

Why Luxembourg?

In today's competitive world, the ability to accurately assess the attractiveness of countries or markets becomes increasingly important for companies operating on a global scale. The facts leave no doubt that Luxembourg has much to offer in this respect. Comparisons with other countries illustrate its attractive business environment and its superior performance in many areas.

However, what makes Luxembourg stand apart is the fact that it manages to combine a unique series of assets:

○ Sound economic fundamentals

Far-sighted and pro-business policies supported by a strong national consensus have enabled Luxembourg to successfully meet the challenges of economic change over the past decades. Today the Grand Duchy enjoys the highest standard of living in Europe, low inflation and unemployment, competitive corporate and personal income taxes and a balanced budget.

Due to its central location in Europe, its cosmopolitan population, the high level of education, the multilingual capabilities and the high productivity of its labour force, Luxembourg is an ideal starting point from where to gain access to the approximately 500 million European consumers.

○ Luxembourg: connecting people

Located in the "Heart of Europe", Luxembourg offers well-developed transportation and communication networks. The extended road and rail system as well as the Luxembourg International Airport link the country with economic and political centres throughout the world.

○ An exceptional business environment

Luxembourg's economic policies value the strength of private initiative and innovative spirit. A free market approach gives businesses broad freedom of action. It is a small country where business can be developed easily and directly, avoiding cumbersome administrative red tape. The Government is willing to provide tailor-made incentives for investment, research and development.

○ A long industrial tradition

Luxembourg's long industrial tradition reaching back to the late 19th century and its successful economic diversification have allowed the country to create an exceptional workforce whose exemplary industriousness and work ethics are internationally recognised.

○ A high quality of life

A high standard of living as well as a comparatively low cost of living in a cosmopolitan environment provide an ideal basis on which to build future development and success. As one of the largest per capita contributors towards developing countries, Luxembourg and its population display a profound sense of compassion for the less well-off.

○ Social and political stability

Social conflicts in the Grand Duchy are avoided by regular consultations between the various social partners and the Government. These are just some of the reasons why there has hardly been a strike in the last 80 years.



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THE GOVERNMENT
OF THE GRAND DUCHY OF LUXEMBOURG
Ministry of the Economy and Foreign Trade

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"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."

Olaf Gehrels
President & CEO

FANUC Robotics Europe S.A.

"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."

Hermann Lange
CFO

Goodyear Luxembourg

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Luxembourg at the crossroads of the European automotive market

Europe is the largest automotive market worldwide. With more than 15 million new passenger cars registered every year, it represents 1/4th of the global market. Europe is also the biggest producer of motor vehicles in the world, with 1/4th of the vehicle and even 1/3rd of the passenger car production.

Luxembourg is centrally located in the automotive heart of Europe. At the crossroads between Germany, France and Belgium, it offers "just-in-time" access to the major European car manufacturers and assembly plants. It is an ideal location for component suppliers with a multi-customer base to deliver their products easily and directly.

Direct air-cargo connections to the five continents and excellent rail/road connections to the ports of the North Sea make Luxembourg an ideal gateway to the European market, be it in investment, research and development or trade.

The Government supports this knowledge-intensive industry with R&D grants and loans by the National Credit and Investment Bank and a favourable tax-environment for intellectual property.

Opportunities for automotive component suppliers

Component suppliers contribute up to an average of 70% of the total value added of a car. By 2015, their input is expected to represent almost 80% of the total value creation in light vehicle engineering and production. Thus, Europe is foreseen to become the largest centre of engineering and production in the automotive sector.

New business opportunities are arising not only through strategic alliances between car manufacturers, component suppliers and public research institutes in areas such as module assembly and system integration, but also through innovations in new fields such as:

- alternative fuels
- active and passive safety
- driver assistance
- electronics and sensors
- telematics, navigation and traffic management systems
- materials and structures
- on-board diagnostic systems
- intelligent cruise control devices
- collision warning systems
- in-vehicle messaging and ground-positioning systems/cellular phone-based safety systems

Car manufacturers are relying on suppliers not only for manufacturing but also for an increasing number of other purposes, such as module assembly, systems and component design, and systems integration. Therefore, they will increasingly outsource technology development to suppliers.



