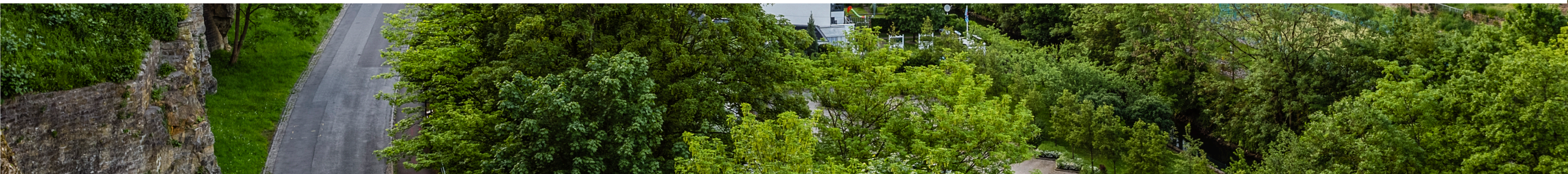




INVESTMENT AND FINANCING OPPORTUNITIES



Investment and Financing Panel



Robert Scharfe
CEO, LuxSE



Frank Mausen
Partner, Allen&Overy



Alain Kinsch
Managing Partner, EY



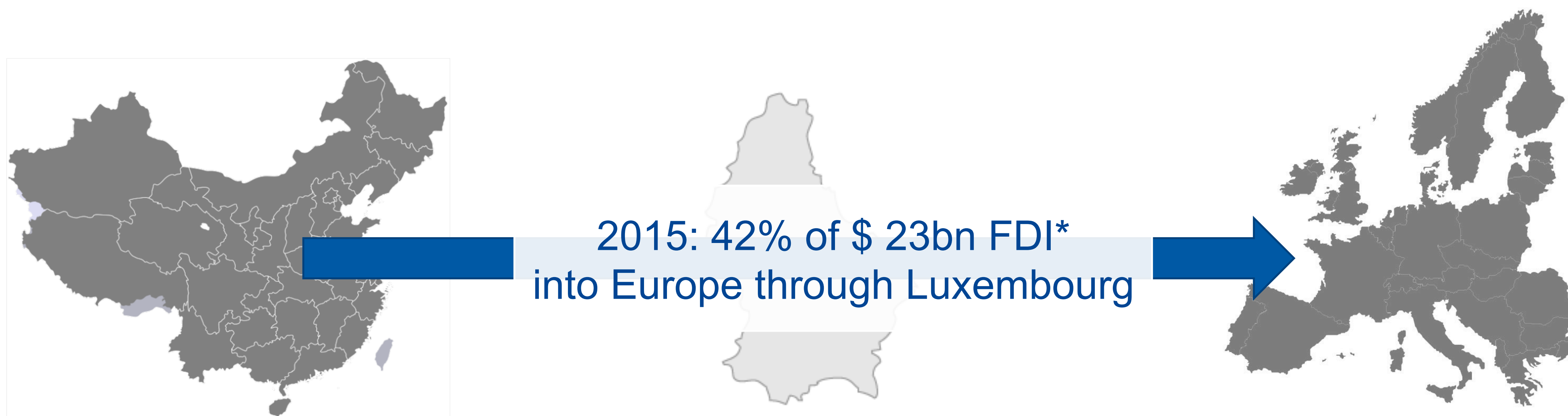
Marco Lichtfous
Partner, Deloitte



Christian Kremer
Managing Partner,
Clifford Chance

Luxembourg & China – A strong relationship

Luxembourg - a hub for China to invest in Europe



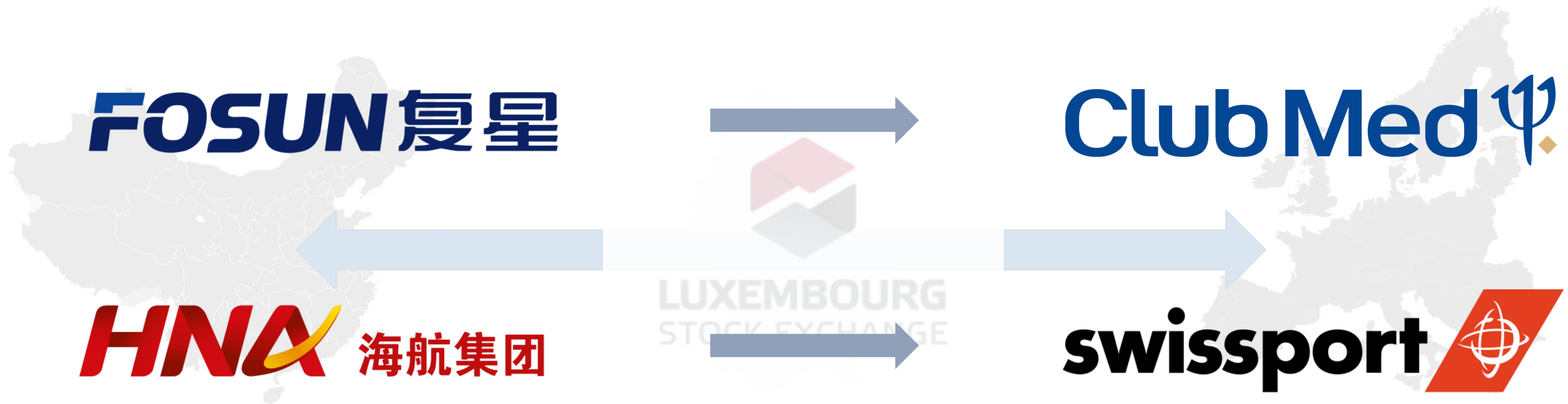
Luxembourg & China – A strong relationship

