



LUXEMBOURG BUSINESS JOURNAL



A Consul General Leaves His Mark

Since he assumed the position of Consul General of Luxembourg in New York in 2002, Georges Faber has looked upon his role as both a challenge and an opportunity: a challenge to maintain the high standards of professionalism and service established by his predecessors, and an opportunity to broaden the ways in which the values and tradition of Luxembourg touch not only the members of our local community, but the larger spheres of business and culture in America.



Georges Faber

He has succeeded in these goals by meeting the obligations of his position, and through a series of innovations in both business and cultural relations that have broadened an appreciation of Luxembourg among key constituencies. Collaborating with and enhancing strategic visibility for Luxembourg governmental and social bodies has been a focus of his efforts, even as these have enabled the country to gain new “friends” here in the U.S.

During his tenure, he has made the Luxembourg House an active center of communications and focused outreach. He has organized programs and presentations, both large and intimate at the Luxembourg House that have featured roundtables conducted by the Minister of the Luxembourg Ministry of The Economy and Foreign Trade; the Minister for the

Treasury and Budget; senior officers of ALFI, the Luxembourg Funds organization, and other business and financial bodies. These activities have helped put Luxembourg “on the map” with decision-makers in business and finance.

He has supported ministerial missions to businesses throughout the East and Midwest. In his role as Executive Director of the Luxembourg Board of Economic Development, he has made numerous presentations to business groups and trade councils, and attended industry conferences as diverse as logistics, biotechnology and multimedia.

Mr. Faber significantly enhanced the positioning of the Board of Economic Development by refining and extending its tools: developing new printed materials and industry briefs. These initiatives required vision and commitment, hallmarks of Mr. Faber’s approach to his position.

The years of Mr. Faber’s service have been marked by many significant events, in which he played a participatory role, and which are acknowledged successes. Among them, a collaboration with the Luxembourg American Chamber of Commerce that grew the Luxembourg American Business Award to twice its original size and scope, from an initial participation of

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A Consul General Leaves His Mark, continued



From left: Michel Franck, Minister Krecke, Dean A. Scarborough, Prince Guillaume, Georges Faber and Fernand Lamesch

Jerry Seeman

160 to the 300 individuals who attended the most recent award ceremony.

One of Mr. Faber's lasting contributions to the reputation (and experience) of Luxembourg is the establishment, together with Luxembourg Ambassador to the United Nations, H.E. Jean-Marc Hoscheit, of an esteemed series of artistic and cultural events: Arts at the Luxembourg House. With this enterprise, he created a "brand" for Luxembourg's cultural activities in New York that encompasses classical and jazz music, painting and photography exhibits, book signings, dance performances and even a musical comedy — all to provide a brilliant showcase for Luxembourg's creative community. From the naming of the program to the design of the invitations, Mr. Faber's efforts have resulted in a years-long initiative that has, as much as anything, carried Luxembourg's name into the circles of New York, and beyond.



Georges Faber with the cast of "Songs from Call Me Madam" performed at the Luxembourg House

LACC Welcomes New Members

ALTER DOMUS
A.N. ANSAY & ASSOCIATES, INC.
THE ASSOCIATION
OF THE LUXEMBOURG
FUND INDUSTRY (ALFI)
AVERY DENNISON CORPORATION
BEI STEICHEN OP DER WEISTROOS
BNP PARIBAS



DELOITTE SA
ELISABETH KOVAC, ESQ.
FORTIS USA
GEARBOX
LEADERSHIP SOLUTIONS
PRICewaterhouseCOOPERS
SES AMERICOM
SIMON & PARTNERS LLC

Luxembourg ranked fourth most competitive country in the world

IMD World Competitiveness Yearbook 2007

According to the World Competitiveness Yearbook 2007, published by the IMD (International Institute for Management Development) Luxembourg is the fourth most competitive country in the world.

At a first glance, the study shows that Luxembourg has found its place within the world's most competitive countries as it is trailing only the United States (1st), Singapore (2nd) and Hong Kong (3rd).

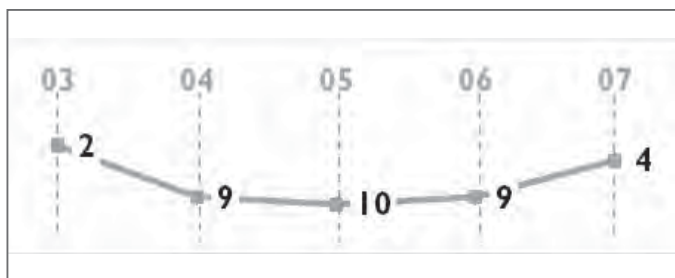
In its latest review of 55 industrialized and emerging economies, the Institute raises Luxembourg's ranking from the world's tenth most competitive country in 2005, to the ninth such country in 2006 and the fourth this year.

The World Competitiveness Yearbook study relies on information from statistical data as well as hard facts taken from international and regional organizations and business executives. In Luxembourg the study has been monitored by the Luxembourg Chamber of Commerce (www.cc.lu).

The World Competitiveness Yearbook is the world's most renowned and comprehensive annual report on the competitiveness of nations, ranking and analyzing how a country's environment creates and sustains the competitiveness of its companies.

Evolution of the Luxembourg economy in the World Competitive Yearbook (2003-2007)

At a first glance, the study shows that Luxembourg has found its place within the world's most competitive



countries as it is trailing only the United States (1st), Singapore (2nd) and Hong Kong (3rd). Among the

European economies, several countries have an economy comparable to Luxembourg's, such as Denmark, which comes fifth, followed by Switzerland, Iceland, the Netherlands and Sweden.

