

Discover Luxembourg





Luxembourg, Centre of Excellence in Europe

by Mr Pierre Gramegna
Director General
Chamber of Commerce



Luxembourg's profile

- **A highly strategic position within the european market**
- **In the heart of Europe**

Area: 2,586 sq km (300X less than Turkey)

Population: 500,000 (150X less than Turkey)
of which 42 % are foreigners

Languages: luxembourgish, german, french, english

Currency: euro

Political system: constitutional monarchy
parliamentary democracy

- **Founding member of the European Union**
- **Commercial neutrality**
- **Reach 60 % of the EU GDP in less than a day**



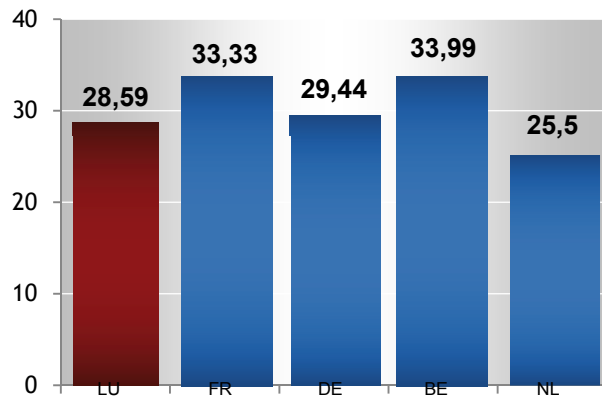
A stable and favourable business environment

| | 1985-2009 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|----------------------------------|-----------|-------|------|------|-------|-------|-------|
| GDP (in bn €) | | 33,00 | 37,5 | 39,6 | 38,0 | 39,1 | 40,3 |
| GDP growth | 4,9% | 5,0% | 6,6% | 1,4% | -3,7% | 3,2% | 3,0% |
| Unemployment rate | 2,7% | 4,6% | 4,2% | 4,3% | 5,7% | 6,2% | 6,5% |
| Total employment growth | 3,30% | 3,6% | 4,5% | 4,7% | 1,0% | 1,8% | 1,5% |
| Inflation | 2,1% | 3,0% | 2,7% | 4,1% | 0,4% | 2,8% | 2,2% |
| Public deficit/surplus, % of GDP | 2,4% | 1,3% | 3,7% | 3,0% | -0,7% | -1,8% | -1,3% |

An attractive fiscal environment

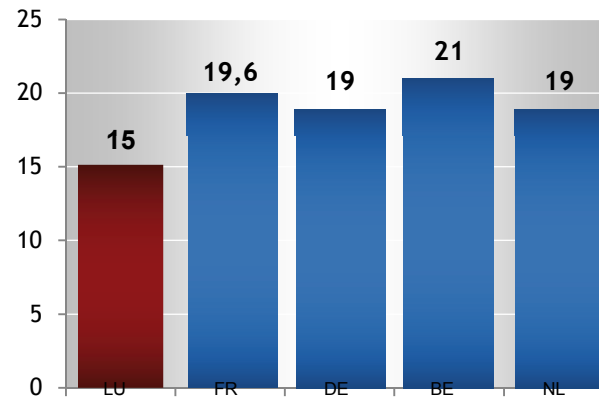
- Tax policy: “reduce the overall tax burden“

Corporate income tax
(Nominal rate in % for 2009)



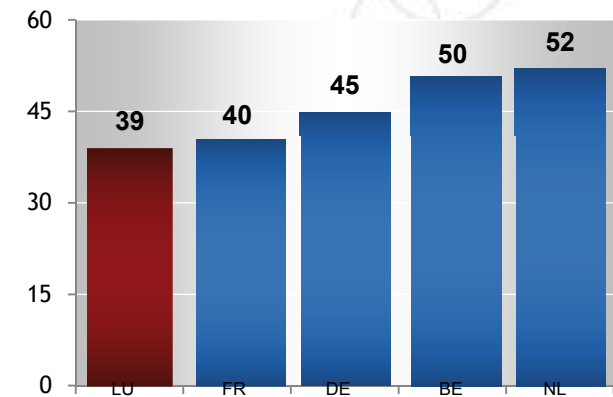
Source: KPMG

Value added tax
(Standard rate in % for 2009)



Source: european commission

Personal income tax
(Highest marginal rate in % for 2009)



Source: KPMG

➔ **“In the coming years, the corporate income tax rate will progressively decrease to reach 25,5 %”**

Optimising labour costs *versus* productivity

- Lower taxation and social charges

Example for a married person with two children earning 100,000 euros annually

| | BE | FR | LU | UK | DE |
|--|-----|-----|-----|-----|-----|
| Total costs for EMPLOYERS | 132 | 149 | 111 | 112 | 111 |
| Tax/social charges  | 32 | 49 | 11 | 12 | 11 |
| Gross salary | 100 | 100 | 100 | 100 | 100 |
| Tax/social charges  | 48 | 29 | 28 | 32 | 36 |
| Net salary for EMPLOYEES | 52 | 71 | 72 | 68 | 64 |
| Ratio Net/Cost (%) | 39 | 48 | 64 | 60 | 59 |

Source: PWC

- A highly productive workforce

Labour productivity per person employed, EU 27 = base 100

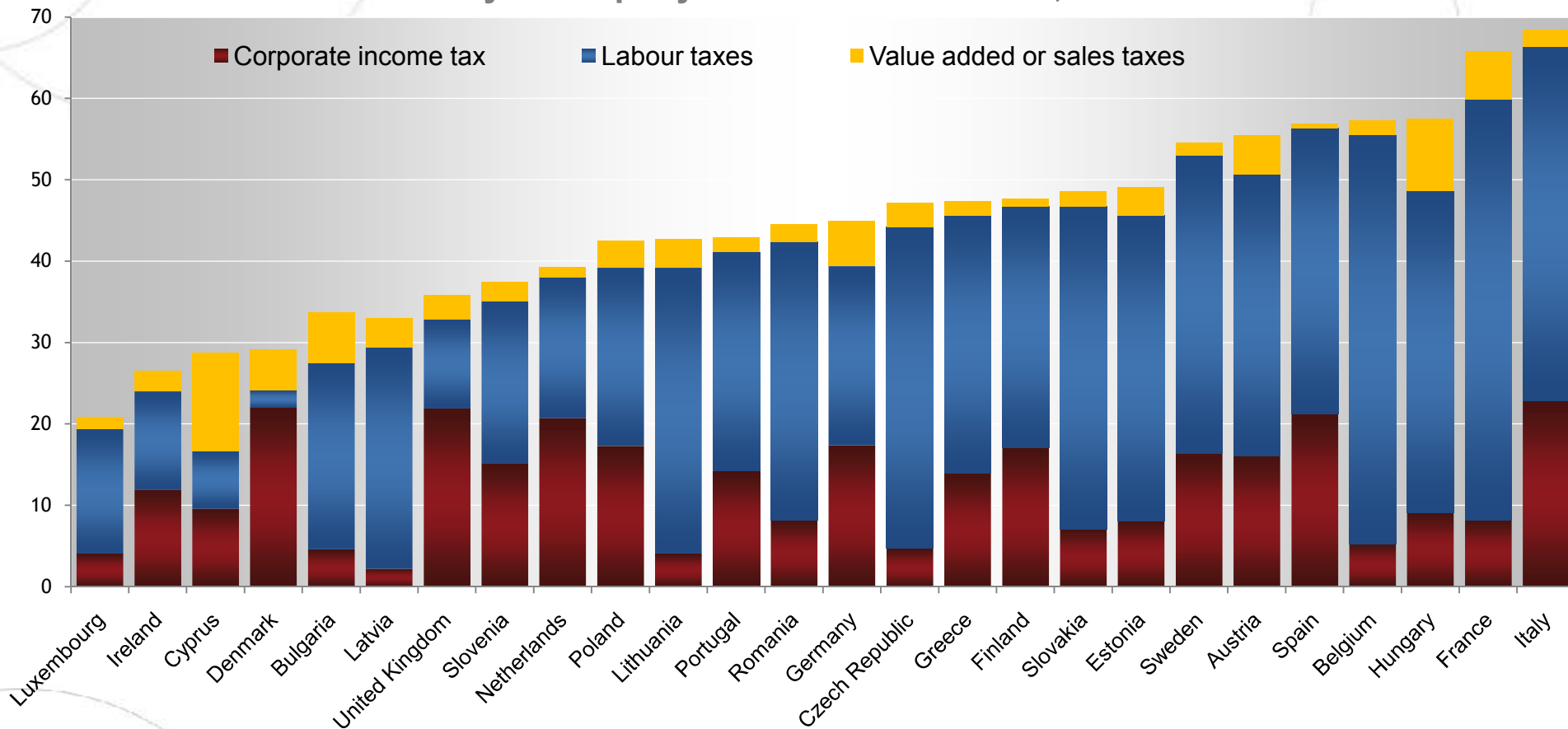


Source: Eurostat

A competitive tax environment

- Lowest taxation pressure within the EU

Cost of all taxes borne by a company in EU member states, 2009



Source: paying taxes 2010, WB & PWC

Remark: the rates included in this graphic take into account the availability of investment tax credits that may offset the tax rate liability. Therefore the rates in this graphic may vary from others in this presentation.



A leading international financial center

- **... At a glance**

- **N° 1 Investment fund Center in Europe**
(second worldwide behind the USA)
- **N° 1 wealth management center in the Eurozone**
- **Europe's leading domicile for captive reinsurance**
- **N° 1 for listing international bonds in Europe**

But much more than just a financial center

- A diversified and dynamic economy

- Industry



- Media & e-commerce



- Logistics



- European institutions



- Services





Four business cases tailored to your needs

- **What are the opportunities offered for expanding your business activities in Luxembourg?**

- 1 Use the advanced ICT environment**
- 2 Organise your european logistics**
- 3 Engage in clean technologies**

Business case n° 1



A most advanced ICT environment

- **Excellent international and national connectivity**

- **High speed connections**

- Fiber optic networks to all major european pops (e.G.Teralink, luxconnect)
- Satellite connectivity (SES)