LuxSE - the link between Chinese Issuers & International Investors



Luxembourg & China – A strong relation

Examples of Chinese acquisitions in Europe financed by securities listed on LuxSE



Subjects of the today's Panel

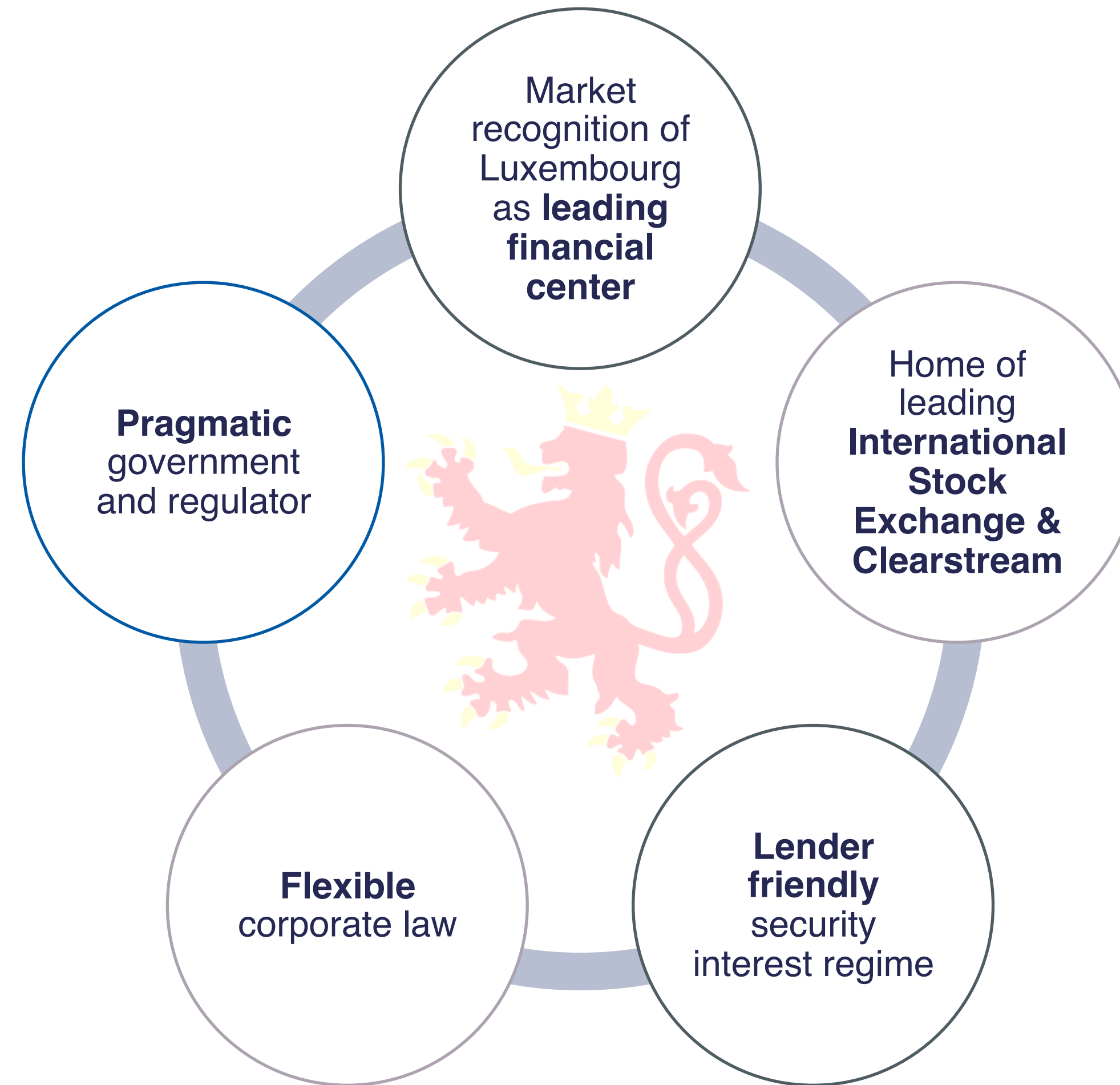
Capital Markets & Funding opportunities

Private Equity (PE) investment structuring into EU

Business diversification for Chinese Banks & Corporates

Recent tax evolutions & outlook

The Luxembourg Eco System



Why invest through a Luxembourg platform?