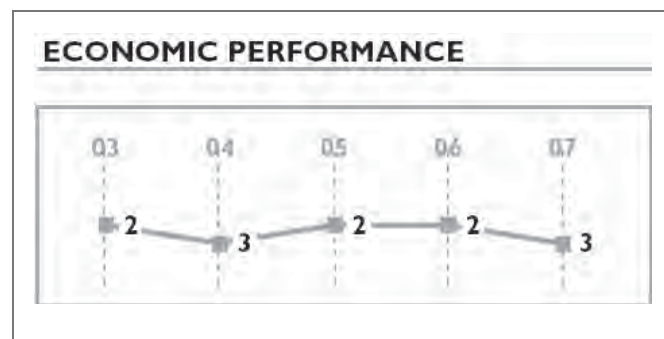
Neighboring countries have also done better this year. While this improvement is rather modest for France (who passes from rank 30 to 28), and Belgium (who passes from rank 26 to 25), it is remarkable in Germany (who improves from rank 25 to 16) as well as for the Netherlands (passing from rank 15 to 8). The significant improvement of the German and Dutch economies can be related to major reform packages that have been implemented recently.

The World Competitiveness Yearbook is the world's most renowned and comprehensive annual report on the competitiveness of nations.

Detailed analysis of Luxembourg's economic competitiveness

The World Competitiveness Yearbook 2007 groups the economies into four major Input Factors: economic performance, government efficiency, business efficiency and infrastructure.

In terms of **Economic performance**, Luxembourg ranks third in the world, an excellent position that the

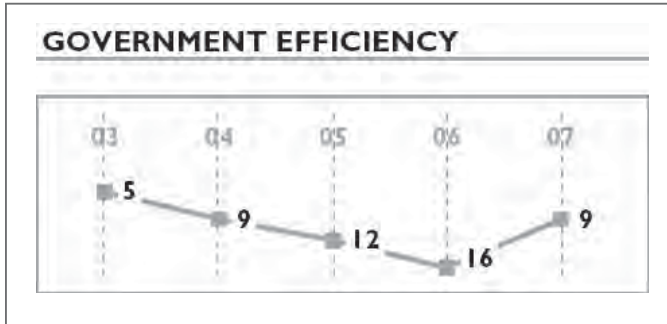


country had been holding for several years. The IMD Institute specifically underscores the excellent performance of the Luxembourg businesses which allows for a high standard of living and an important employment growth. These performances are due to the excellent dynamism of foreign trade and, in particular, to strong exports of services.

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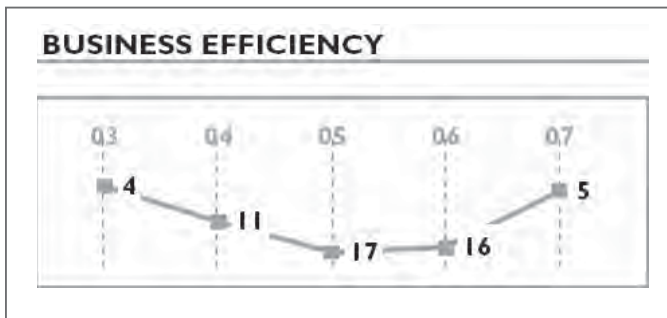
Luxembourg ranked fourth most competitive country in the world, continued

In terms of **Government efficiency**, the World Competitiveness Yearbook 2007 also notes a consider-

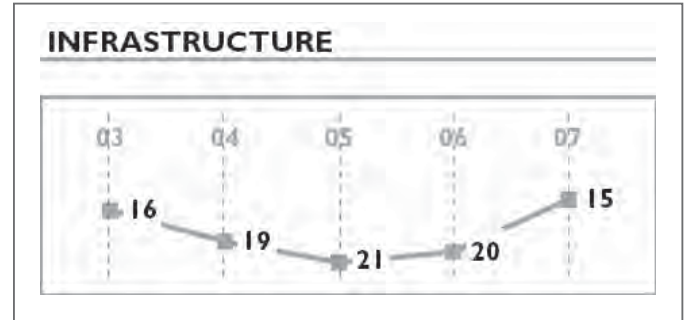


able improvement of the Luxembourg economy. In this category, Luxembourg passes from rank 16 in 2006 to number 9 this year. The political stability and the strong social cohesion which characterize the Grand Duchy are undeniable assets in terms of overall competitiveness.

When it comes to **Business efficiency**, Luxembourg also improves its position considerably, passing from rank 16 to number 5. The performance of the financial sector is among the best in the world.