- **Internet exchange point**

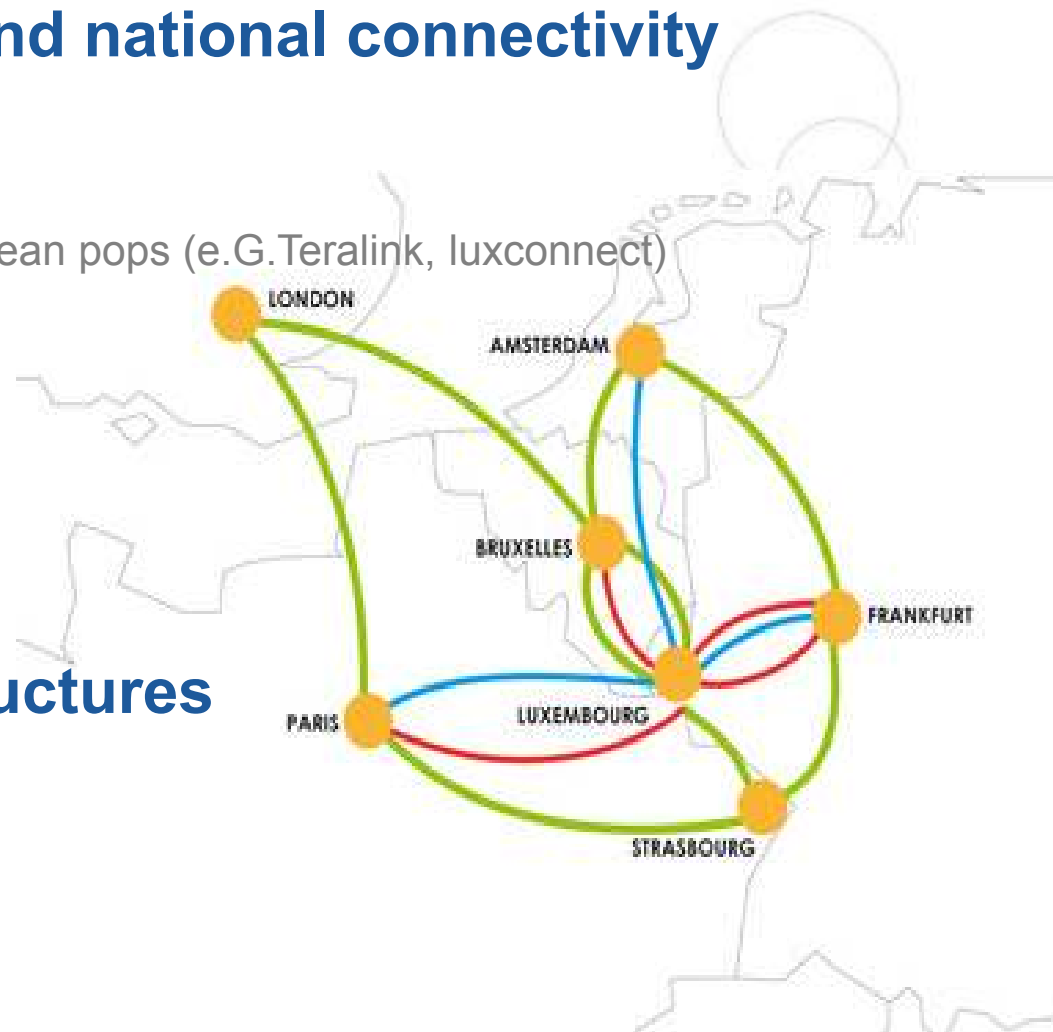
(E.G. Lix, lu-cix)

- **State of the art infrastructures**

- **Secure it environment**

(i.E. Luxtrust)

- **High level data centers**



A safe ICT environment

- **Luxembourg IT security framework - based on 4 pillars**
 1. Awareness and prevention
 2. Incident response
 3. Investigation and repression
 4. Legislation and standardisation

Awareness – strengthens security And creates trust

- Inform on threats, vulnerabilities and impacts
- Implement awareness raising campaigns
- Implement it security policies
- Improve it security “maturity”



Business case N° 2



Organise your european logistics

- Airlinks to all continents (Cargolux network, 2009)



Additional Interline Destinations available upon request

Road Feeder Services are also offered in Europe, Asia/Pacific and the Americas, to connect with Cargolux's global flight network

● Cargolux destination ● Interline destination * Charter destination

Organise your european logistics

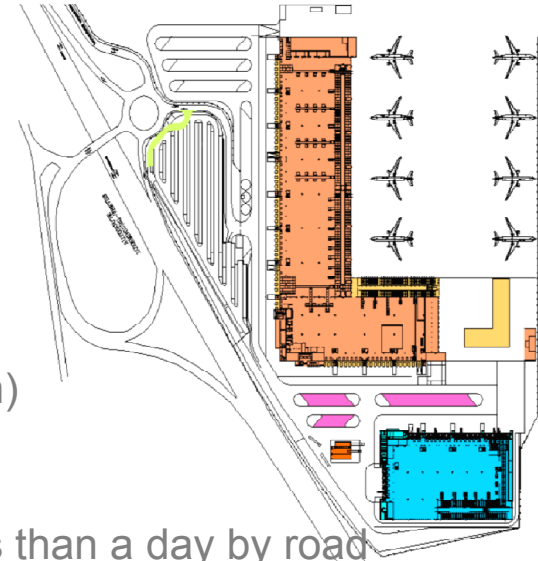
- **5th largest european freight airport**

- **Secure, efficient and speedy ground handling**

- Handling capacity of 1,200,000 t annual freight
- Well-equipped for temperature sensitive goods (i.E. Cool-chain guarantee, eu-certified veterinary station)
 - Quick turnaround time
 - Any european city can be reached in less than a day by road

- **Airlinks to all continents**

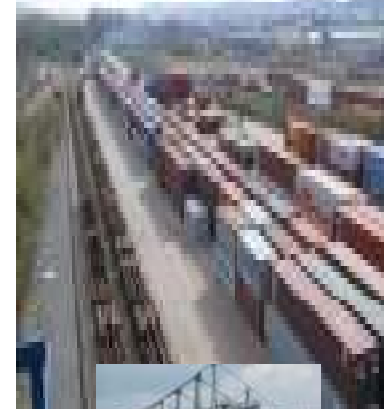
- major hub for worldwide airfreight carriers (e.G. Cargolux, china airlines, panalpina)



Organise your european logistics

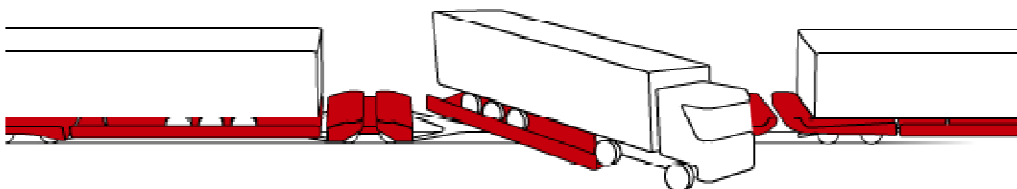
- **Hinterland port of the north sea**

- Daily railway connections to the ports of the north sea (i.e. antwerp, rotterdam, hambourg)
- Container handling and storage facility



- **Innovative multimodal solutions (rail/road)**

- Piggyback connection between luxembourg and south of france (New routes through europe are planned)





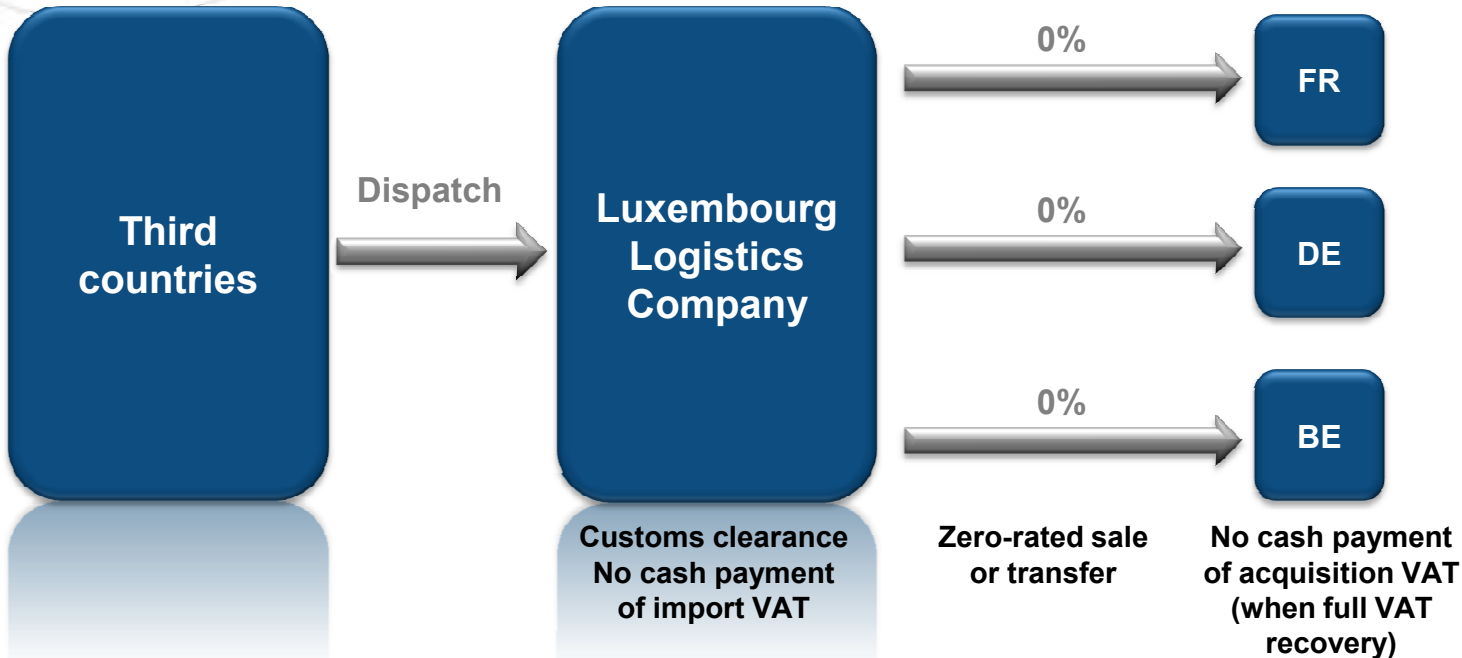
Organise your european logistics

- **Easy and fast import/export procedures**
 - Cooperative and efficient customs administration
 - Towards a paperless environment (e.g. e-customs, iata e-freight)
 - Authorized economic operator / fiscal representation
 - Recognized certification and homologation agency (snch) (for automotive, electronics components and medical devices)

- **Dedicated logistics parks**
 - Eurohub centre (dedicated to air-freight logistics)
 - Eurohub south (predominantly rail-freight logistics)

Organise your european logistics

- **No vat pre-financing for the import of goods**
A guaranteed and automatic mechanism



- 
- **Free up capital tied up in VAT pre-financing**
 - **Reduce cost of capital needed for VAT pre-financing**

Organise your european logistics

- Quality services offered by key players (illustrated below by some players)



Business case n° 3



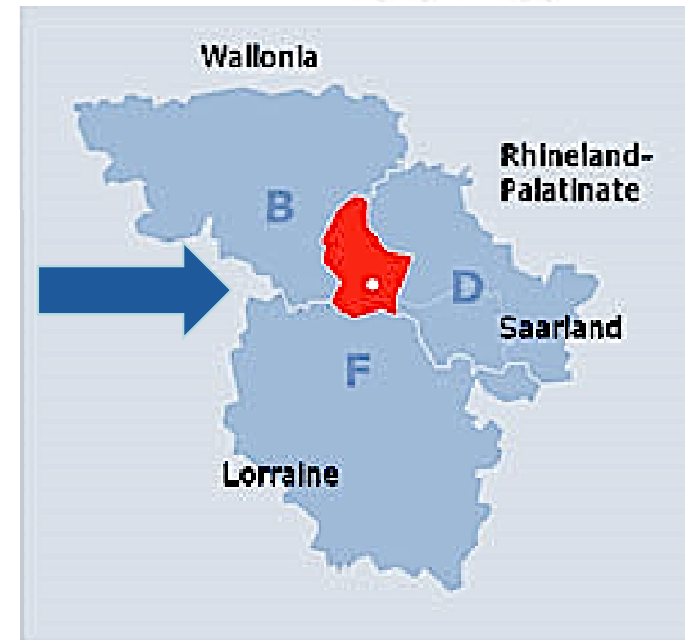
Luxembourg as a hub for clean technology companies