In Luxembourg the automotive industry is at home

Luxembourg has become a key location for first and second tier suppliers to the automotive industry. They employ nearly 10,000 people on more than 30 sites. Key component suppliers have chosen Luxembourg for its highly competitive business environment. Luxembourg provides a stable and predictable economic, social and political climate.

All car manufacturers in Germany, France and the United Kingdom as well as the assembly lines in Belgium and the Netherlands can be supplied from Luxembourg on a same day delivery basis.

Luxembourg-based companies catering to the European market offer an increasing number of products and technologies including:

- engine management systems
- air conditioning systems
- carpets, interior coverings and sound insulation
- occupant sensing systems
- pedestrian protection systems
- interior input devices
- laminated windshields and tempered back lites
- battery housings
- refrigerators
- tires, steelcord and fabric
- temperature sensors and thermostats
- safety valves
- steel and aluminium foils
- synthetic materials

Many companies are directly or indirectly involved in the automotive component industry. Accumalux, Delphi, Dometic, Elth, Faurecia, Guardian, Goodyear, IEE, Raval Europe, Tarkett Luxembourg and Textilcord, to name but a few, have chosen Luxembourg as a manufacturing or R&D base.

Companies, such as CTI Systems, Fanuc Robotics, Hitec and Reichert are specialised in design and building of special machines, automated handling/storage systems as well as electronic measuring and automation technology.

These companies deliver their products to over 20 car manufacturing plants within a range of 300 km and to over 50 plants within a range of 600 km.

Thanks to the central location and the outstanding technologies, all car manufacturers based in Europe, be they BMW, Daimler, Fiat, Ford, PSA, Renault-Nissan, Toyota or VW use to their highest satisfaction products "Made in Luxembourg". Automotive components are also exported to assemblers in the USA and in Asia.

Next to the products manufactured in Luxembourg, a variety of service activities are also linked to the automotive industry. Luxcontrol and SNCH specialise in the certification and approval of vehicles and components for the European market and provide fast and customer-oriented assistance.

Research, development and innovation: the keys to success

Research, development and innovation are key factors ensuring the future competitiveness and success of the automotive components industry. Luxembourg is well aware of these challenges and therefore the Government is encouraging R&D activities and has launched a "cluster" programme to support joint research by two or more companies.

Many companies, such as Goodyear, IEE, Elth, Guardian, and Delphi have major R&D centres in Luxembourg. These technical centres employ approximately 2,000 people.

Public Research Centres also provide support in the R&D process of business. Luxembourg Public Research Centres specialise in materials analysis and characterisation, surface treatments, nanotechnologies and information technologies. ILEA and the Public Research Centre - Gabriel Lippmann are cooperating in the field of R&D on automotive components.

Luxinnovation, the Luxembourg agency for the promotion of innovation and research, provides information on EU and national funding programmes and assists in the formulation of R&D programmes.

As Intellectual Property is key to every innovative company, Luxembourg has put into place an 80% tax exemption for income (or deemed income if the IP is used by the developer) from patents, trademarks, design, models or software copyrights acquired or created after December 31st 2007. Furthermore, on January 1st 2009, net wealth tax was abolished on qualifying IP.

CAR MANUFACTURERS IN EUROPE

- B** BMW
- D** DAIMLER
- F** FIAT
- F** FORD
- G** GENERAL MOTORS
- P** PSA PEUGEOT-CITROËN
- R** RENAULT
- V** VAG
- N** NISSAN
- S** SUZUKI
- T** TOYOTA
- O** OTHERS

AUTOMOTIVE COMPONENT SUPPLIERS IN LUXEMBOURG

- | | |
|-----------------------|--|
| 1 Tarkett | 12 IEE |
| 2 Faurecia | 13 Textilcord / Dupont |
| 3 Hydro Aluminium | 14 Reichert |
| 4 CTI Systems | 15 / 16 Hitec |
| 5 Dometic | 17 Accumalux |
| 6 Goodyear | 18 Delphi |
| 7 Rotarex | 19 Airtech |
| 8 Technofibres | 20 Raval Europe |
| 9 Guardian Automotive | 21 TrefilArbed |
| 10 Amer-Sil | 22 Ewald Giebel / Novelis / Galvalange |
| 11 Elth | |