Finally, in terms of **infrastructures**, Luxembourg also improves its performance. This category comprises communication infrastructures (internet, telecommunications), human resources as well as R&D. The World Competitiveness Yearbook 2007 also underlines that the competitiveness of the

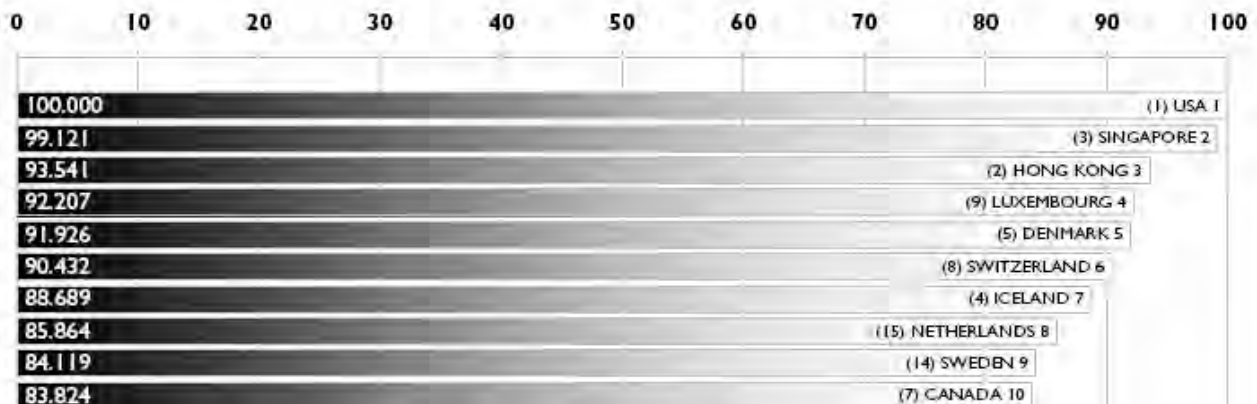


Luxembourg economy is also linked to the impressive multilingual capacities of the local population as well as those from the neighboring countries.

For further information, please visit IMD's website at <http://www.imd.ch>.

Ministry of the Economy and Foreign Trade, Luxembourg.

The IMD World Competitiveness Scoreboard 2007



Putting Europe at Your Fingertips - Eurohub Luxembourg

Luxembourg provides American companies with many strategic advantages for conducting successful business in Europe. The country is located at the crossroads of Europe's main consumer markets. It offers a high quality of life and outstanding political, legal, economic and social stability. Luxembourg has an open, export-driven economy, based upon sound fundamentals, which allow the Government to pursue a growth-oriented and business friendly tax policy. The availability of a highly skilled multilingual workforce, easy access to decision makers and efficient communication and transportation infrastructures reinforce Luxembourg's position as a competitive European hub for the export of goods and services. Luxembourg is fully integrated into the European Union common market, yet offers commercial neutrality. It is the ideal gateway to the European market with some 500 million consumers. As much as 79% of the European Union's GDP lies within a 500 miles radius, a day's truck ride.

Luxembourg's Logistics Advantages

Global production outsourcing has led to increased logistical challenges. The need for efficient, time- and

Luxembourg has an open, export-driven economy, based upon sound fundamentals, which allow the Government to pursue a growth-oriented and business friendly tax policy.

cost-effective supply chain management has created new opportunities for integrated logistics providers. Over the last ten years, Luxembourg has continuously improved its positioning as an intercontinental logistics hub in Europe for contract, airfreight-based and value-added logistics.

Luxembourg lies at the heart of Europe's strongest consumer markets, right on the main European North-South and East-West highway corridors. A unique Lorry-Rail concept provides for transportation modes that complement road transport. A multimodal road/railway piggy-back service between Luxembourg and the Spanish border is able to ensure the cost-effective transportation of some 30,000 semi-trailers per year over a distance of more than 650 miles. CFL Multimodal manages the coun-

try's most important container terminal, which is located close to the largest marshalling yard in the region. The company offers a complete and professional service, including handling, trans-shipment, storage and loading of containers, customs clearance, security checks, and organization of combined rail and road transports. It operates daily railway connections to the Port of Antwerp.

Luxembourg's international airport is the fifth largest freight airport in Europe. Companies including Cargolux, Panalpina, China Airlines, El Al, China Eastern and China Cargo moved more than 800,000 tons of goods into Luxembourg in 2006. A large part of these shipments come directly from China, India and Taiwan. The global network of Cargolux, the largest all-freight carrier in Europe, spans all five continents, including multiple daily destinations to Asia, the Americas and the Middle East, and makes Luxembourg a true global distribution platform.

Luxembourg's airport cargo center, with its planned capacity of 1.2 million tons of freight per year, offers a high level of quality service and handles more than 200 weekly aircraft movements. The ground handling of airfreight provides the most elevated levels of security, reliability, flexibility and velocity. Efficient infrastructure and processes allow for jumbo freighter planes to be customs cleared and unloaded at a record speed of as low as 90 minutes, faster than in larger European freight hubs.

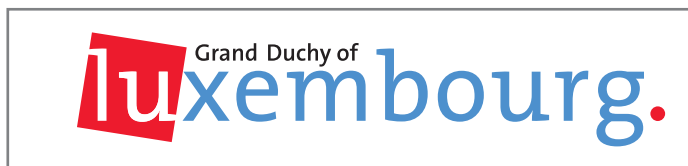
The Luxembourg Government has developed dedicated logistics parks close to major international highway, railway and airport connections. It is presently convert-

It is the ideal gateway to the European market with some 500 million consumers. As much as 79% of the European Union's GDP lies within a 500 miles radius, a day's truck ride.

ing a former US military base of over 120 acres into a dedicated European logistics hub.

Increasing internationalization of business and supply chain security considerations increase pressure for the automation of trade and customs procedures. The Luxembourg Customs authorities share the vision of a paperless trade and customs environment, to be imple-

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Putting Europe at Your Fingertips - Eurohub Luxembourg, continued

mented in the second half of 2007, hence enabling effective control while reducing trade transaction costs and contributing to trade facilitation. To speed up customs clearances, the authorities are also implementing the certification of a new EU-wide recognized label: the Authorized Economic Operator (AEO), a concept giving reliable oper-

The effective tax level for corporations is one of the most competitive in Europe. Luxembourg enjoys one of the lowest personal income tax rates and the lowest VAT rate within the EU.

ators the status of a secure member of the supply chain and identifying them as a secure trading partner.