- Consider Luxembourg and the greater region as a test bed for environmental technologies

- For each technology/service - newly developed - and especially existing ones:

select the one where :

- A demand exists in Luxembourg and in the greater region



www.greater-region.Lu
Population: 11,3 million
Area: 65.400 km²
GDP: +/- 300 billion €
Workforce: 5.000.000

Greater Region

Building on a strong tradition of innovation

- **188 eco-companies**

Mainly in the renewable energy sector, waste, water,

- **Eco-construction**
- **28 public agencies active in the field**
- **6 research institutes**





THANK YOU

For more information:

www.investinluxembourg.lu
www.luxembourgforfinance.lu

This presentation is available on:

www.cc.lu





Luxembourg, THE international hub for financial services

by Mr Fernand Grulms

CEO

Luxembourg for Finance

fernand.grulms@lff.lu

+ 352 27 20 21-1



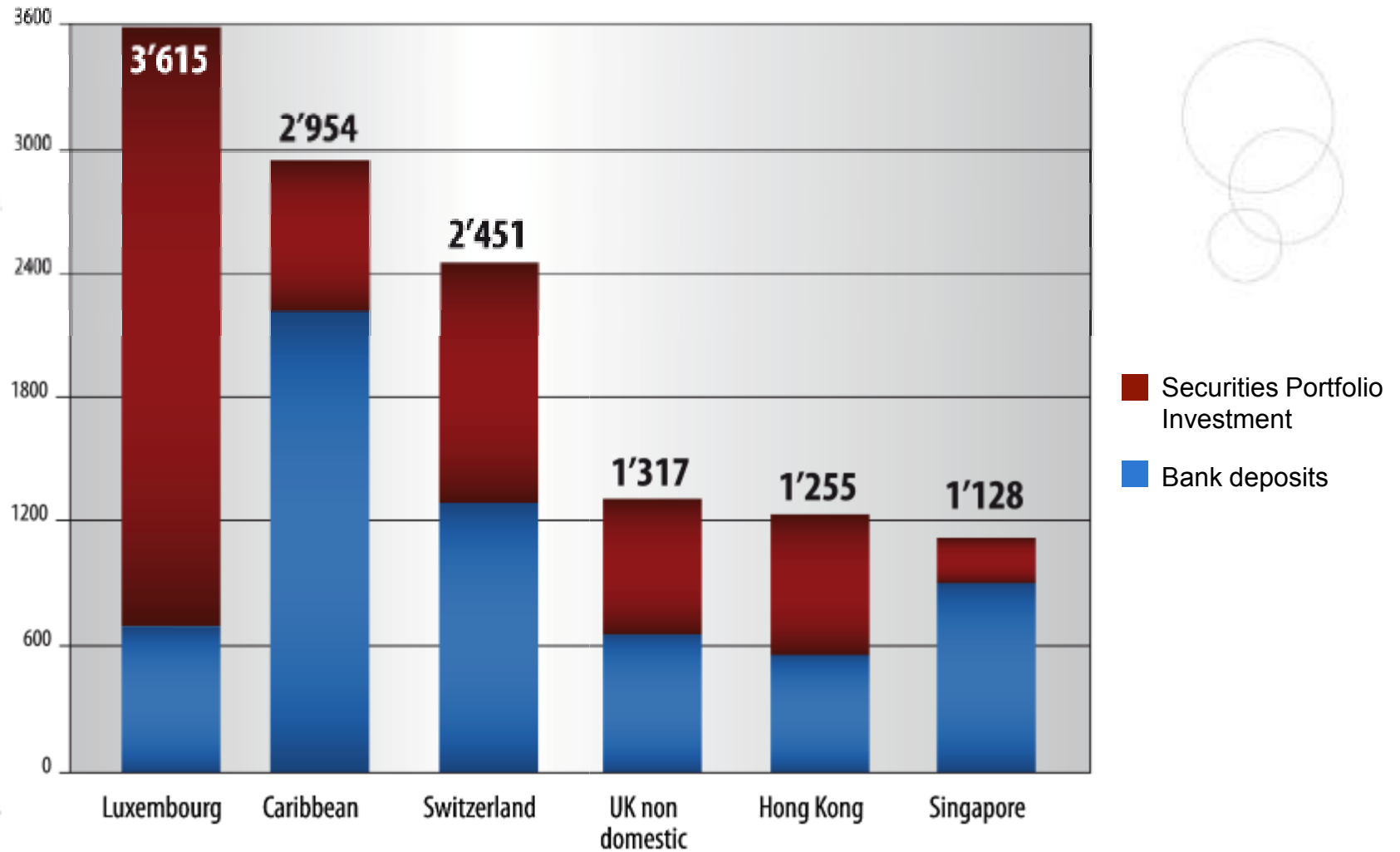


What makes international financial centres competitive?

- **Size**
- **Environment of trust and confidence**
- **Investment in research and development in finance**
- **Appropriate technical infrastructure and “pipelines”**
- **Know-how in cross-border finance**

International financial centres

Investments managed in international centres in \$bn



Source: Bank for International Settlements, International Monetary Fund, latest figures available



Size of the Luxembourg financial centre

- **Europe's number one investment fund centre (number 2 worldwide after the US)**
- **N° 1 wealth management centre in the Eurozone**
- **Europe's leading domicile for captive reinsurance companies**

Size of the Luxembourg financial centre

Banks: 146
780 Bn EUR B/S

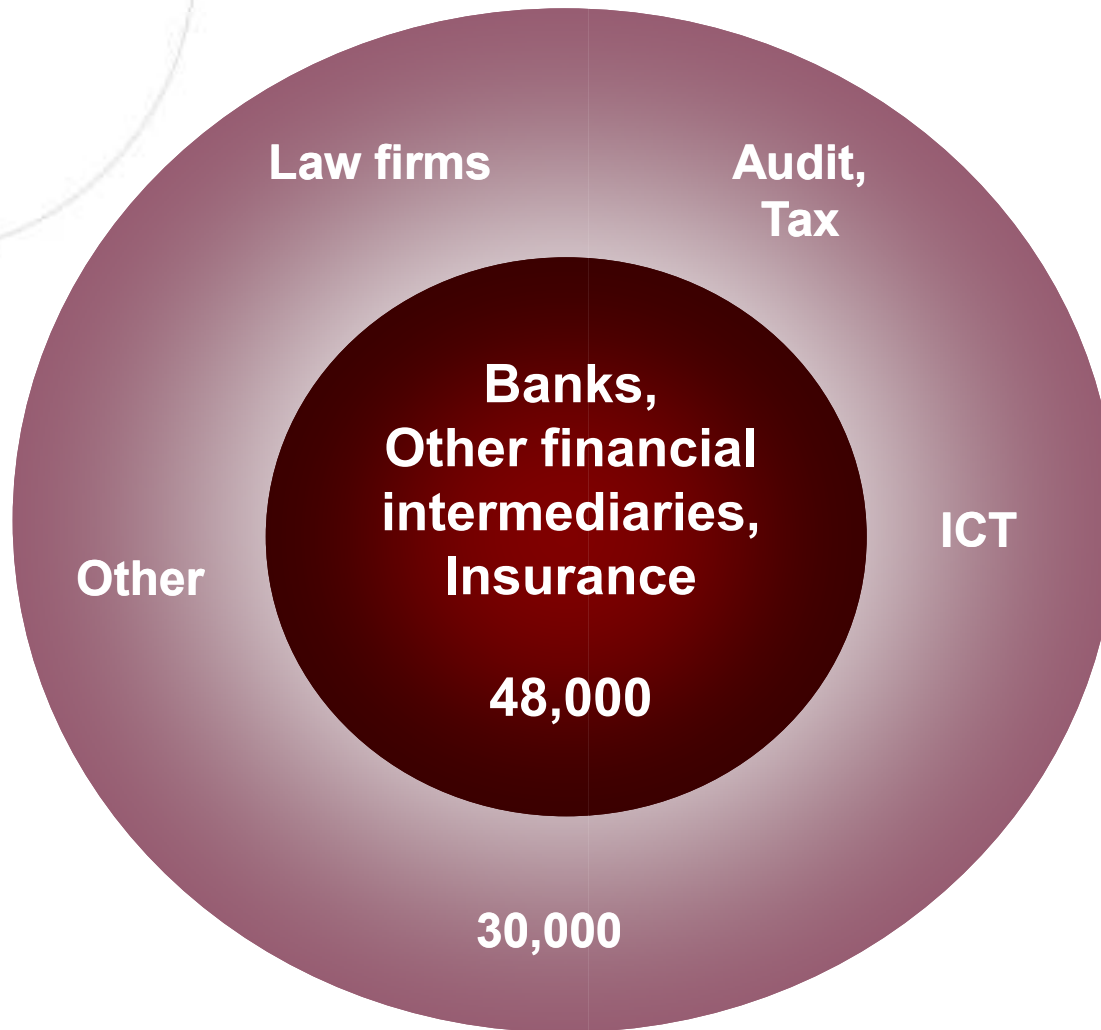
**Investment
funds**
> 3,600
± 2,200
Bn EUR AuM

Insurance
Life: 53
P&C: 41
Reinsurance: 251

**Professional
Intermediaries**
**(asset managers,
brokers,
transfer agents...)**
± 300

Size of the Luxembourg financial centre

Employment



45'000 are university graduates

Environment of trust & confidence

- Free flow of capital (since 1945)
- Political, legal and social stability
- Rule of law and guarantee for law enforcement
- Sound public finances, high sovereign rating (AAA)
- High regulatory standards and care for investor protection
- Stable currency (low inflation, independent central bank)

Environment of trust & confidence

Regulation

Minister of Finance

Luxembourg central bank

- Macro supervision
- Systemic risk
- Liquidity
- Payment systems

Commission for the supervision of the financial sector

- Banks
Financial intermediaries
- Securities markets
- Investment funds
Pension funds
Other vehicles

Insurance Commission

- Life insurance
P & C insurance
- Reinsurance
Captives



Investment in research & development in finance

- **University of Luxembourg**
- **Luxembourg School of Finance**
(partners with Stern, NY)
- **More than 20 of the best universities and polytechs of Europe within 250 km**
- **Bank and Finance training Institute (since 1949)**



Appropriate technical infrastructure and “pipelines”

- **State of the art payment systems (RTGS + Netting)**
- **Access to effective and cheap trading platforms**
- **Access to effective and cheap securities clearing and settlement**
- **Access to regulated « outsourcing companies » (EDP equipment, printing and communication with customers,.....)**



