



Grand-Duché de
luxembourg.

January
2008

eCONeWS

-the latest economic and business news from the heart of the European Union--

Dear Business Executive,

Let me provide you with our first 2008 newsletter about recent economic developments in Luxembourg. If you are interested in following up on one of the articles, or wish to learn more about the Grand-Duchy of Luxembourg, our central location in the heart of Europe, our competitive business environment, or our pro-business policies, please feel free to contact me at any time.

With best regards,

Georges Faber,
Consul General of Luxembourg
Executive Director, Luxembourg Board of Economic Development, San Francisco

Luxembourg Emerges as Major ICT Hub in EU, New Survey Shows

Luxembourg has emerged as a major hub for IT services and advanced communications, according to a new survey on IT jobs, data center infrastructures and Internet connectivity presented by Deloitte. The study indicates that international connectivity is well established in Luxembourg, and that more than 600 companies now offer a full range of IT services. Almost all major international network operators offer their services in Luxembourg. Total connectivity exceeds 3.5 Terabits per second, with direct links to all major European business centers including London, Amsterdam, Frankfurt, Paris and Brussels. The report also shows that data center activity, supported by Luxembourg's leading edge technology infrastructure, has tripled over the past decade. Deloitte estimates that the number of data center operators will increase by 27 percent in 2008 and another 40 percent in 2009.

Deloitte completed the study at the request of Luxembourg's Communications Minister Jean-Louis Schiltz, following a major enhancement of the Grand Duchy's telecoms infrastructure which began in 2006. Broadband penetration has developed rapidly and fiber optic coverage in Luxembourg is now very high, with over 50% of all households covered. In addition, Luxembourg has developed a strong group of IT specialists. The percentage is now 4.7 percent of the population, one of the highest percentages in any OECD member nation.

New in 2008: Luxembourg Capital Duty Now Just 0.5 Percent; Credits for Complementary Investment Increased; Income and Cap Gains from IP entitled to 80 Percent Exemption

Major new tax policies took effect in Luxembourg on January 1, 2008 with capital duty reduced to just 0.5 percent, and tax credits for additional investments increased up to 12 percent. Also, capital gains and income from intellectual property investments are now eligible for an 80 percent exemption, creating a very favorable tax rate on revenues derived from IP management.

The partial IP tax exemption applies to software copyrights, patents, trademarks, designs or models and to the trade of Internet domain names. The exemption applies to net income, which is determined by reducing the gross income on IP by expenses directly connected to it, such as write-downs and amortizations.

The Luxembourg tax measure is broad in its scope, because it applies to IP other than patents and is not restricted to IP developed within specific research structures, according to PricewaterhouseCoopers' December 2007 Newsalert. The 2008 tax reform, which also includes an increase up to 12 percent of the tax credit for additional investment, will certainly be beneficial to companies running or locating operations in Luxembourg, said PWC.

JP Morgan Hedge Fund Services Business Open Luxembourg Office

JP Morgan's Hedge Fund Services business has opened an office in Luxembourg to service existing and new clients, provide custody, administration, accounting and outsourcing services for hedge funds and funds of hedge funds.

Bhagesh Malde, head of JP Morgan Hedge Fund Services in Europe and Asia, said: "Luxembourg is an important market for our existing and future hedge fund and fund of hedge fund clients, and opening a full service office there is an important part of our expansion strategy into additional domiciles to be closer to our clients and service them on the ground. As the Luxembourg market grows, we intend to grow with it."

Asset growth of hedge funds and fund of hedge funds domiciled and/or administered in Luxembourg was more than 46 per cent last year to \$211 billion of assets under management, according to the Association of the Luxembourg Fund Industry (ALFI). Including mutual funds and other units of collective investment in transferable securities (UCITs), Luxembourg's investment fund industry is today the second largest in the world (after the US) with total net assets under management exceeding 2.5 trillion US dollars.

Luxembourg Ranked Third in Productivity Worldwide in 2007 United Nations Report

Luxembourg workers are the third most productive in the world, trailing only the U.S. and Ireland, according to a recent report issued by the United Nations.

According to the International Labor Organization, the average Luxembourg worker produces \$55,641 of wealth per year. The U.S. is first at \$63,885 of wealth per year, with Ireland second at \$55,986, Belgium fourth at \$55,235, and France fifth at \$54,609. The productivity figure is derived by dividing the country's gross domestic product by the total number of people employed. The report is based on 2006 figures for many countries, or the most recent available.

Jose Manuel Salazar, the ILO's head of employment, indicated that increased productivity can be linked to the information and communication technologies revolution, the way the U.S. and the nations of the European Union, including Luxembourg, organize companies and the extension of trade and investment abroad.

Performance Fibers Establishes New European Headquarters in Luxembourg

Performance Fibers, a global supplier of high-tenacity polyester fibers, engineered fabrics and advanced materials, will establish a new European shared services center and executive management headquarters in Luxembourg. Performance Fibers will bring together employees from Germany and France involved in management, finance, purchasing, marketing and human resources activities. The company also will also hire new employees at the site.

Alex Carnevale, Performance Fibers' vice president and managing director for Europe, said the new European headquarters in Luxembourg will help the company optimize its services to customers and its operations from the one central location in Europe.

Setanta Sports Saves on Tax Bill with New Luxembourg Subsidiary

Pay-television broadcaster Setanta Sports has established a subsidiary in Luxembourg, taking advantage of the country's ultra-low VAT rates for point-to-multipoint broadcasting services to reduce its yearly total tax bill by at least \$34 million.

Setanta has more than one million British and Irish subscribers. Its new Luxembourg subsidiary, Setanta Sports S.à.r.l., pays a VAT rate of only 3 percent on subscriptions routed through the Grand Duchy, compared with 17.5 percent charged in the UK and 21 percent in Ireland. Setanta said: "Many of the main broadcasters are based in Luxembourg as it offers an attractive fiscal incentive. We established this European base for the company as it becomes more international and expands into mainland Europe." Setanta has a total subscriber base of more than 3 million, including through its partnerships with Virgin Media in the UK and Chorus/NTL in Ireland.

Biocardel SA to Develop New Biofuels Production Center in Wolser, Luxembourg



Minister Krecké signs the agreement with Biocardel

Biocardel from Canada will locate a new biofuels production center in Luxembourg, in the Wolser Industrial Zone, called Biocardel Luxembourg S.A. The Ministry of the Economy announced financing and granting of an industrial site for the plant, which will provide a total capacity of 20 million liters annually. The facility will include a treatment plant and filtration unit for cleaning vegetable oil, along with a transesterification unit for transforming the oil into biodiesel. The final product, known as B-100, can be used in pure form or combined with petrol-derived diesel fuel. The

project conforms to the Luxembourg government's action plan to reduce CO2 emissions and encourage the use of renewable energy resources.

New TGV High Speed Rail Link Cuts Paris to Luxembourg Travel Time to Two Hours

The new fast link TGV Est line between Paris and Luxembourg has reduced the total travel time between the two cities to just two hours and five minutes from almost three and one half hours previously. The TGV high-speed train link costs a total of just over 4 billion Euros, with the Luxembourg government contributing 117 million Euros. Other funders include the French national railway company (SNCF), the French state, and the European Union.