Businesses that source their goods from outside of the European Union do not need a fixed establishment in Luxembourg, and may use the service of a tax representative to comply with all their tax obligations.

The effective tax level for corporations is one of the most competitive in Europe. Luxembourg enjoys one of the lowest personal income tax rates and the lowest VAT rate within the EU. Importing goods into the EU generally triggers a VAT liability in the country of importation, unless the goods are placed under a specific warehousing regime. Most EU countries ask for immediate payment of the tax. In Luxembourg, payment of the tax is shifted to the VAT return automatically and unconditionally. Therefore absolutely no cost is linked to the prefinancing of import VAT in Luxembourg, a unique advantage that most other freight hubs do not offer.

Labor costs in terms of employer's pension and healthcare contributions are lower than in the neighboring countries of Belgium, France and Germany. In addition, the low personal income taxes support very attractive net salaries for employees.

Many international automotive and electronic manufacturers take advantage of the know-how

and the efficiency of Luxembourg's certification agency (SNCH), which offers EU wide recognized services, and allows for access to international markets within a minimal period of time and at a reasonable cost.

These and other advantages make Luxembourg a unique European location for logistics and in particular for providing value-added services, including pre-positioning, assembly, market specific packaging, kitting, quality control and certification, documentation management, labeling, invoicing etc. Companies such as NEC Computers, Apple and Hewlett Packard already take full advantage of these opportunities.

Leading international logistics providers are expanding their activities in Luxembourg. Cargolux, China Airlines, DHL, Kuehne & Nagel, Nippon Express, Panalpina and

Luxembourg ranks among the top ten largest financial services centers in the world and has established itself as one of the most attractive global locations for shared services and international tax planning.

Schenker, to name but a few have already chosen Luxembourg as an operating base for value-added logistic activities. World-class manufactures such as Goodyear, DuPont or Delphi Automotive and top technology companies including AOL, Apple iTunes,

Microsoft, eBay and Amazon all operate successful businesses in Luxembourg. The country is also home to industry-leading companies of native origin, including Arcelor Mittal, the world's largest steel producer and SES, a global leader in satellite-based communications services. In addition, Luxembourg ranks among the top ten largest financial services centers in the world and has established itself as one of the most attractive global locations for shared services and international tax planning.

Ministry of the Economy and Foreign Trade, Luxembourg



The Luxembourg American Cultural Society in Wisconsin

Since the emigration of over one-quarter of Luxembourg's inhabitants to the United States in the mid-1800s, a special bond has existed between the Grand Duchy of Luxembourg and the US. This relationship reached a new height in 1944 when US-led Forces liberated the Grand Duchy so that it might reclaim its independence. Since that time, Luxembourg and the United States has stood shoulder to shoulder through good and difficult times. Relationships of family have been rekindled between people from both countries, new friendships have been formed, and strong ties of commerce, trade, and tourism have evolved. It is this special relationship between Luxembourg and the United States that gave life to the Luxembourg American Cultural Society (LACS) in 2004.

The LACS was founded as a not-for-profit organization by Luxembourg Americans and private citizens and government officials of the Grand Duchy. The society's mission is two-fold: 1. To preserve Luxembourg heritage and culture in the US, and, 2. To serve as a clearing house for fostering ongoing relationships of family, friendship, trade, commerce, and tourism between Luxembourg and the US.

The LACS collaborates with many other organizations to promote its mission including Luxembourg's Ministry for Culture, Higher Education and Research,

the Roots and Leaves Society (Luxembourg), Luxembourg's National Archives, various Luxembourg Societies and Historical Societies throughout the US, the Luxembourg Embassy in Washington DC and its consuls throughout the US, the Luxembourg American Chamber of Commerce (New York), and Luxembourg's National Tourist Office (New York).



The Society is currently initiating dialogue toward possible collaboration with the American Chamber of Commerce (Luxembourg), the Luxembourg Chamber of Commerce, the American Luxembourg Society (Luxembourg), the American Women's Club of Luxembourg, Luxembourg's National Library, Miami University of Ohio's European Centre in Luxembourg, and a variety of other organizations in Luxembourg.

This past year, the LACS sponsored a number of cultural experiences including the opening of an interim museum in Wisconsin, Luxembourg wine tasting events, a first annual Luxembourg Film Festival, and over 30 presentations on the Grand Duchy of Luxembourg, immigration, and Luxembourg heritage and culture in the United States.

The LACS recently announced two new initiatives that it will undertake as part of the celebration of the European Cultural Year 2007. The first is a Luxembourg American Cultural

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The Luxembourg American Cultural Society in Wisconsin, continued

Conference to be held on August 10, 2007 in Port Washington, Wisconsin. The Cultural Conference will feature presenters from both Luxembourg and the US who will speak on a variety of topics from heritage to commerce and tourism. The second initiative will be a new Luxembourg American Student Exchange Program for Language and Culture for high school students.

Since its inception in 2004, the LACS has grown to a membership of 450. Members are from throughout the United States and Luxembourg. A variety of memberships are available including individual, family, and corporate memberships. All LACS members receive the society's quarterly publication the Luxembourg American Gazette which features articles about heritage, Luxembourg culture and economy today, and society news. The Society's website can be found at www.luxamculturalsociety.org.