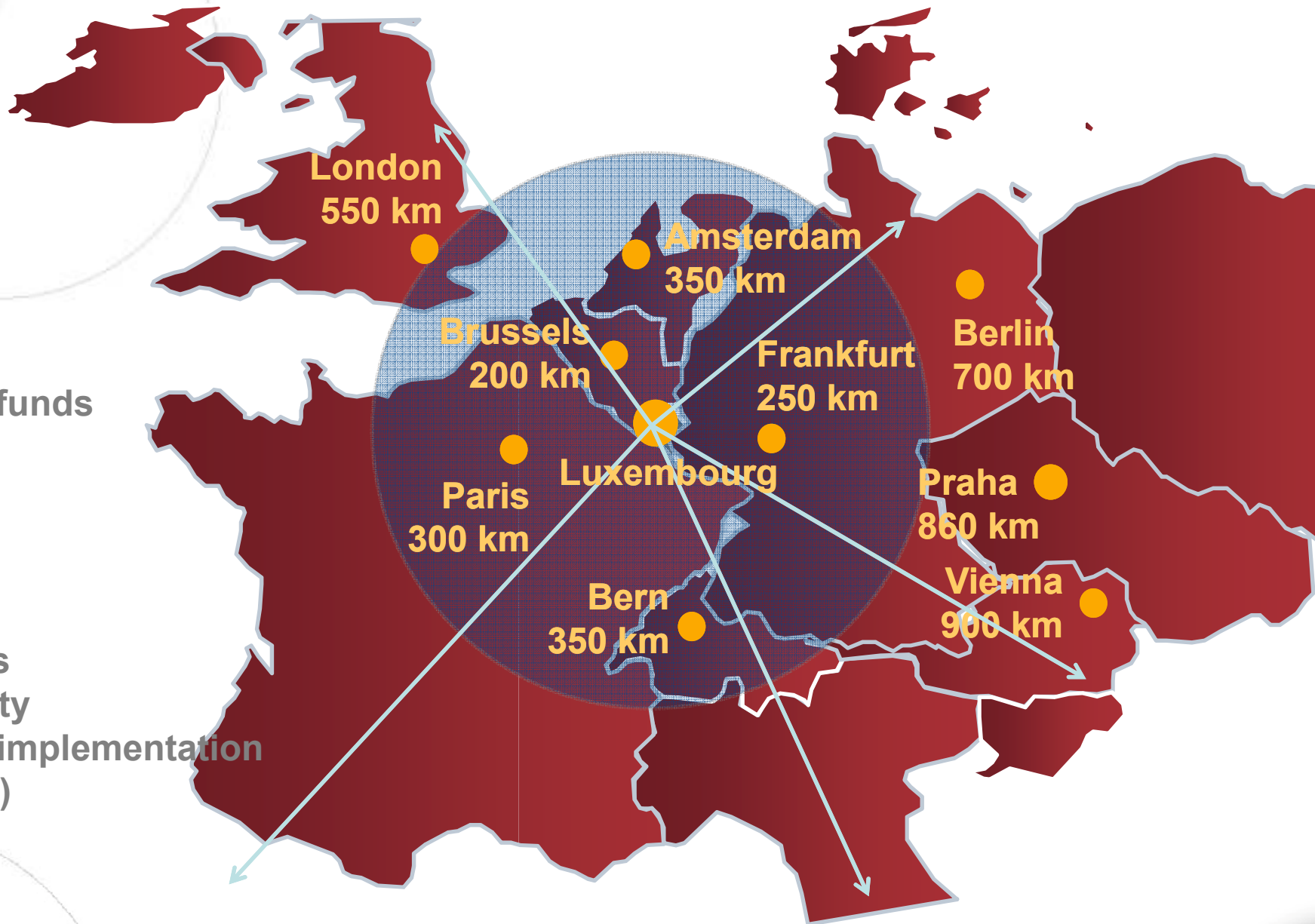
**What do
all these financial intermediaries
do
in Luxembourg ?**

The principle of the european passport

- banking
- insurance
- reinsurance
- securities
- investment funds

New EU passport

- hedge funds
- private equity
- real estate (implementation in progress)

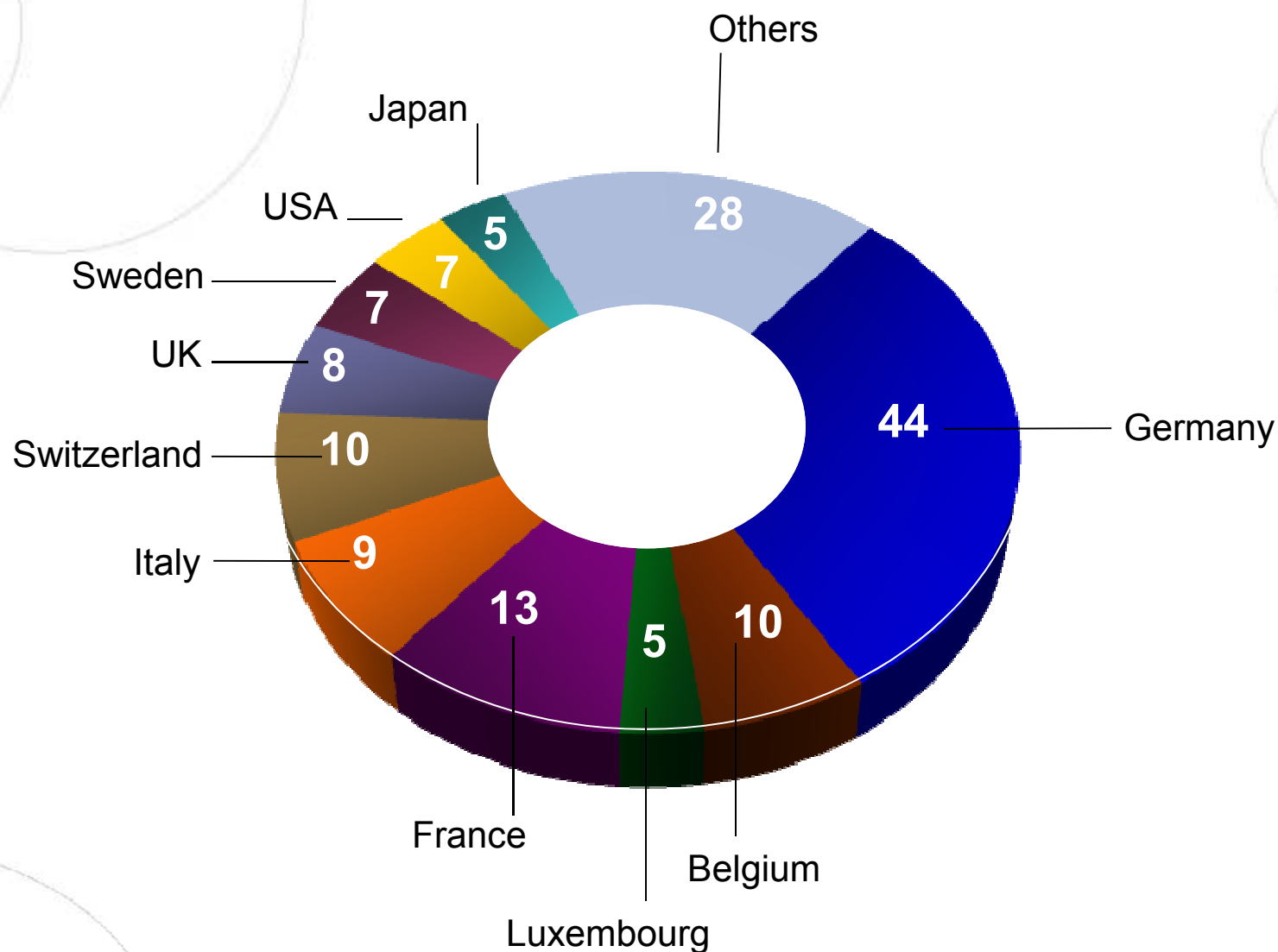


Know-how in cross-border finance

- The Luxembourg domestic market in finance represents less than 1%
- It's all about doing business with Europe...
... and the world
- Expertise in cross-border banking, insurance and international distribution of products like investment funds