Often **more efficient returns** vs. direct investment

Consolidation benefits through single ultimate holding/finance companies

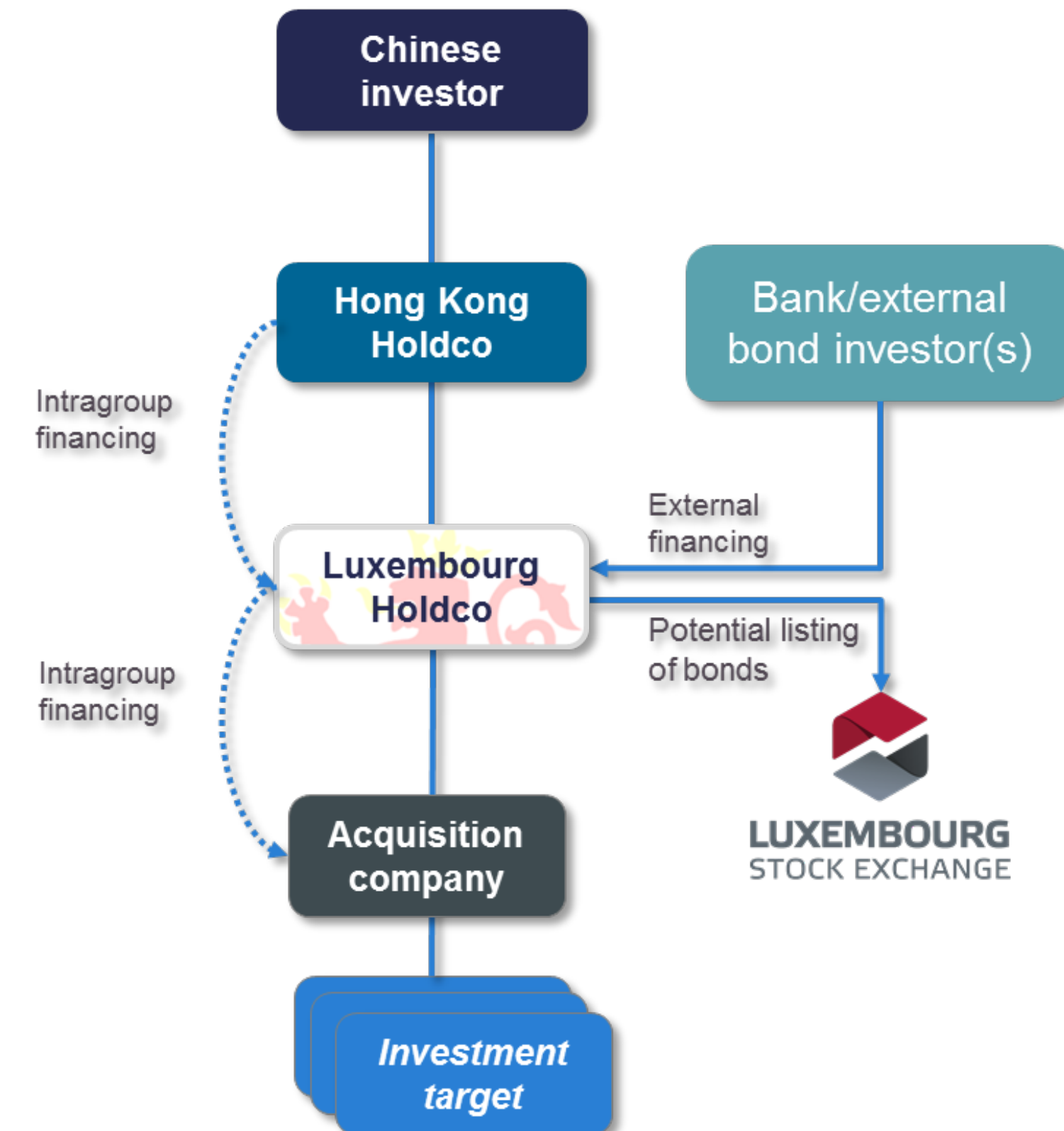
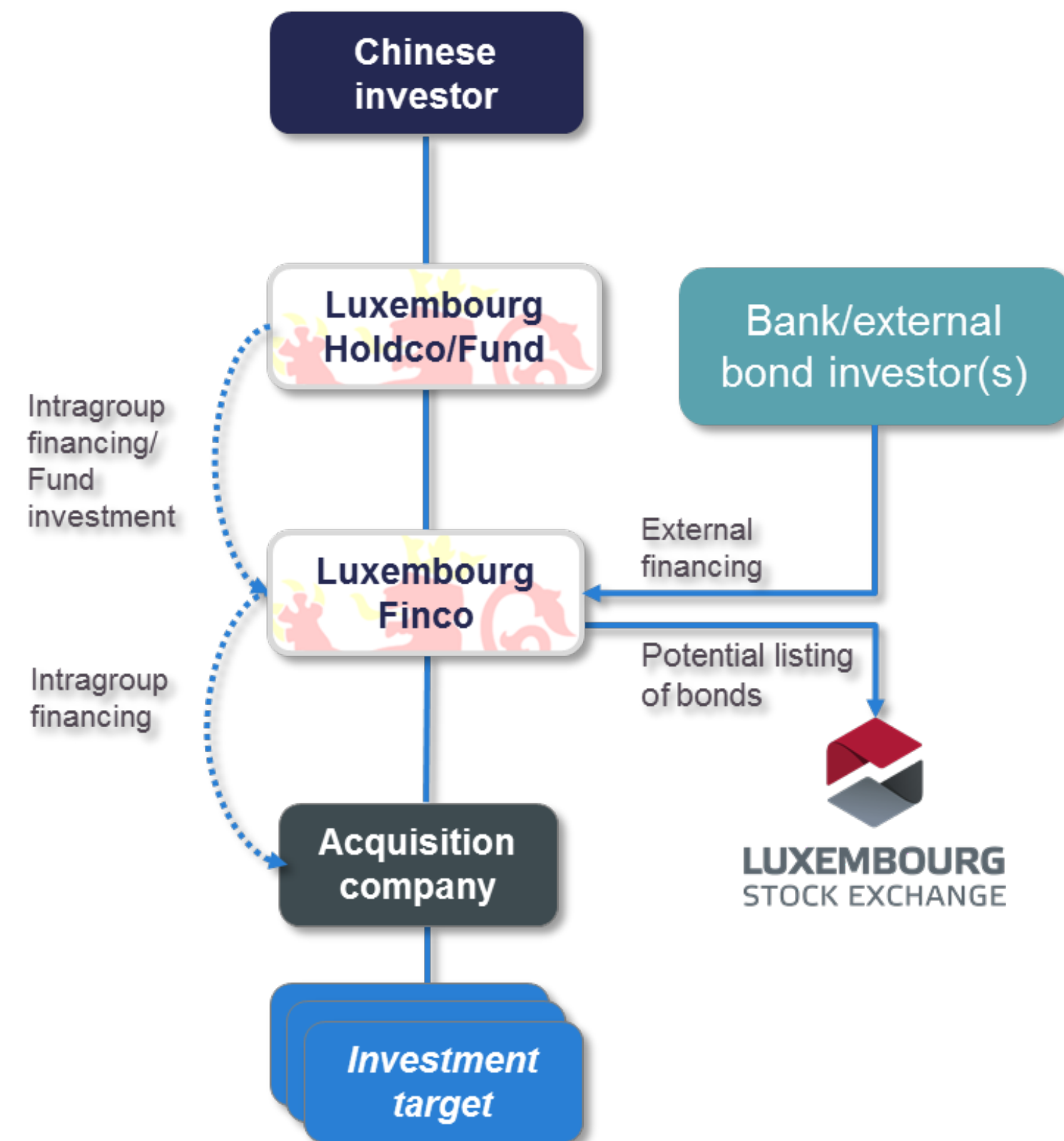
Extensive **treaty network** & access to **EU tax directives**