The first major endeavor of the LACS will be the building of the Luxembourg American Cultural Center (LACC) in New Luxembourg, Belgium, Ozaukee County, Wisconsin. This bastion of Luxembourg Americans is located 40 minutes north of Milwaukee and two hours north of Chicago. The Cultural Center will be located within a larger development named New Luxembourg. This private development will feature a traditional Luxembourgian Village Square, commercial, and residential properties all reflecting Luxembourgian architecture and ambiance. Locating the Cultural Center within New Luxembourg will make it a unique, world-class destination that will enhance the ongoing operation of the Cultural Center.

The LACC will be built in two phases. Phase one will include the Roots and Leaves Museum, the Krier Family Wöllkomm Centre, society offices, the Adolph and Marie Ansay Luxembourg Courtyard, a Luxembourg Garden and other amenities. Phase two of the Cultural Center will include a Community/Conference Center and a Research Center. Phase one of the LACC will cost \$2.3 million US and the Roots and Leaves Capital Campaign to raise the necessary funds for the construction and operation of the LACC has been underway since January 2007. As a key partner in the Luxembourg American Cultural Center, the Grand Duchy has gifted the project with a donation of 400,000 Euro which is being used to fabricate displays and exhibit panels for the museum in Luxembourg.

The Roots and Leaves Museum will be housed in the rebuilt Mamer/Hansen stone barn. This archetypal Luxembourgian stone barn was built in 1872 near Port Washington, Wisconsin, USA by Luxembourg immigrant, Jacob Mamer. It is the last remaining Luxembourgian stone barn in Wisconsin and a symbol of Luxembourg heritage and culture in the United States. The barn was dissembled in 2005 and will be rebuilt as a unique focal point of the Cultural Center.

When the Cultural Center opens it will be home to numerous educational, cultural, commercial and tourism initiatives. It will not only celebrate Luxembourg heritage and cultural of the past, but will also broaden visitors' understanding and perception of Luxembourg today and the accomplishments of Luxembourg Americans.

For more information about the Luxembourg American Cultural Society and Cultural Center, to become a member, or to make a donation to the capital campaign, please visit the LACS website at www.luxamculturalsociety.org or contact Kevin Wester, Director of Development, at 612-968-1974 or kwester@luxamculturalsociety.org.

Girl's and Boy's day 2007 – Goodyear opens the doors

Goodyear in Colmar-Berg Luxembourg tries to attract young minds to the tire industry. Goodyear opened its doors to the interested 15 to 18 years young girl's for a view inside this industry. This was part of "Girl's & Boy's day" in Luxembourg organized by the CID (Information and Documentation Center for women).

The introduction on Goodyear Luxembourg and the tire production process were followed by a presentation and a discussion round led by Laurence Leverd, HR Manager Wire and Mold Plant, about women at Goodyear, the hiring procedures and the career possibilities. This more theoretical part was underlined by a tour through the Tire Plant, guided by training specialist Yasmine Goudembourg. Next on the agenda was the visit of some laboratories at the nearby Goodyear R&D center



(GTC*L) with much technical information. But the highlight of the day was definitely the ride on the test track. None of the girls had imagined such complexity in the various steps of developing and testing a tire. Women with various engineer degrees are part of the different research teams.

Initiatives like the "Girl's and Boy's day" are an excel-

lent opportunity to make women more familiar with technical jobs.

Some 3,250 associates are working at Goodyear in Colmar-Berg; only 154 of them are women working in R&D and in the various production facilities. The demand to hiring female engineers is high, but too many women are still cautious of entering such a career.

Jean-Paul Bruck

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Another Success for ALFI

With the support of the Luxembourg Consulate General and the Luxembourg American Chamber of Commerce in New York (LACC), the Association of the Luxembourg Fund Industry, ALFI, has held a successful seminar at the Union League Club in New York on May 11th about recent developments in the Luxembourg fund industry. About 120 people attended the confer-



ence and learned specifically about the new Luxembourg law on specialized investment funds (SIF), a highly innovative and most competitive legal framework for alternative investments, including private equity real estate and hedge funds. With 2.4 trillion USD of total net assets under management, the Luxembourg fund industry is the second largest in the world.

The Grand Duchy Celebrates

USUALLY staid, formal and very traditional, the Grand Duchy of Luxembourg has suddenly bounced into party mode as it assumes the mantle of European Capital of Culture 2007 with an almost non-stop schedule of music, dance, parades and festivals across the country that will continue until January 2008.

Located between France, Germany and Belgium and only 81km by 56km at its widest points, the world's only Grand Duchy is famous mostly as the scene of the bloody 1944 Battle of the Bulge, and as one of the three capitals of the European Union along with Brussels and Strasbourg.

Luxembourgers enjoy the highest standard of living in the EU and more Michelin-starred restaurants per



capita than any other country in the world. Beyond the 2007 plethora of concerts and festivals, there will be plenty to experience around this tiny, beautiful country.

The capital, Luxembourg City, sits high above the Alzette and Petrusse river valleys on what was originally a 4th century Roman fort surrounded by more UNESCO World Heritage-listed fortifications.

Experience 1,000 years of Luxembourg's history in about 100 minutes in the city's oldest quarters on the "Wenzel Walk," named after Wenceslas II, Duke of Luxembourg between 1383 and 1419.