Know-how in cross-border finance

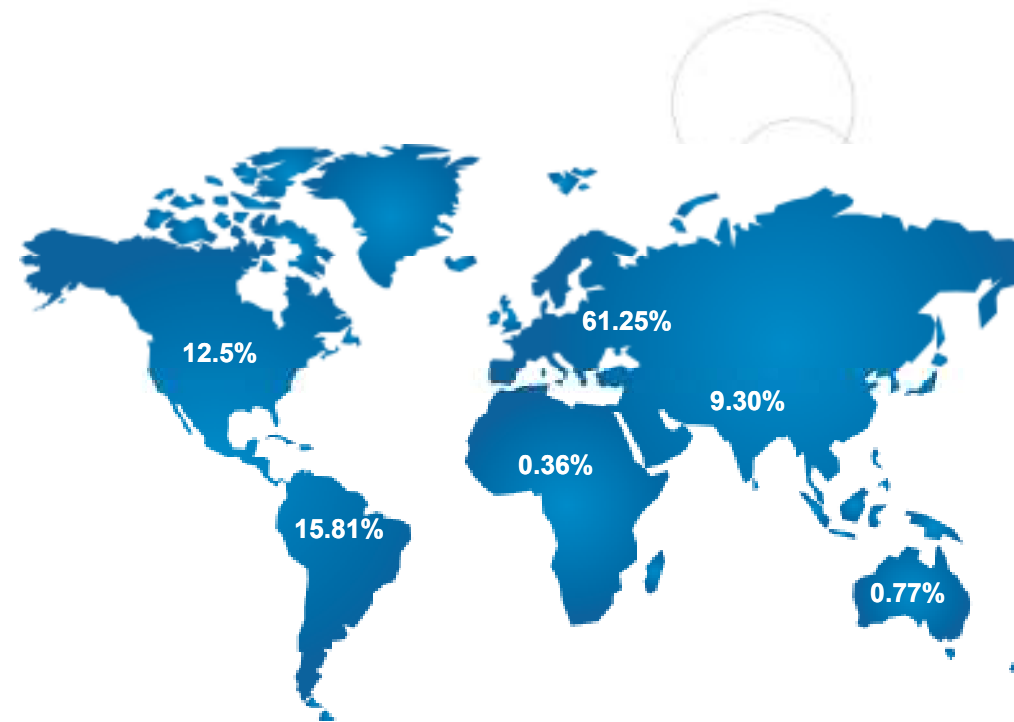
... Origin of banks in Luxembourg



Know-how in cross-border finance

Luxembourg Stock Exchange – an international listing centre

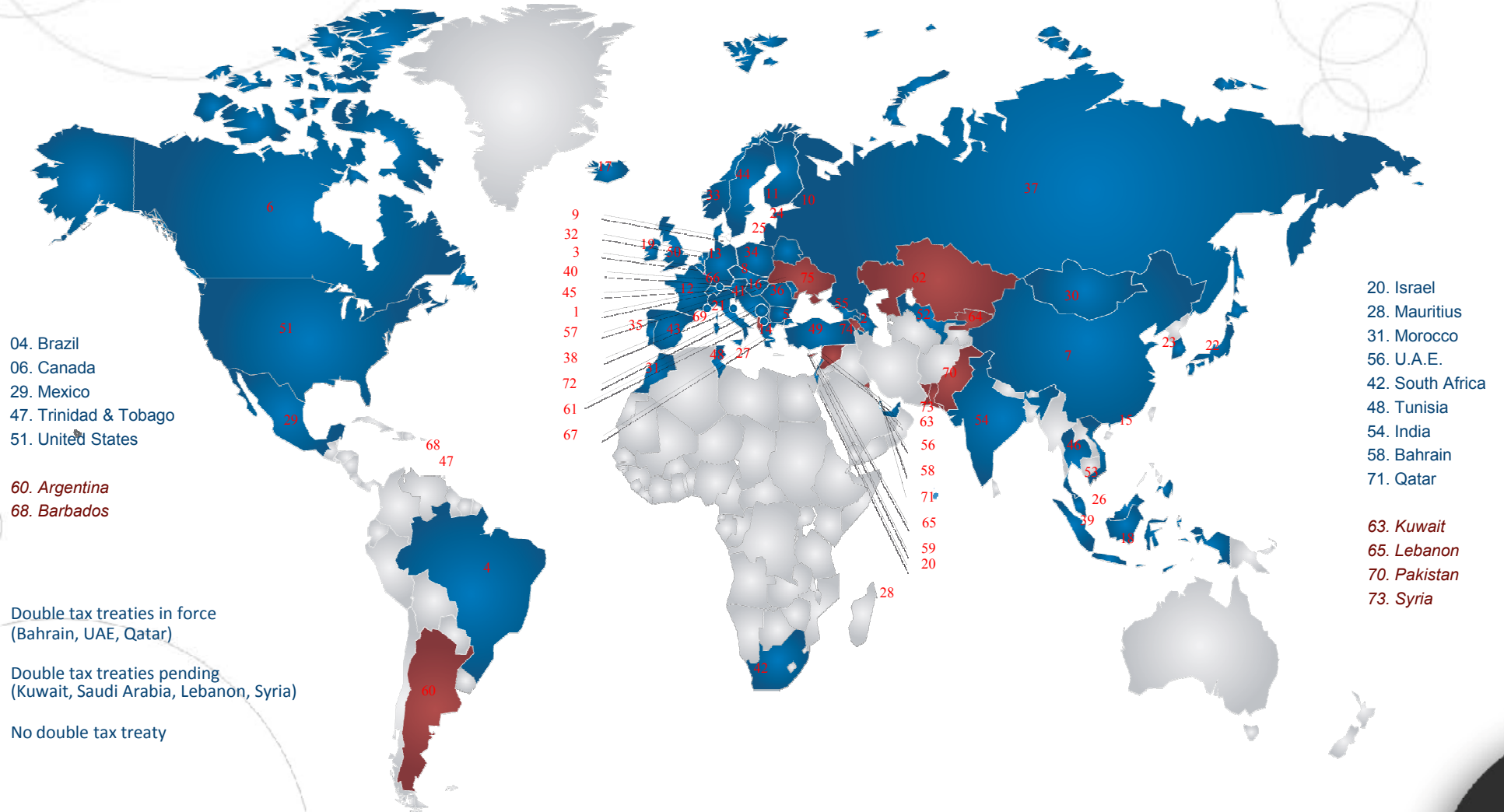
- Over 3,500 issuers from 105 different countries
- 64 sovereign issuers and 11 supranational institutions
- Over 700 new quotation lines every month
- Listing in over 54 different currencies



Issuers by region

We are connected to the world: tax treaty network

- | | | | | | | |
|-------------------|-----------------|---------------|--------------------|-----------------|--------------|--------------|
| 01. Austria | 02. Azerbaijan | 03. Belgium | 05. Bulgaria | 08. Czech Rep. | 09. Denmark | 10. Estonia |
| 11. Finland | 12. France | 13. Germany | 14. Greece | 16. Hungary | 17. Iceland | 19. Ireland |
| 21. Italy | 24. Latvia | 25. Lithuania | 27. Malta | 32. Netherlands | 33. Norway | 34. Poland |
| 35. Portugal | 36. Romania | 37. Russia | 38. San Marino | 40. Slovakia | 41. Slovenia | 43. Spain |
| 44. Sweden | 45. Switzerland | 49. Turkey | 50. United Kingdom | 52. Uzbekistan | 55. Georgia | 57. Moldavia |
| 66. Liechtenstein | 69. Monaco | 74. Armenia | | | | |
-
- | | | | | | | |
|-------------------|--------------------|-----------------------|-----------------------|----------------------|-------------------|--------------------|
| 59. <i>Cyprus</i> | 61. <i>Albania</i> | 62. <i>Kazakhstan</i> | 64. <i>Kyrgyzstan</i> | 67. <i>Macedonia</i> | 72. <i>Serbia</i> | 75. <i>Ukraine</i> |
|-------------------|--------------------|-----------------------|-----------------------|----------------------|-------------------|--------------------|



- | |
|-----------------------|
| 04. Brazil |
| 06. Canada |
| 29. Mexico |
| 47. Trinidad & Tobago |
| 51. United States |

- | |
|----------------------|
| 60. <i>Argentina</i> |
| 68. <i>Barbados</i> |

- | |
|------------------|
| 20. Israel |
| 28. Mauritius |
| 31. Morocco |
| 56. U.A.E. |
| 42. South Africa |
| 48. Tunisia |
| 54. India |
| 58. Bahrain |
| 71. Qatar |

- | |
|---------------------|
| 63. <i>Kuwait</i> |
| 65. <i>Lebanon</i> |
| 70. <i>Pakistan</i> |
| 73. <i>Syria</i> |



What Luxembourg can offer for Turkish entrepreneurs

Luxembourg as headquarters finance & treasury



Why use Luxembourg to facilitate treasury and risk management?

- **Investor protection – MiFID**
- **Competitive fiscal framework, within the OECD/G20 standards**
- **Prevention of money laundering and terrorist financing**
- **Deposit protection scheme**

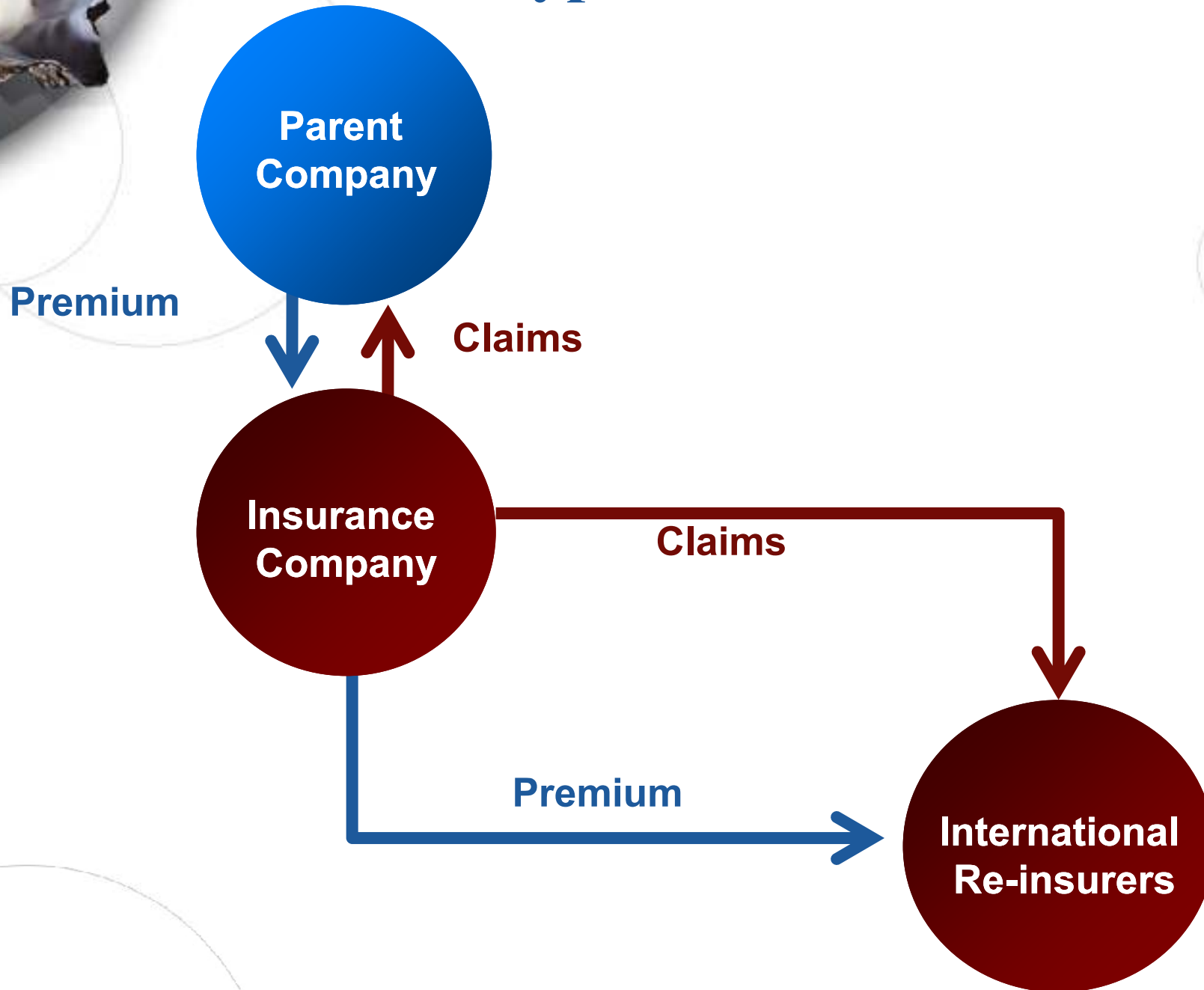
Luxembourg solutions

- **Asset Management (treasury of a group)**
- **Acquisition and holding of companies (M&A)**
- **Managing real estate investments**
- **Participating in venture capital / private equity deals**
- **Managing intellectual property**
- **Risk management**

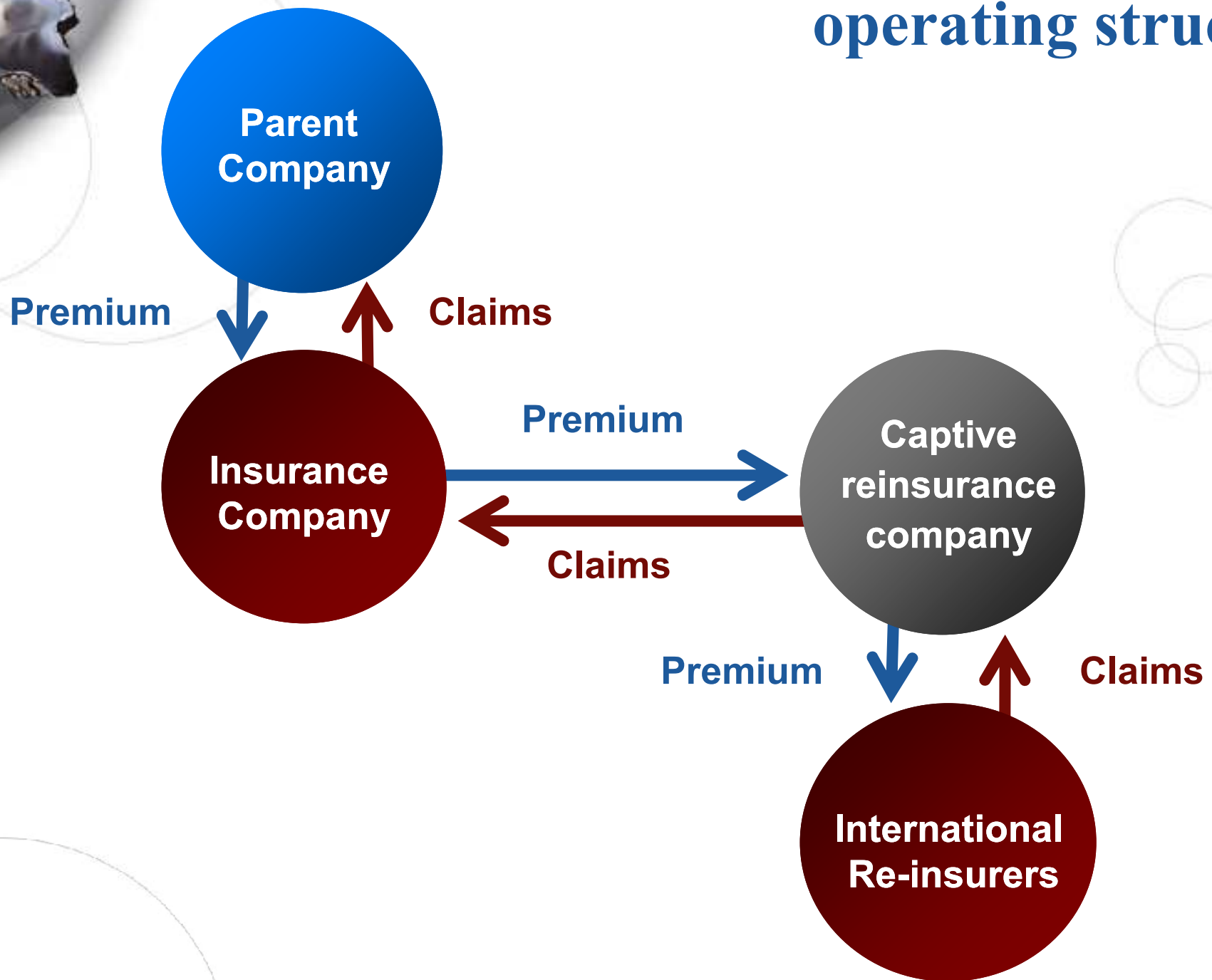
Luxembourg solutions for treasury and risk management