Tax clearance possibility with tax authorities

Efficient vehicles (tax & structuring)

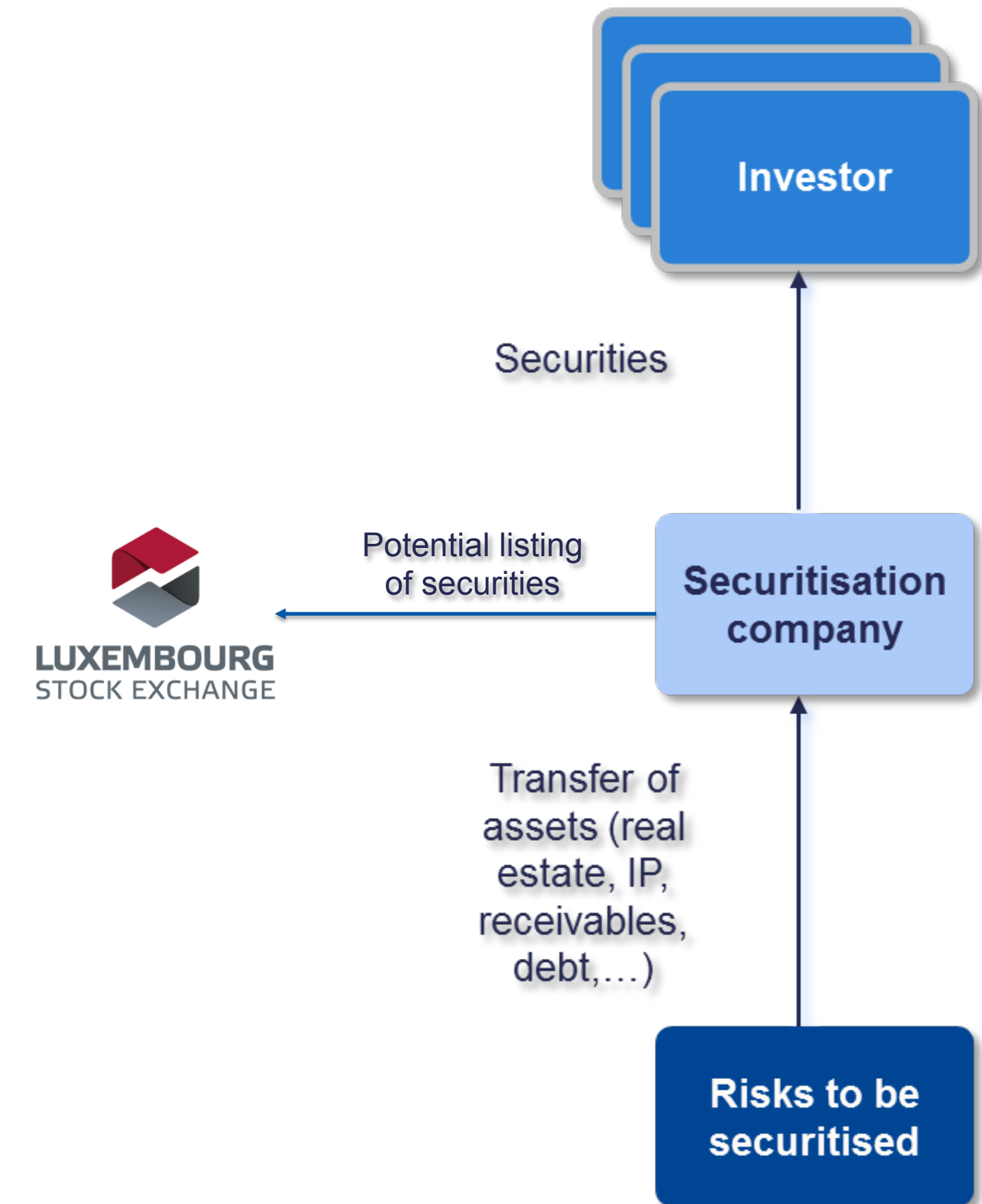
Outstanding safety & flexibility for intragroup/external financing