Organizers expect a surge of visitors to join locals for the celebrations, and an even bigger boost after June 10 when a new high-speed TGV (train a grande vitesse) rail service from Paris to Luxembourg City

will cut travelling time by 90 minutes to just over two hours, with five services daily.



New High-Speed Link between Luxembourg – Paris A European Experience

On June 10th, 2007 the new high-speed link between Luxembourg and Paris will be officially inaugurated and passengers will see their journey cut to 2 hours and five minutes.

The TGV East is capable of a top speed of 200 mph, faster than TGV trains on other links. In addition to the faster journey time, all types of electronic equipment can be used on the TGV East train during the travel.

The \$5.3billion project has been financed by private investment and the governments of Luxembourg and France. It has taken at least 10,000 workers over five years to construct the railway after three years of planning.

The Luxembourg National Tourist Office, NY was one of the co-sponsors of Rail Europe's press conference that took place on April 18th in New York

City. High level guests of the media and tour operators were among the invitees. The panelists, the President & CEO Rail Europe Group, the CEO of SNCF and the Director of High Speed Rail presented the audience with highlights that mainly focused on the impact of high-speed trains on European travel and opening of the TGV East connecting among others Luxembourg – Paris.

The successful event was closed with a cocktail reception.

For further information on travel to Luxembourg, please contact: Luxembourg National Tourist Office NY, Mrs. Brigitte Goergen, Director: email: info@visitluxembourg.com

www.visitluxembourg.com.

The New Luxembourg Law on “Specialized Investment Funds” (SIF)

Today, Luxembourg is the number one center for European investment fund management and number two world-wide, surpassed only by the United States. Significant factors in this success were EU Directives that liberalized the marketing of investment funds and coordinated laws, regulations and administrative provisions related to Undertakings for Collective Investment in Transferable Securities (UCITS).

According to the European Fund and Asset Management Association (EFAMA), the assets in Undertakings for Collective Investment (UCI) in Europe more than quadrupled in the last ten years, and reached a volume of 6.58 trillion Euros by the end of 2005, out of which more than 1.5 trillion Euros was managed from Luxembourg. Today, the estimated total of assets under management in Luxembourg-domiciled funds is in excess of 1.9 trillion Euros.

About one fifth of these assets are allocated to the non-UCITS area - these are Undertakings for Collective Investment that are regulated in accordance with special national requirements and are not subject to the UCITS EU Directive. This market segment (non-UCITS funds) is mainly characterized by “Specialized Investment Funds” (SIF).

EU countries which currently allow SIF are, among others, Austria, Denmark, Finland, Germany, Italy, Liechtenstein, Sweden, Great Britain and Luxembourg. To date, the market for SIF, with a volume of more than

600 billion Euros (according to the BVI, Bundesverband Investment und Asset Management e.V) has mostly been a German domain.

In this context, the Luxembourg regulator has again innovated by creating a flexible framework for qualified investors seeking to invest in all classes of assets, including alternative instruments and enacted the Law on “Specialized Investment Funds” (SIF) on 13th February 2007.

The new Law is essentially characterized by greater flexibility with regard to the investment policy, the broadening of the sphere of investors and a more relaxed regulatory regime.

From a tax point of view, the SIF is only subject to a fixed capital duty of 1,250 Euros and the annual subscription tax is only 1 basis point (0.01%) with an exemption available in specific cases.

This new Law significantly simplifies the rules for setting up fund structures such as private equity funds, real estate funds, and all other funds tailored specifically for sophisticated investors (including high net worth individuals), and significantly enhances the Grand Duchy of Luxembourg as a domicile for such structures.

For more information, visit our website:

www.kpmg.lu

Sebastien Labbe

KPMG LLP

Boeing 747-8 Launch Customer Cargolux Orders Three More 747-8 Freighters

Cargolux, the Luxembourg-based air cargo operator, ordered three more Boeing 747-8s and has also added two options for future orders. This brings Cargolux’s total to 13 firm orders, two options and 10 purchase rights.

“The outstanding economics of the 747-8 Freighter was decisive in its selection as the centerpiece of our future fleet,” said Uli Ogiermann, chief executive officer of Cargolux. “Equally important was the environmental performance of this airplane. With 15 percent reduction in emissions and a 30 percent



reduction in noise, Cargolux is taking action today for tomorrow’s world.”

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An Overview of Luxembourg Vehicles Used for Private Equity Investments

It is difficult not to notice the increasing importance of Luxembourg for structuring private equity deals in recent years. With over 20,000 holding companies, Luxembourg has become a well established jurisdiction in the world of private equity and few are the major private equity players that do not use Luxembourg to structure their deals.

With diverse and flexible vehicles, appealing tax regimes and a variety of structuring possibilities, it is no wonder that Luxembourg has enjoyed such success in attracting foreign investors. The SOPARFI, the SICAR and the SIF are three examples of Luxembourg's innovative approach to private equity.



Luxembourg limited companies are, as a rule, subject to income taxes (corporate income tax and municipal business tax) at the global rate of 29.63% for a company established in the municipality of Luxembourg and to a net worth tax at the rate of 0.5%. The liability to these taxes can be avoided, either personally or materially, when the company has a holding activity. The SOPARFI also benefits from the application of tax treaties⁴.

Capital contributions made to a SOPARFI, at the time of incorporation or subsequently, are subject to the 1% capital contribution duty. Certain contributions are however exempt.

In light of the above, the SOPARFI is an ideal vehicle when the investment policy targets substantial participations in fully-taxable companies.

