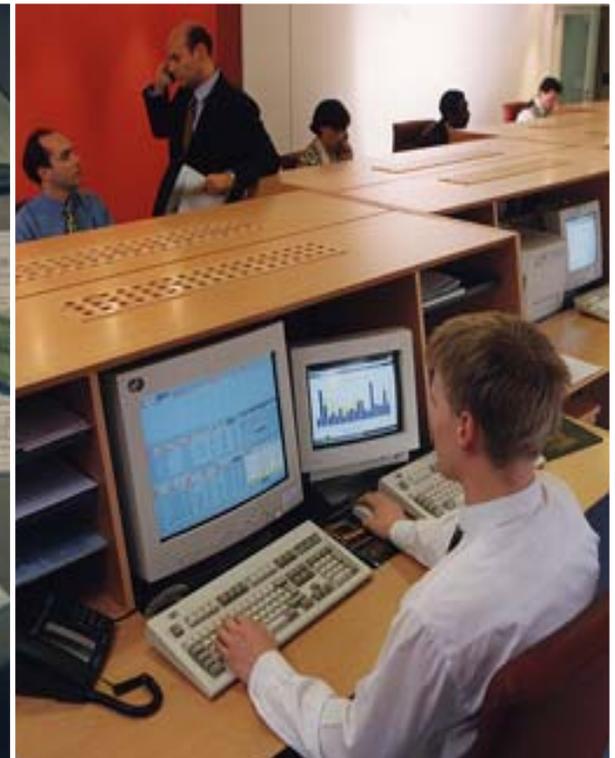
Impact on the Economy



32% GDP



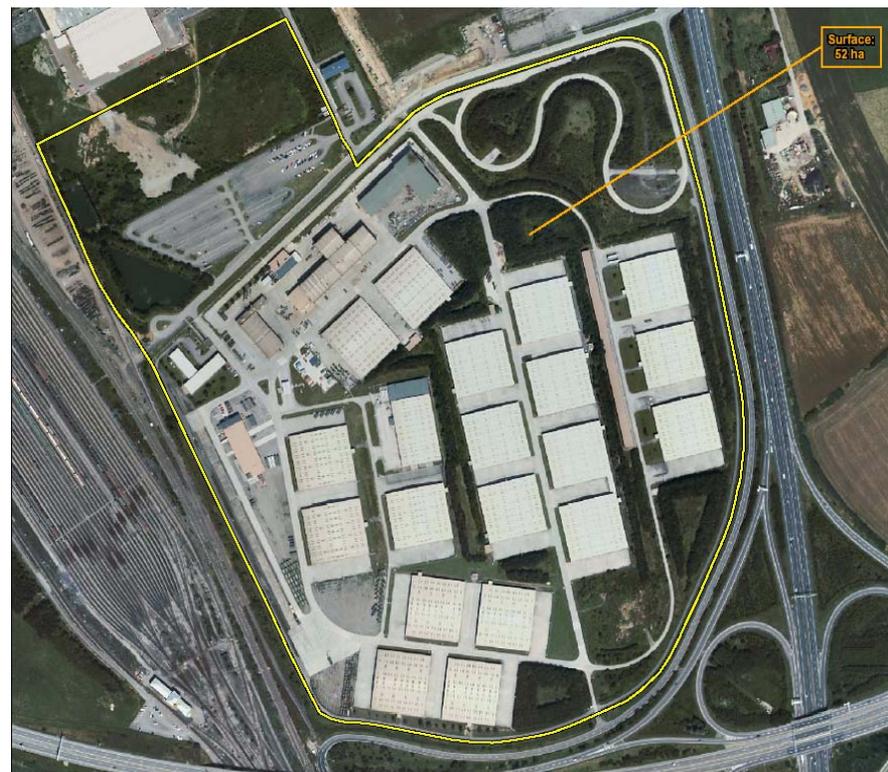
11% Employment





Strategic Location for Logistics, Excellent connectivity to markets

- Commercial neutrality
- Extended road, rail, flight and waterway connections
- More than 120 companies specialized in handling, warehousing and organization
- About 550 transport companies
- Development of modern logistical parks close to the international airport
- 5th largest european freight airport (1 million t annual freight handling capacity)





Logistical operators

- Cargo operators: Cargolux, China Airlines, China Eastern, Atlas, Jade Cargo, ...
- Handling companies: Luxair, Swissport
- Major logistic service providers: Kühne & Nagel, PanAlpina, DHL, Schenker, FedEx, Nippon Express
- River port of Merttert for heavy bulk traffic (steel and petroleum products)
- Multimodal rail / road terminal





Luxembourg: the place for Media, ICT and E-commerce

- SES: the world's largest satellite operator
- RTL-Group:
one of the world's largest integrated broadcasting operators, N°1 in TV and Radio Broadcasting in Europe (38 TV channels and 29 Radio stations in 10 countries)
- Several competing telecom infrastructures and service providers
Luxembourg Telecom, Tele2, Cegecom, MCI, Microsoft, AOL, Amazon, iTunes (Apple), Skype