No «one size fits all»: structures tailored to your needs



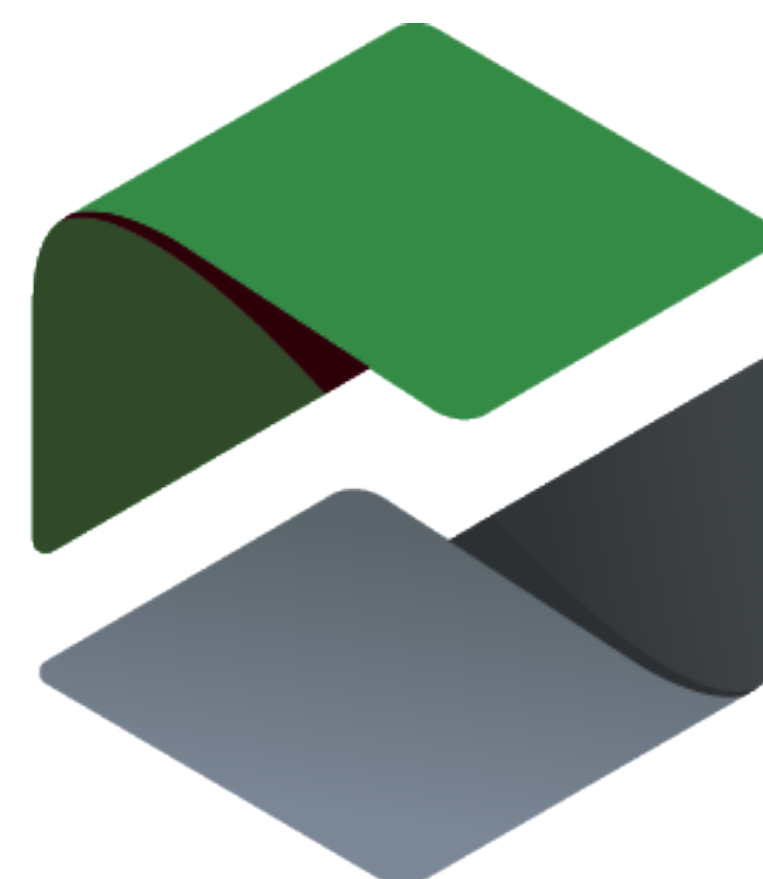
Repackaging

- **Transform illiquid assets into liquid assets**
- **Clean up** a company's **balance sheet**
- **Financing** through (listed/unlisted) securities
- **Risk** associated to assets **born by investors**
- **Multiple independent compartments** possible
- One of the **world's most advanced** securitisation frameworks



The Luxembourg Green Exchange (LGX)

Partnerships & active
workgroup participation



卢森堡
环保金融交易所

+110 listings of Green bonds
since 2007



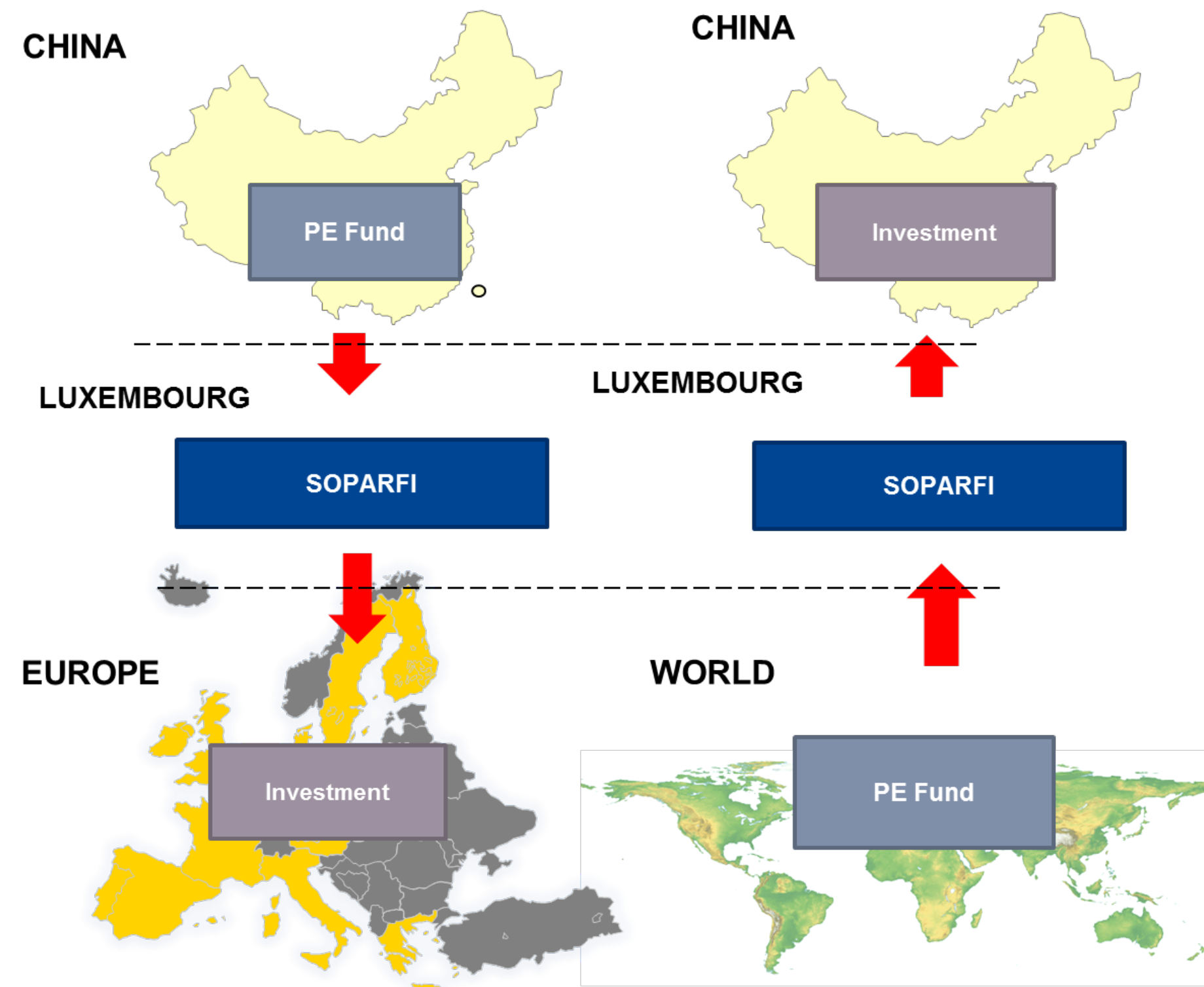
The Luxembourg Green Exchange (LGX)