1. The SOPARFI

For tax purposes, the primary category of limited companies¹ in Luxembourg is the so-called SOPARFI². The SOPARFI is a company subject to the ordinary tax regime. Its taxable base can be reduced or even eliminated in pursuance of the parent-subsidiary privilege (hereinafter referred to as the "privilege")³ aimed at avoiding economic double or multiple taxation of the

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same income. The privilege provides an exemption at three levels: (a) the exemption of dividends or liquidation profits received by the SOPARFI from its subsidiaries, (b) the exemption of capital gains realised on the transfer of participations, and finally, (c) the withholding tax exemption on dividends paid by the SOPARFI to its shareholders. Furthermore, participations whose revenues could benefit from the exemption are exempt for net worth tax purposes.

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The privilege only applies to income derived from substantial participations that comply with certain conditions. Any other income is, as a rule, taxable at the ordinary rate. Income derived from bonds, non-eligible participations and units of non-taxable investment funds is taxable at the ordinary rate.

2. The SICAR

Investments in venture capital and private equity have long been structured through various types of Luxembourg vehicles, mainly limited partnerships, corporate vehicles and investment funds. These vehicles were traditionally created under the form of either non-regulated ordinary companies governed by the law of August 10, 1915 on commercial companies, as amended, or as regulated undertakings for collective investment (UCI).

The need for an additional regime was felt by participants of the financial sector, who proposed the creation of an investment company in risk capital or société d'investissement en capital à risque ("SICAR"). This led to the Luxembourg law on Risk Capital Investment Companies dated June 15, 2004 ("SICAR Law") which introduced a new form of vehicle to be used for investments in risk capital.

SICARS are not intended to replace existing vehicles but rather to offer an alternative to investors. They are supervised by the Luxembourg regulatory authority of the financial sector i.e. the Commission de Surveillance du Secteur Financier (CSSF) but are subject to a much more liberal regime than that governing UCIs.

Unlike UCIs, promoters or investment managers of a SICAR are not subject to approval from the CSSF. Accordingly, investments in SICARs are reserved for

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An Overview of Luxembourg Vehicles Used for Private Equity Investments, continued

sophisticated investors (investisseurs avertis) which can either be institutional investors, professional investors or other sophisticated investors.

As a key element of the regime, there are no specific risk-diversification requirements. This clearly contrasts with UCIs which may never invest more than

Furthermore, a great deal of flexibility is provided in relation to distributions and payments to investors.

20% of their net assets in securities of the same issuer (for special funds as defined in regulation 91/75). The absence of investment restrictions further allows SICARs to pursue activities and enter into transactions which are usually forbidden or restricted in the hands of UCIs such as the granting of credits of any nature (e.g. mezzanine loans).

Furthermore, a great deal of flexibility is provided in relation to distributions and payments to investors. SICARs are not subject to any rules in relation to redemptions of own shares, distributions and payments of interim dividends other than those set forth in their articles of incorporation.

In defining the fiscal regime of the SICAR and its investors, the legislator's objective was to create a flexible regime which would be attractive for private equity by offering investors the choice between transparent

SICARs are not subject to any rules in relation to redemptions of own shares, distributions and payments of interim dividends other than those set forth in their articles of incorporation.

and opaque entities, allowing the vehicle to be as tax neutral as possible for the investor, and ensuring access to double tax treaties for opaque SICARs.

3. The SIF

More recently, Luxembourg introduced legislation on specialized investment funds (SIFs) on February 13th, 2007. The SIF law replaces previous legislation governing institutional investment funds. The aim of this new law was to create a more accommodating investment vehicle by enlarging the scope of eligible investors to cover not only institutional investors but

also "well-informed" investors. It also satisfies a tangible need in the real estate and hedge fund areas by allowing a broad scope of eligible assets in which a SIF may invest.

Luxembourg has many tools at its disposal and may easily be used as an international investment hub capable of ensuring tax optimisation on an income basis or repatriation of profits to investors. Depending on the investor's choice, the Luxembourg vehicle may be regulated or non regulated or a combination of regulated and non regulated vehicles. Above all, the choice of a vehicle depends on the type of anticipated investment, the investor base, the tax regime of the shareholder and the income repatriation method.

To learn more about how to use Luxembourg to structure private equity investments, please join us at our upcoming seminar to be held at the Luxembourg House in New York on June 18th.

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¹ *sociétés de capitaux* (hereinafter, "companies").

² *SOciété de PARticipation FINancière*. It should be noted that the word SOPARFI is used by practitioners but has no legal meaning.

³ The privilege relies, among others, on the implementation of EU Council Directive 90/435/EC of 23 July 1990 on the common system applicable in the case of parent companies and subsidiaries of different Member States (the "Parent-Subsidiary Directive"). The privilege is also referred to as the participation exemption regime or Schachtelprivileg.

⁴ i.e. bilateral conventions for the avoidance of double taxation with respect to taxes on income and on capital.

On the Wine Road

It is a commonplace in Luxembourg that you can take a boy or girl out of the countryside, but you can't take the countryside out of the boy or girl. Nature and the environment are powerful forces there: the city of Luxembourg was a fortress long before any human bat-

Over the years, it became clear to me that this was no mere wine, or even excellent wine, but magic in a bottle.

lements were ever placed on it. The forests inspire both apprehension and enchantment, like their Grimmian archetypes. If any further proof of this particular link between man and nature be needed, it can be found in the national anthem, which starts as an ode to wine and the vine along the Moselle!