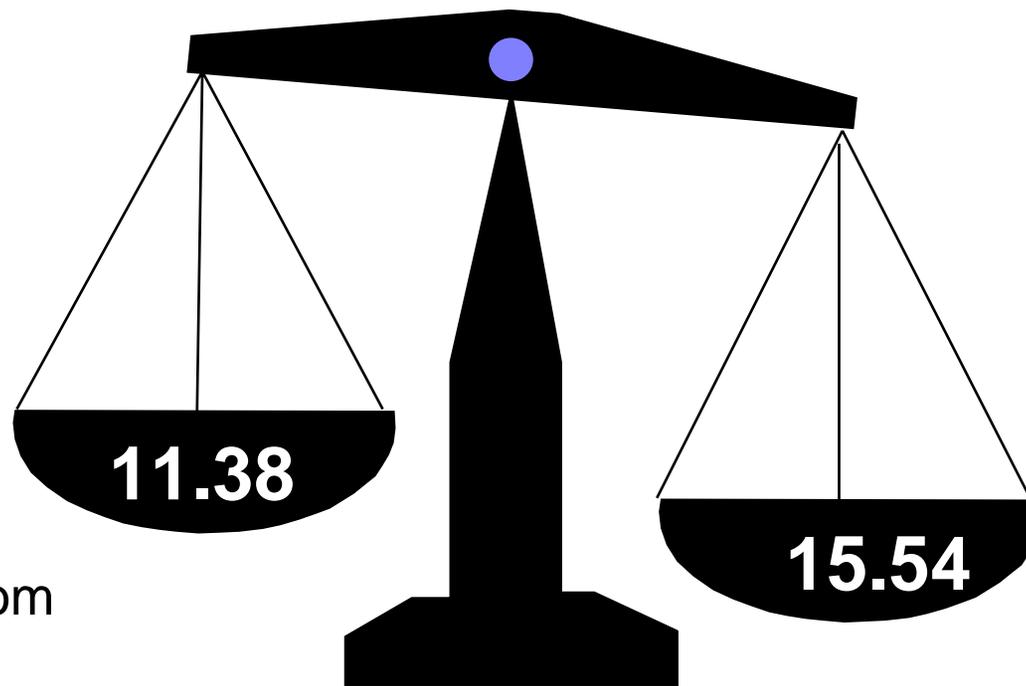
Health Technologies in Luxembourg

- Objective:
To promote Luxembourg as a prime location for businesses in selected areas of health technologies
- Targeted economic applications:
Medical devices and support services (e.g. nanotechnologies, communication and information technologies, intellectual property management)
- Targeted phase:
Post-approval phase (production and marketing)





Trade balance (billion EUR, 2006)



Total exports from
Luxembourg

Total imports to
Luxembourg



Trade balance with Spain (million EUR, 2006)

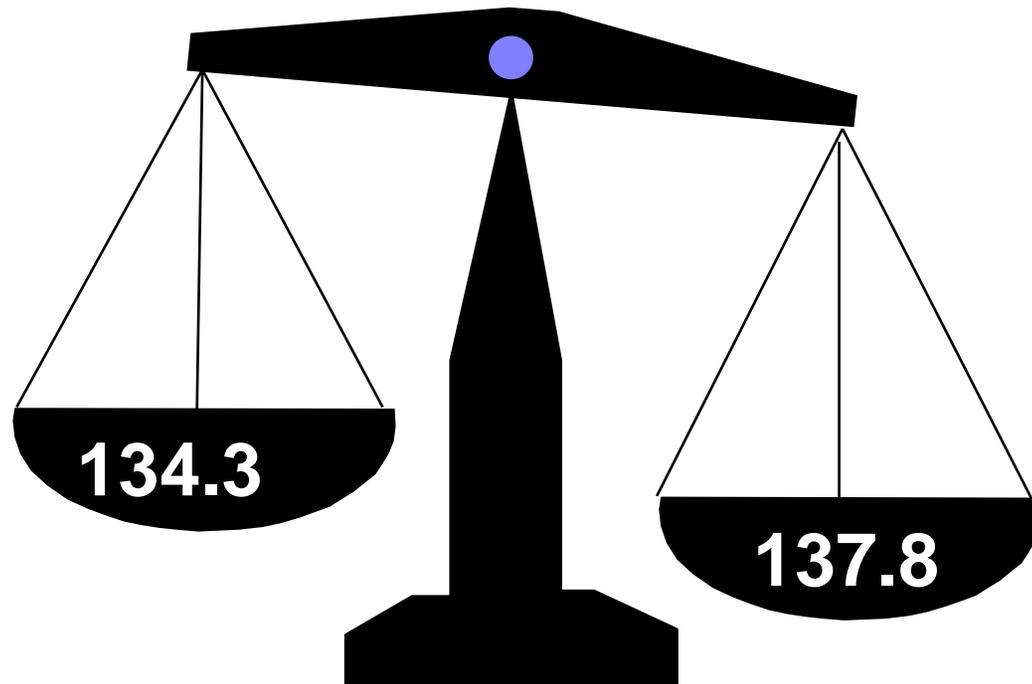


Total imports from
Spain (11th supplier)

Total exports from
Luxembourg (7th customer)



An Open Economy: Current Account (billion EUR, 2006)



Goods: -3.4

Revenues: -8.3

Current transfers: -1.3

Surplus: 3.5
=> 11.3% of GDP

Services: 16.6



- An open and diversified economy
- Located in the heart of Europe
- With a high growth potential
- With dynamic and innovating companies
- Attractive for trade and investments

Luxembourg: a Prime Business Location