A flexible & strict application process setting high standards of transparency

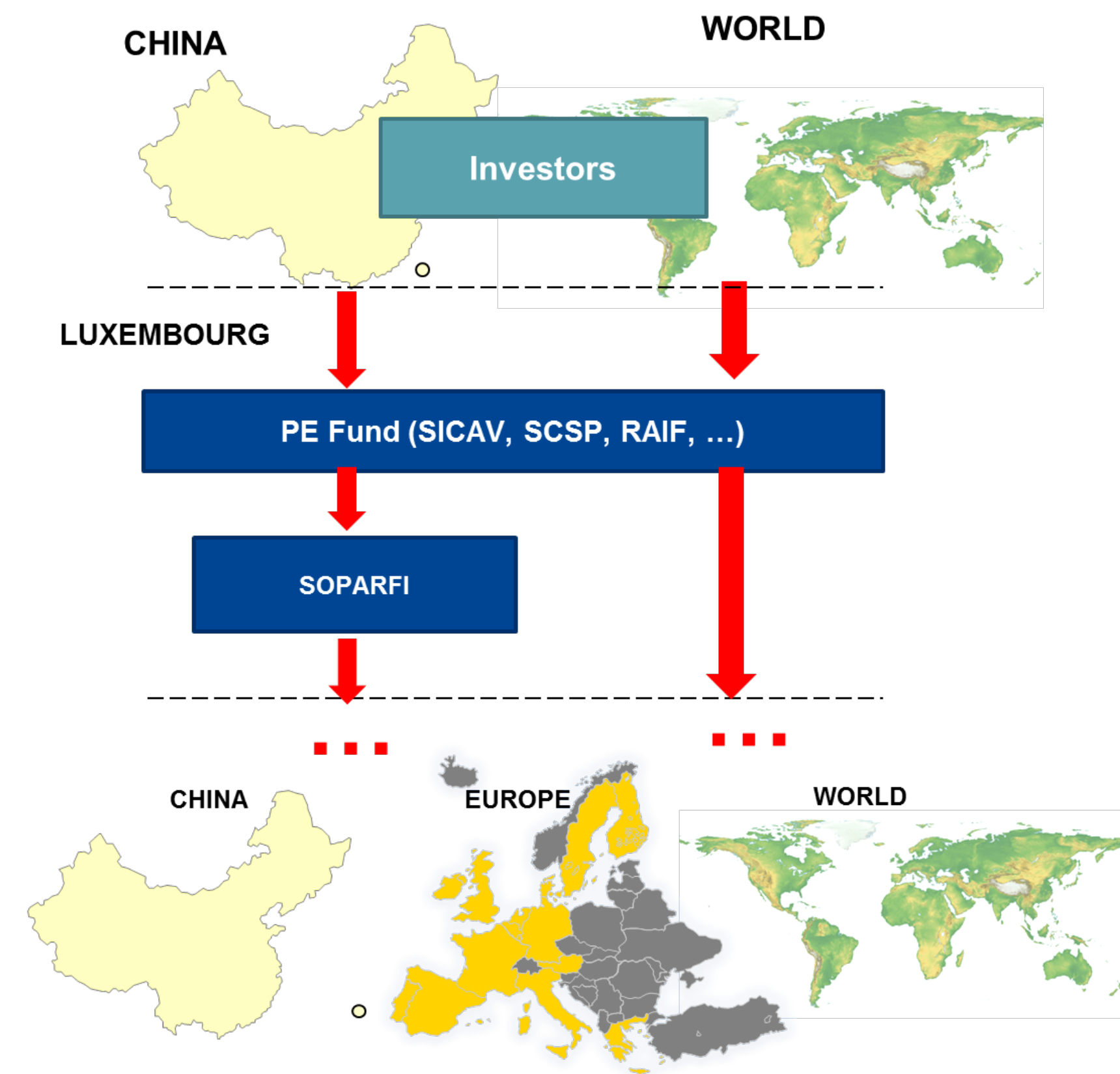


Luxembourg & Private Equity : Overview

Europe's #1 PE Investment Platform

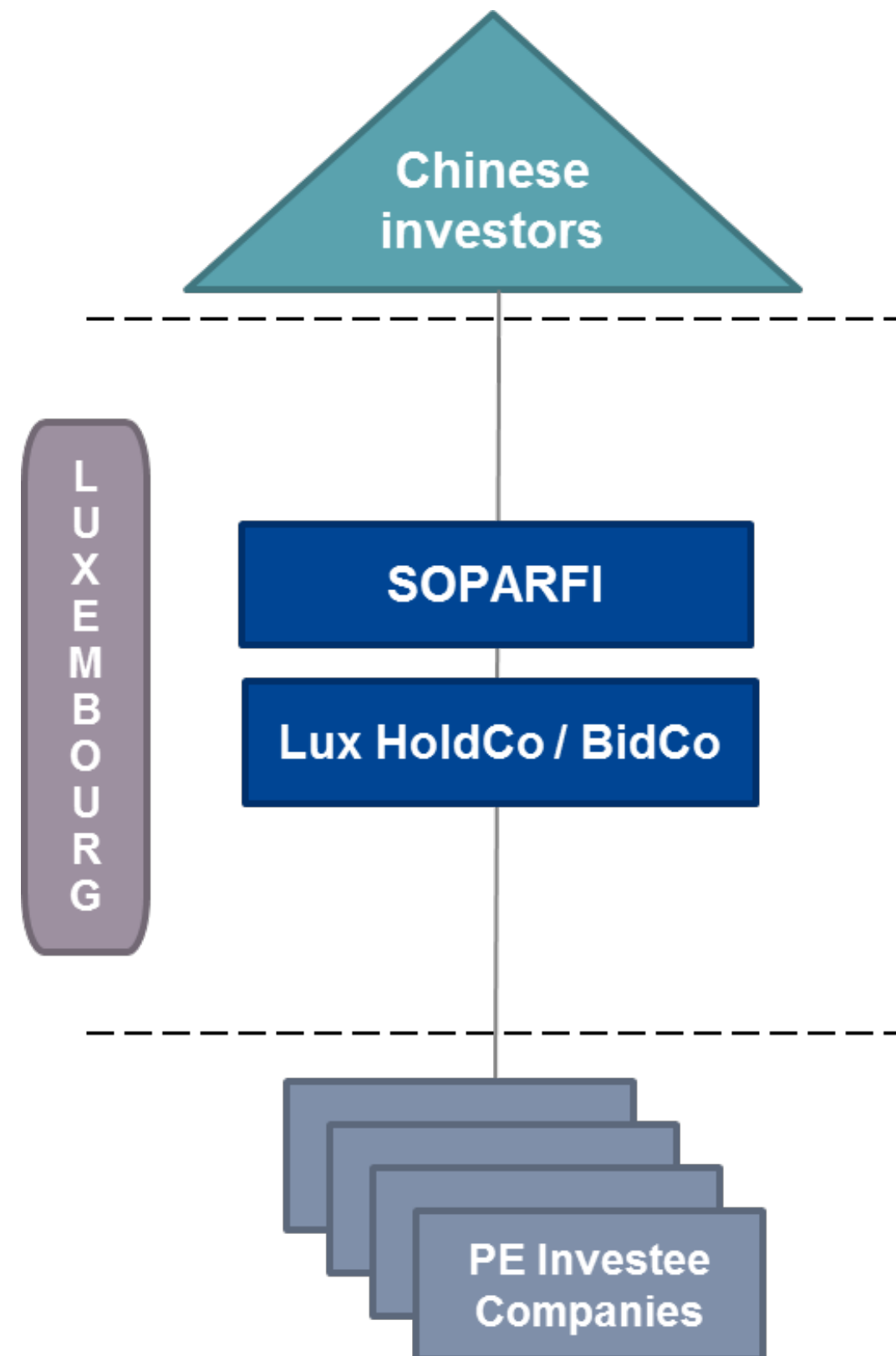


Europe's #1 PE Fund Centre

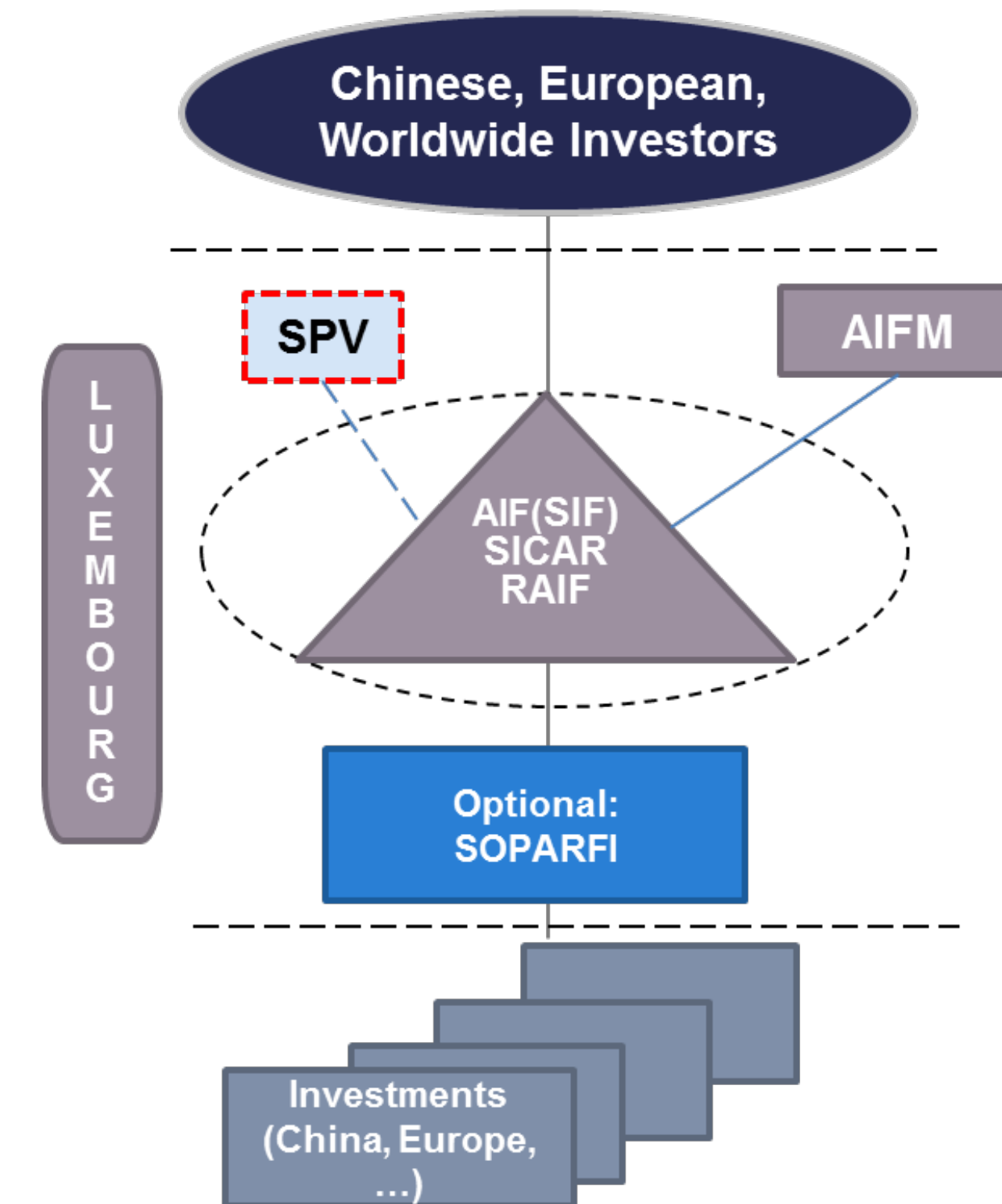


Luxembourg & Private Equity : Overview

Europe's #1 PE Investment Platform

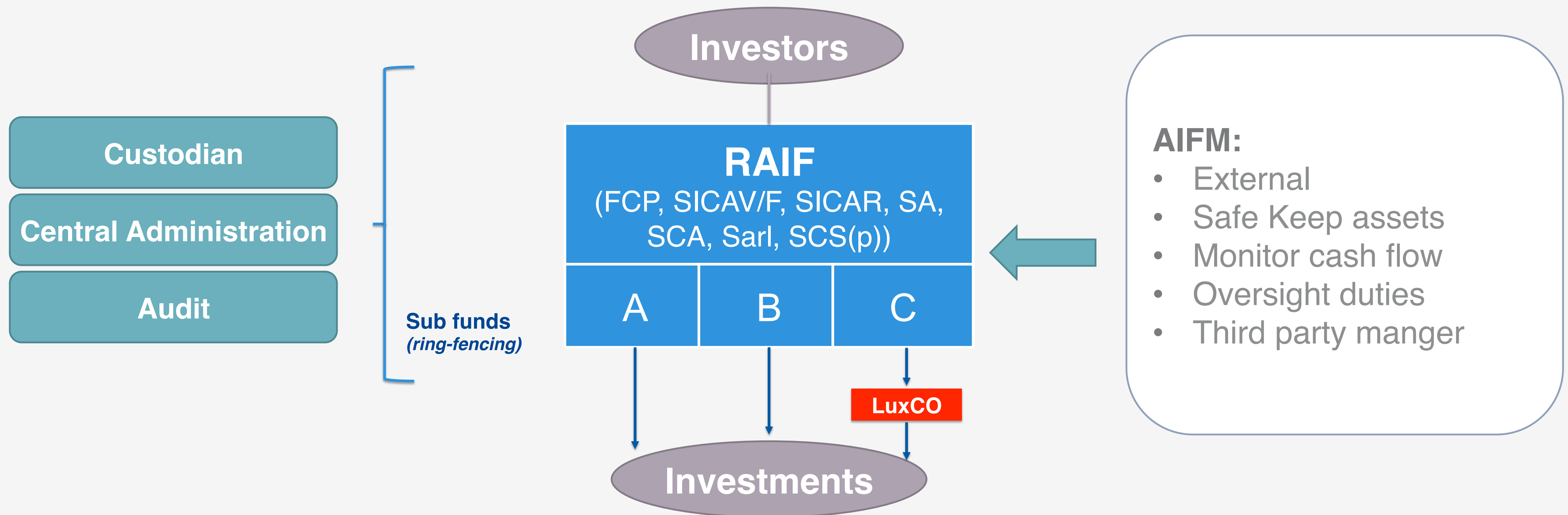


Europe's #1 PE Fund Centre



Luxembourg - always innovating: RAIF

The RAIF: Reserved Alternative Investment Fund



Asset Management proposition for Chinese Banks

Asset management as a
diversification activity for
Chinese banks

01

ASIA TO EUROPEANS

- Propose funds investing in Asia to Europeans
- Existing demand for higher yields