- Captive (re)insurance companies

Typical Insurance Premium flow



Typical Captive Insurance operating structure





Some typical risks that a captive can insure/reinsure

| Classical risks | Non classical risks |
|-------------------------|---|
| Property damage | Credit |
| Business interruption | Political |
| Third party liabilities | Product recall |
| Marine cargo | Employee benefits (life, accident, health) |
| Transport | Extended warranties |

Financial advantages

- **Reduced overall insurance expenses / overheads**
- **Improved cash-flow**
- **Potential tax benefits**
- **Ability to utilise excess cash for intra-group loans**
- **Creation of a profit centre within the group**
- **Decreased vulnerability to market cycles**
- **Retention of the profits of good risk management**

Qualitative advantages

- **Centralised risk management at Group level**
- **Tailor-made insurance programmes**
- **Coverage for non-insurable risks**
- **Direct access to the world-wide reinsurance market**
- **Shorter Claims Cycle**

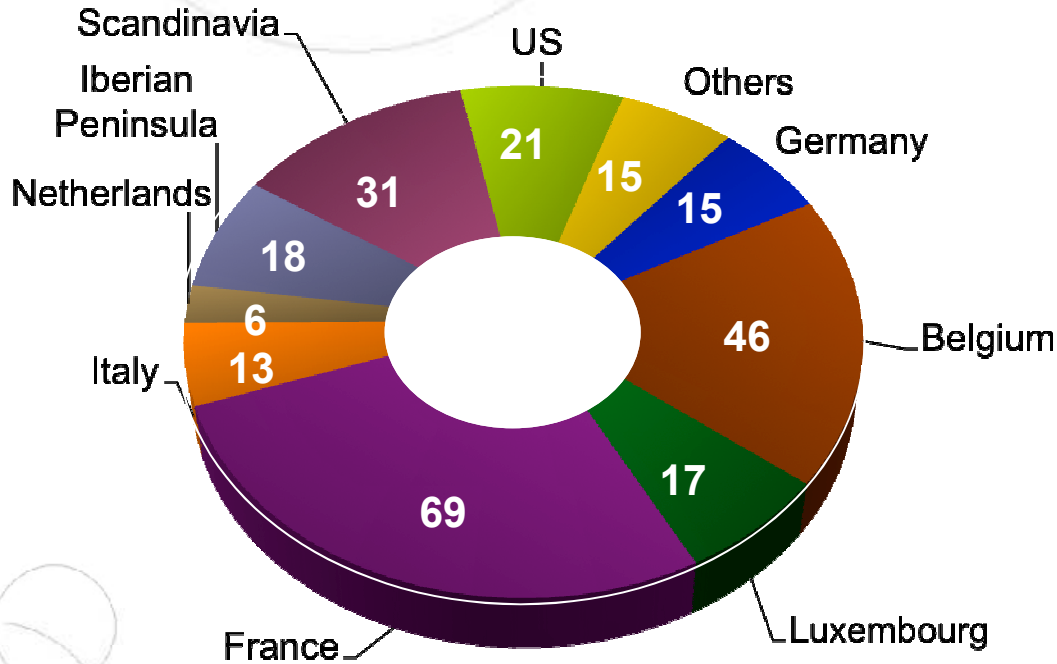


Luxembourg: the leading EU domicile for captives

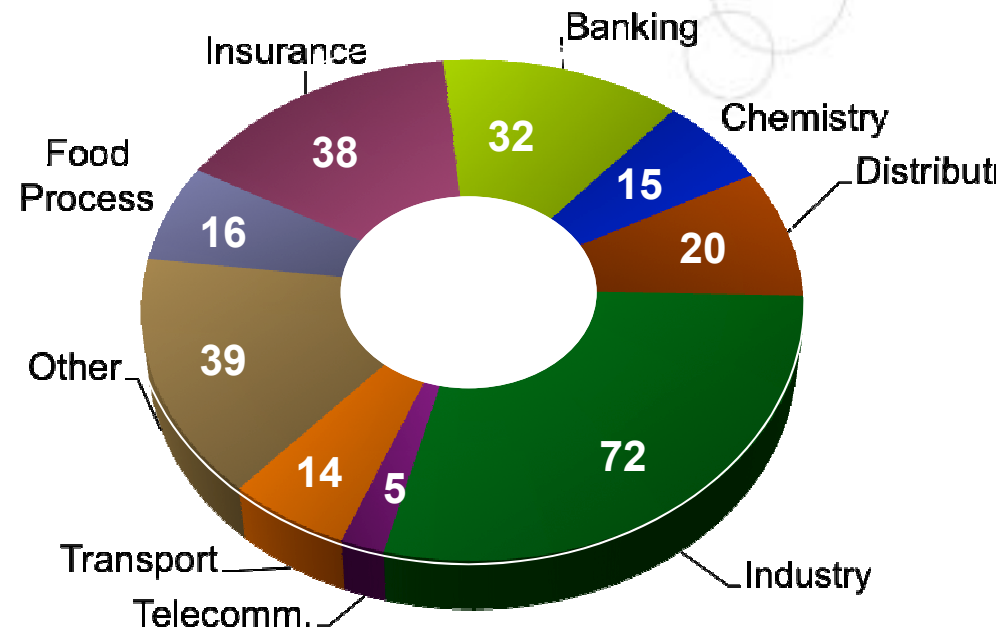
- **Currently home to 261 reinsurance companies**
 - Premium volume > €6.6B,
 - EQR > €8B,
 - Total assets > €36B,
 - Biggest Captive player within the EU
- **CAA (Commissariat aux Assurances) is the local regulator for the captive industry**
- **Laws in line with EU Directive (Solvency margin as per EU Reinsurance Directive)**
- **Ideal for “passporting” under EU Freedom of Services Directive (Swiss Re)**

Luxembourg : highly international ... in terms of origin of captive reinsurers

Country of origin of the parent company



Sector of the parent company's activity





THANK YOU

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Luxembourg, Wealth Management solutions for Turkish entrepreneurs





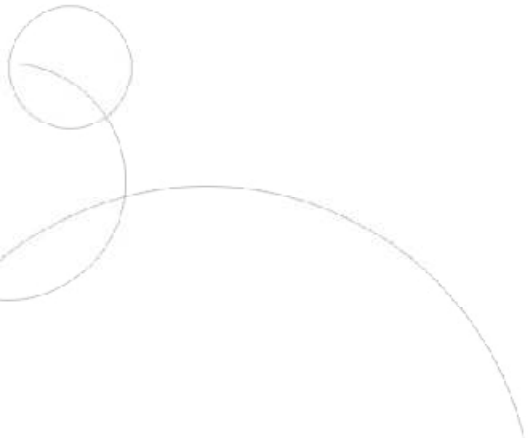
Mr Fouad RATHLE,
Director, Garanti Bank (Luxembourg Branch)

Mr Simon BODJANSKI,
Head of International Relations, Société Européenne de Banque

Mr François FARJALLAH,
**Managing Director, Head of Sales and Deputy Head of Private
Banking, Société Générale Bank&Trust**



Testimonial
by
Mr Fouad Rathle





Luxembourg, Wealth Management solutions for Turkish entrepreneurs

Agenda

- **Introduction**
- Examples of Luxembourg asset structuring solutions
- Conclusion



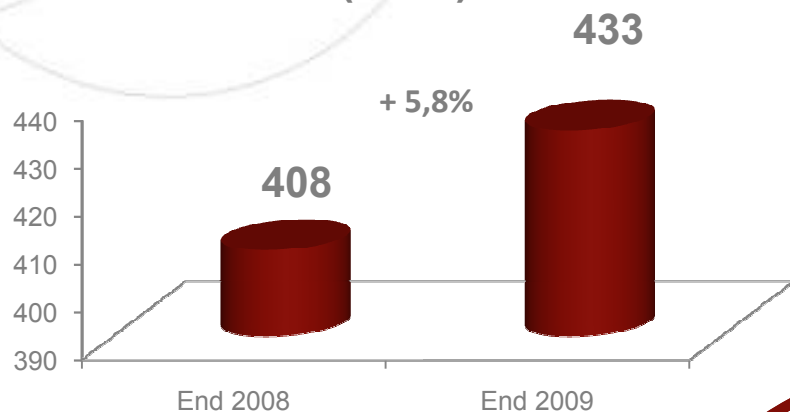
Luxembourg, Private Banking key figures

| AuM | USD 433 billion |
|--|---|
| Private Banks | <ul style="list-style-type: none">• Some 60 private banks from various markets |
| Professionals dedicated to serving you | <ul style="list-style-type: none">• Client facing staff – 1500 FTEs• Directly & indirectly employed – +-10,000FTEs |