Bei Steichen op der Waeistrooss (Steichen's on the Wine Road) was conceived two years ago, but its roots go back to this Luxembourgian sense of place. I used to hear Luxembourg-Americans rue the fact that they could not obtain Moselle wines in the United States. Low production for export, a small market here, and the vicissitudes of the American wine-distribution system conspired to make Moselle wines impossible to find on American store shelves. A grey market worthy of a John LeCarre novel evolved. Visitors to Luxembourg brought wine back to the United States, but true smuggling operations on a scale worthy of a Luxembourgian were blocked by the watchful eye of the U.S. Customs Service. Occasionally, a bottle or two would be pilfered at the end of the National Day celebrations of the Embassy and Consulate. (Again, the smuggling thing: when you are from a small country, you need to learn how to cross borders discreetly, but with stores of value intact.)

Over the years, it became clear to me that this was no mere wine, or even excellent wine, but magic in a

bottle. The French speak of terroir in their wines. For Luxembourgians, terroir is more than the soil, however. It is memory.

The viticultural Moselle stretches 42 km. (25 miles) from Schengen to Wasserbillig. It is broadly divisible in two. From Schengen to Stadtbredimus, the soil is gypsum and marl, yields are higher and the vines are very vigorous. The resulting wines are softer and rounder. At Stadtbredimus, the soil becomes calcareous. It is in this lower stretch of the Moselle, between the towns of Ehnen and Machtum, that the finest soils are found. Marl lies over a fossil bed of chalk, a perfect combination for optimal water retention in dry or wet periods. Moreover, the vines have a



Vineyards around the city of Grevenmacher in the Moselle region.

south to southwest aspect and slopes of 30% gradient, all of which is perfect for wine production. The limestone yields racier wines that do not reach their finest expression until they have matured somewhat.

As in Alsace and in Germany, Riesling is the most "noble," or well-considered, grape in Luxembourg. The wines themselves are in the dry style found in Alsace or in the German Rheingau. They contain all of the multi-faceted bouquet and balanced acidity that this, the greatest of all white grapes, is capable of.

The focus of Bei Steichen op der Waeistrooss is to import other independent producers whose production might not be high enough to warrant the high cost of import and distribution in the U.S.

Luxembourg also produces Pinot Gris. Known to many Americans as Pinot Grigio, the Pinot Gris produced in Luxembourg is far better crafted than most of its Italian, industrial-quantity, counterparts. It is rich wine, with a very soft, full mouthfeel. Luxembourg

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On the Wine Road, continued

also produces Auxerrois, which Luxembourgiens drink as an aperitif; Rivaner, a more fruit-forward wine; Pinot Blanc, drunk typically with fish dishes like the famous “friture de la Moselle”; Gewuertztraminer, Sylvaner and Muscat. In addition, the “national” wine for which Luxembourgiens have the greatest affection is a very dry, high-acidity, low-alcohol table wine from the Elbling grape. As with “gekachte kaes,” it’s a Luxembourgian thing that others don’t understand. Finally, a grape making inroads among specialty producers is the Pinot Noir, the most noble red grape, and the grape behind the great Burgundy red wines. As climate-change has forced Pinot Noir production northwards, Luxembourg has become a logical place for it to grow, with excellent producers capable of fine pinot noir expressions.

Thus far, only the wines of the Domaine Clos des Rochers are available in the United States. This domaine is part of the Bernard-Massard companies. In addition to the Clos’s Riesling, Pinot Gris and

Auxerrois, Bernard-Massard has recently begun exporting their Cuvée de l’Ecusson cremant to the United States. These are all excellent wines from the top vineyards in Luxembourg, and great values, especially in comparison with their Alsatian and German counterparts.

The focus of *Bei Steichen op der Waeistrooss* is to import other independent producers whose production might not be high enough to warrant the high cost of import and distribution in the U.S. The goal is to consolidate shipments so as to combine the forces of these many producers into one for export purposes. It is felt that these producers, whose quality and winemaking rigor is exemplary, are quite worthy of the American market. They include the Domaine Kox, Mathis Bastian, Cep d’Or, Haeremillen, and the most progressive organic producer in Luxembourg, Sunnen-Hoffman.

Francois Steichen

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A PERSONAL INVITATION WILL FOLLOW

Luxembourg Immigration Exhibition to open on Ellis Island in June

An exhibition on Luxembourg immigration to America will be shown from 30 June – 30 September 2007 at the highly symbolic site of the Ellis Island Immigration Museum, New York, NY. During the second half of the 18th century and the beginning of the 19th century up to a third of Luxembourg's population emigrated to the United States, mainly to the Midwestern States of Iowa, Wisconsin, Minnesota and Illinois. The exhibition will primarily focus on the following six themes: a presentation of the Grand Duchy of Luxembourg (now and then), the reasons for emigration, the journey and the arrival in the US, the Luxembourg settlements in the States, Luxembourg



life and culture in the New World and portraits of famous Luxembourgers in America. Did you know for instance that famous US Luxembourgers include the father of Flag Day, a Nobel Prize winner, a tennis champion, and a world famous photographer? The exhibition

will give you their names and offer plenty of information about this fantastic odyssey undertaken by our ancestors. The official opening ceremony of this unique exhibition will be held on the 30th of June 2007 from 1:00 to 3:00 pm at the Ellis Island Immigration Museum in the presence of Mrs. Octavie MODERT, Luxembourg's Secretary of State for Culture, Higher Education and Research.

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