Sources: CSSF / PBGL 2010, end 2009 data

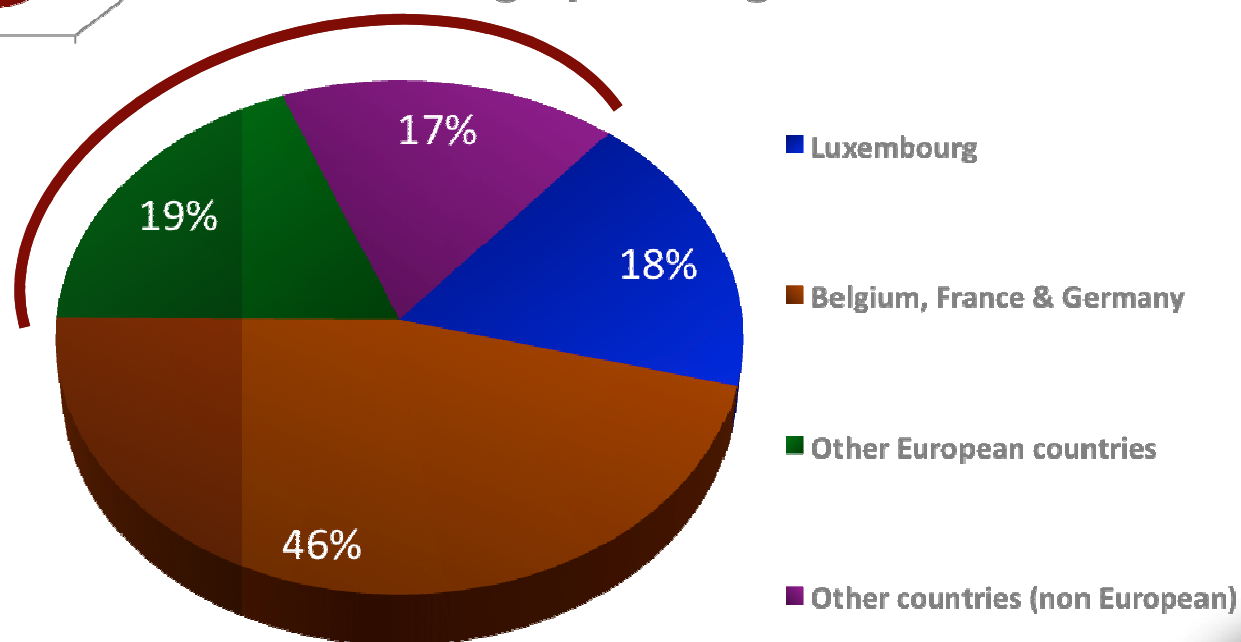
Luxembourg, Private Banking key figures

Assets under Management (USD)



Reaching out to entrepreneurs in new markets

Geographic origin of clients





Luxembourg, a prime Private Banking centre

- **1st Private Banking Centre in the Eurozone**
- **Stable political, economic and legal environment**
- **Large number of banks, asset managers and specialist service providers, working in close co-operation**
- **Competitive fee structure**
- **Investor protection**
- **Complementary offering to local and other international centres**
- **Ideal platform for investing or operating in Europe**

Solutions designed for international, sophisticated wealthy individuals/ families and their advisers

Finance professionals

**Mobile specialists
and executives**

Families

Sophisticated HNWIS

Entrepreneurs



What do Luxembourg Private Banks offer?

A real “One Stop Shop”

Tailor-made solutions

UHNWI

- M&A support
- Art & collectibles
- Philanthropy
- Microfinance / SRIs / Islamic Finance
- Succession planning
- Estate Planning
- Cash management
- Family office
- Property & Real Estate
- Private Equity
- Tax / retirement
- Wealth structuring

Lifestyle & Wealth Management

VHNWI

- Direct Advisory
- Advisory mgt
- Brokerage
- Discretionary mgt
- Investment funds
- Structured products
- Tax / retirement
- Market research
- Pension products
- Insurance solutions
- Wealth Structuring

Investment Services

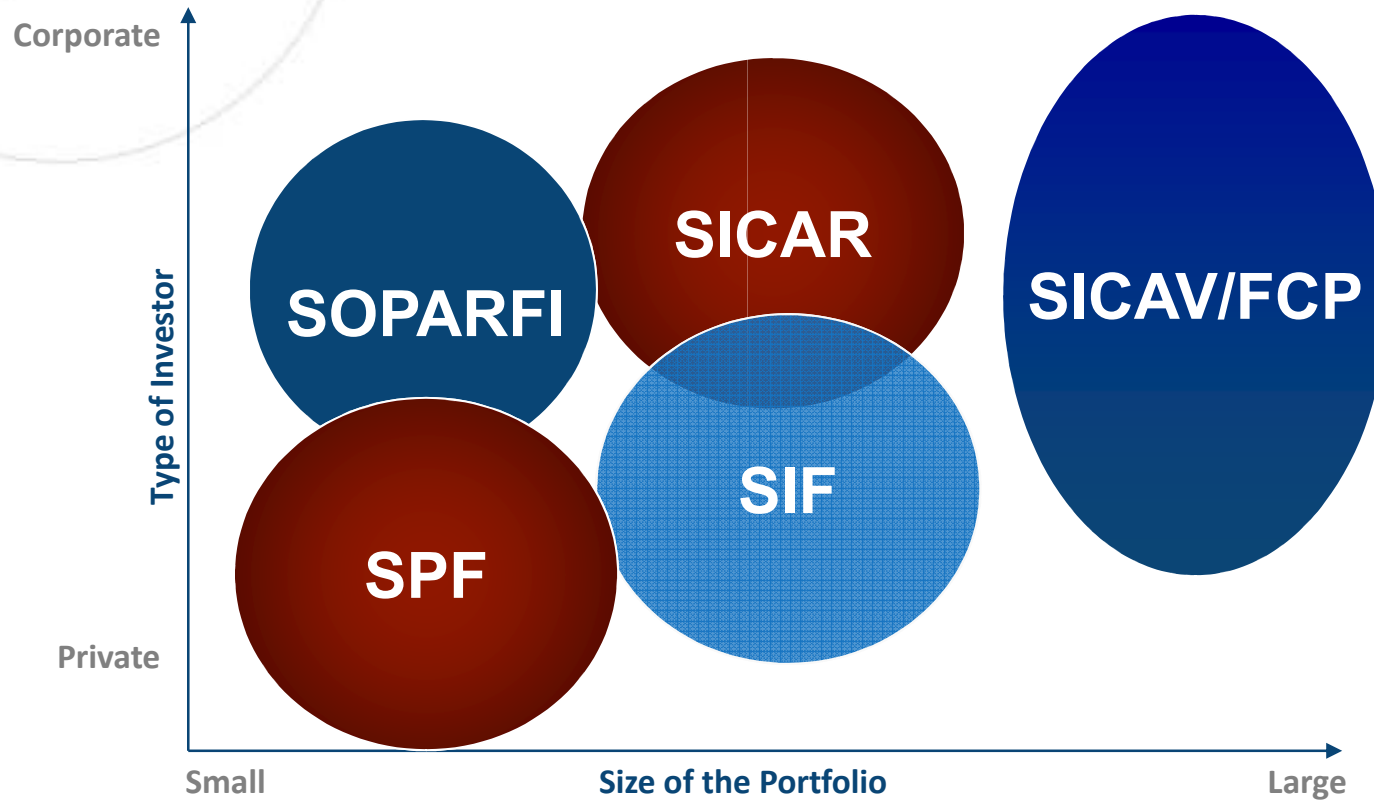
HNWI

- Property and personal credits
- Deposit and saving accounts
- Credit Cards
- Daily banking offering

Banking Services

Complexity of solutions

Investment vehicles made in Luxembourg



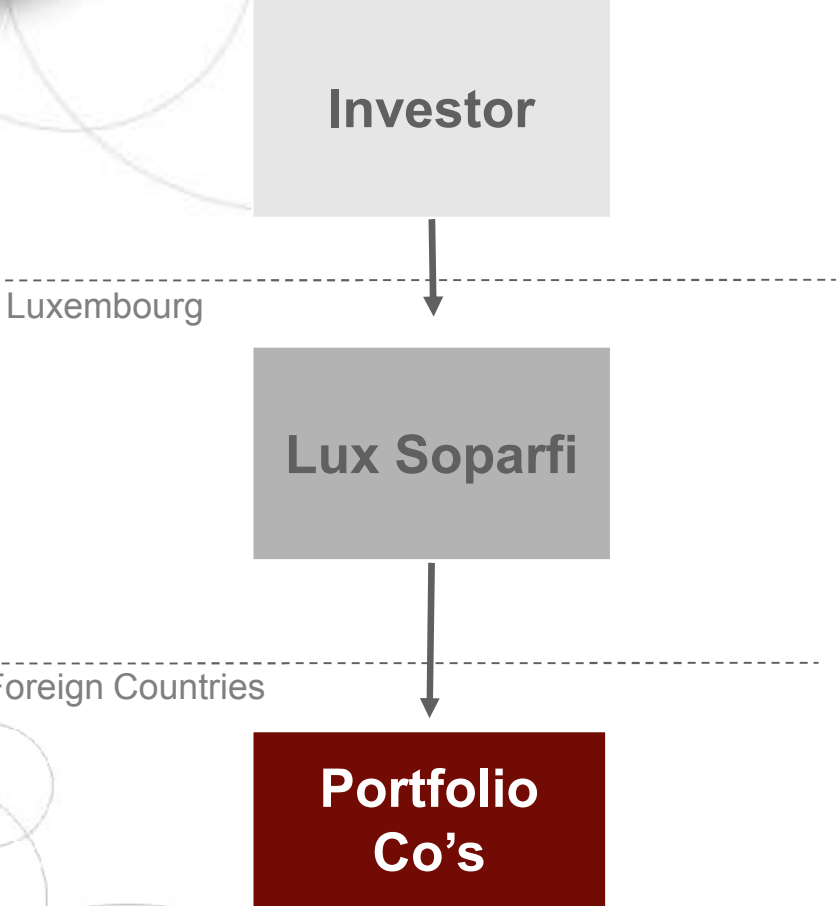


Luxembourg, Wealth Management solutions for Turkish entrepreneurs

Agenda

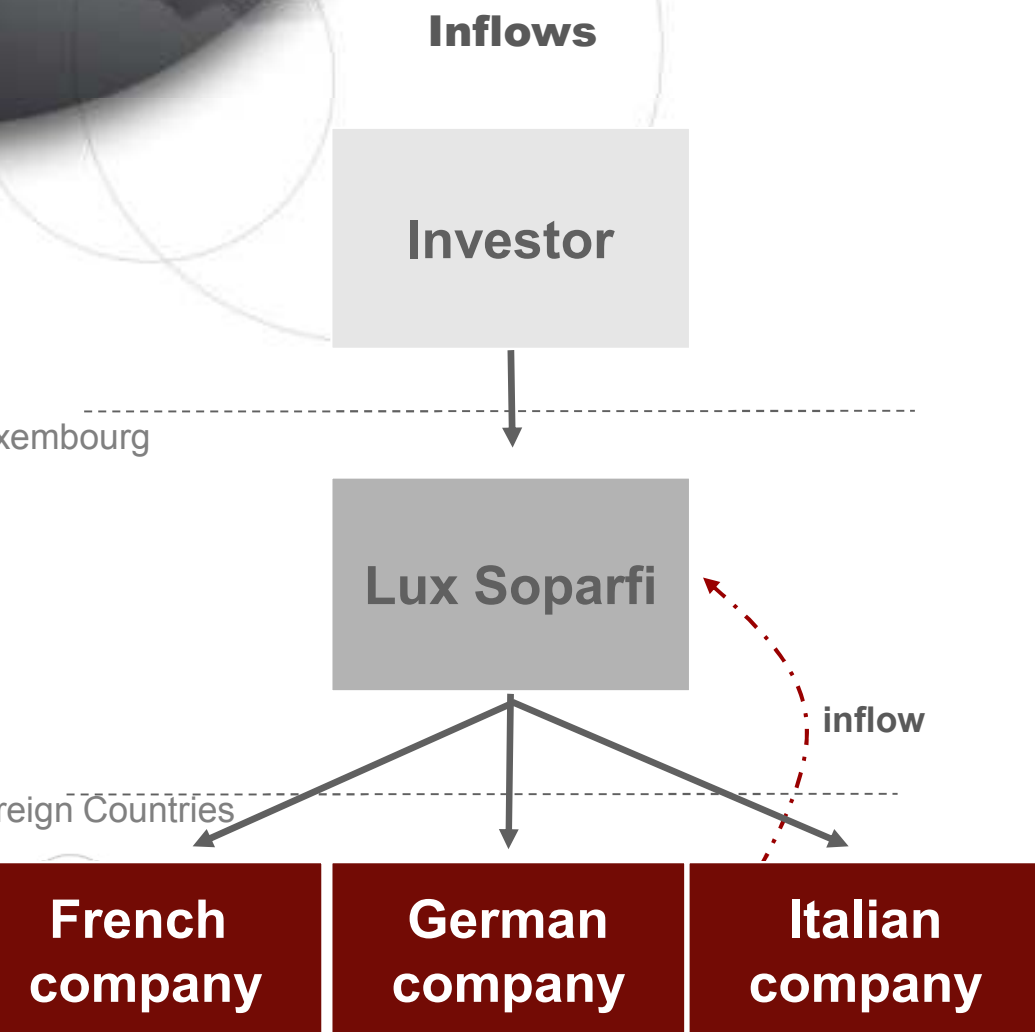
- Introduction
- **Examples of Luxembourg asset structuring solutions**
 - Organizing international shareholder structures
 - Intellectual Property Management
 - Closed/dedicated fund for a limited number of participants
- Conclusion

Organizing international shareholder structures



| TAX | 2011 RATE |
|---|----------------------------|
| Joint Corporate Tax Rate | 28.80% |
| Withholding Tax on Dividends | 0% (countries with DTT) |
| Withholding Tax on Interest and Royalties | 0% (with some exceptions) |
| Capital duty | 0% |
| Net Wealth Tax | 0.5% |

Organizing international shareholder structures



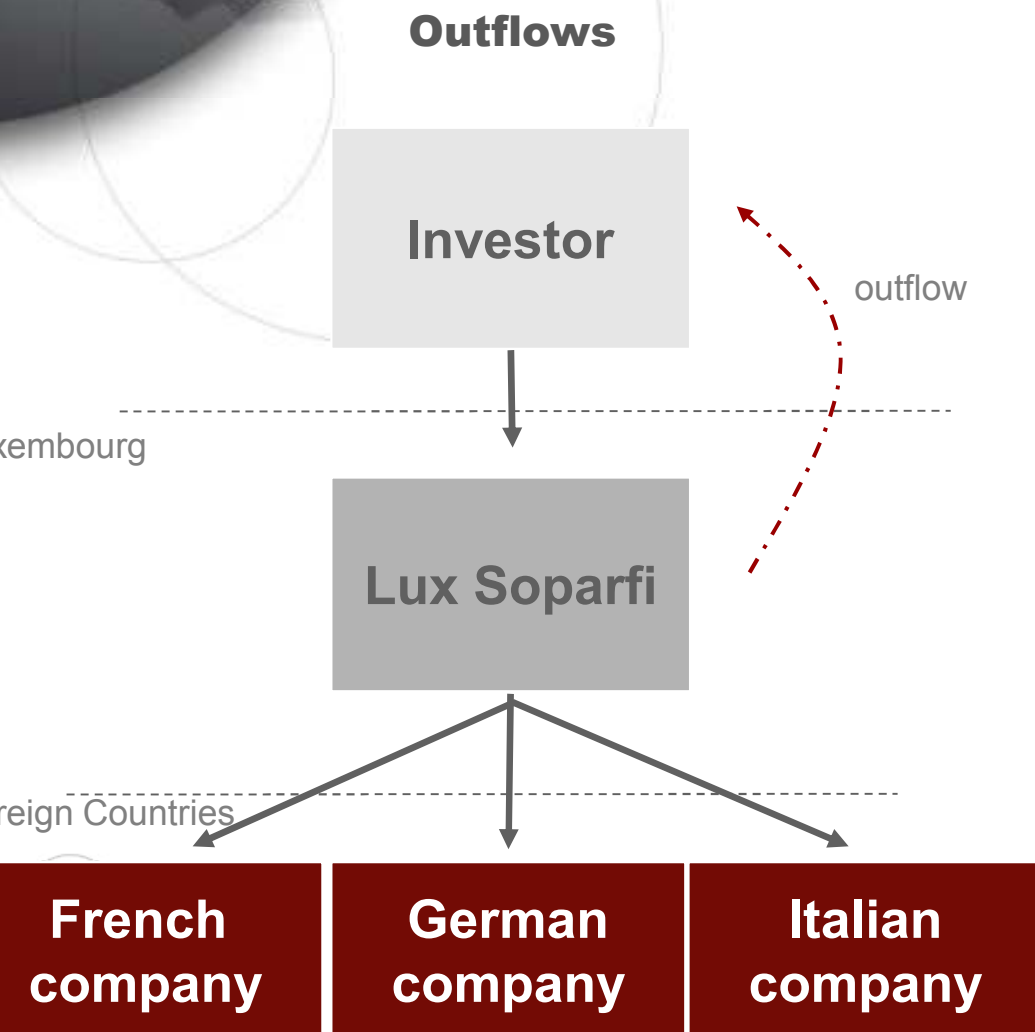
EU Parent / Subsidiary Directive & Double Tax Treaties' benefits

- Low/Nil WHT in target countries
- No capital gain tax, under certain conditions

Luxembourg Participation Exemption:

- Dividend / Capital Gain tax exemption if:
 - ✓ Holding period of 12 months
 - ✓ Direct holding of at least 10% (or acquisition cost of at least €1.2m for dividend exemption/€6m for capital gain exemption)

Organizing international shareholder structures



Dividends

- In principle subject to 15% dividend WHT, but exempt – under certain conditions – if paid to companies established in treaty countries

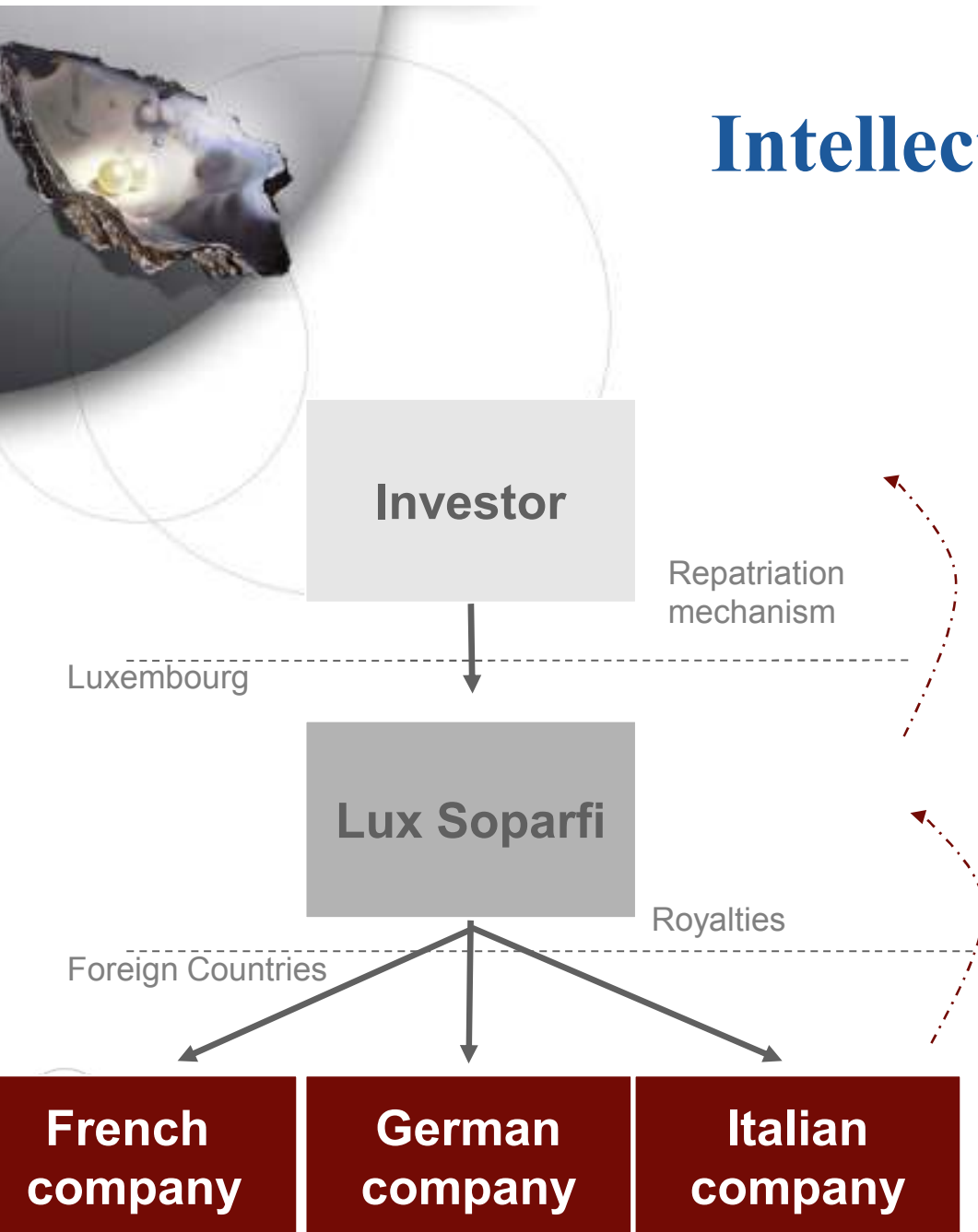
Liquidation Proceeds

- Proceeds paid further to full / partial liquidations are WHT tax exempt

Hybrid instruments

- When profit repatriation techniques cannot take the form of WHT-exempt dividends or liquidation proceeds, they may be structured as "Accumulated Securities".

Intellectual Property Management



Description

- Full royalty deduction at ForeignCo level.

Luxembourg tax considerations

- Minor tax pick up in Luxembourg:
 - ✓ 80% of net royalty income and capital gain (maximum of ETR 5.76%);
 - ✓ Eligible IP;
 - ✓ Adequate Luxembourg tax repatriation mechanism

Closed/dedicated fund for a limited number of participants

Investor

Luxembourg

Lux
SIF

Foreign Countries

Portfolio
Co's

| TAX | 2011 RATE |
|--|-----------|
| Subscription Tax | 0.01% |
| Income tax | 0% |
| Withholding Tax on Dividend distribution | 0% |
| Fixed capital duty | EUR 1.250 |
| Net Wealth Tax | 0% |
| No VAT on management and administration services | |

Closed/dedicated fund for a limited number of participants

Turkey

**Investor
(HNWI/Family)**

Luxembourg

SIF

Compartments

**Subfund 1
Money
Market
(MM)**

**Subfund 2
Real
Estate
(RE)**

**Subfund 3
Private
Equity
(PE)**

**Subfund 4
Asset
Manager**

Strengths

- Control: approval and supervision by regulator, audit
- Asset pooling (financial and non financial), unitization
- Regular NAV calculation
- One or several managers/banks
- Estate planning, ease in transmitting shares
- Shares or units as collateral for loan/sales to other family members
- Risk diversification



Luxembourg, Wealth Management solutions for Turkish entrepreneurs

Agenda

- Introduction
- Examples of Luxembourg asset structuring solutions
- **Conclusion**

Conclusion

- **Luxembourg, the gateway to the European Union and beyond for international entrepreneurs and their families**
- **Luxembourg offers a unique range of internationally recognized, suitable & appropriate vehicles for international entrepreneurs**
- **Luxembourg solutions are complementary to domestic offerings and offerings of other international financial centers**



THANK YOU

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