- Distribution of products outsourced

02

EUROPE TO ASIA

- Propose funds investing in Europe to Chinese
- Chinese investors look for investment diversification
- Distribution locally through network of the Bank

The integrative banking structure

Companies are establishing a bank to create competitive advantages for group's business.

01 **EXTERNAL FUNDING**
Provide funding to suppliers, distributors and end customers

02 **INTRAGROUP FUNDING**
Perform intercompany lending and funding

03 **INTRAGROUP OPTIMIZATION**
Optimize intragroup cash management and transactions

04 **EXTERNAL FINANCING**
Benefit from cheap financing (public deposits, interbank market & ECB)

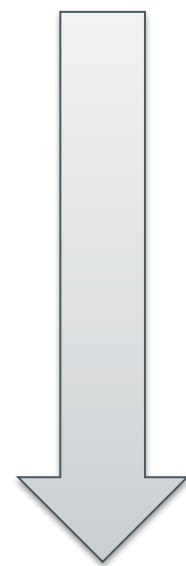
05 **REVENUE DIVERSIFICATION**
Diversify revenue and increase the maturity of expected income

06 **FINANCIAL SERVICES**
Provide capital market services (bonds issuance)

Case study: How John Deere entered the financial business



JOHN DEERE



John Deere Bank S.A.

Context

Deere & Company:

- the world's leading producer of agricultural equipment
- Development Strategy to support the development of its financial services activities

Activities

John Deere Bank S.A:

- headquarters in Luxembourg (since 2001)
- regulated by the CSSF
- provides loans, leasing and wholesale solutions

Outcome

John Deere Bank S.A.:

- a licensed universal bank in Luxembourg
- providing financial services across Europe under its European Passport

Luxembourg in an evolving International tax environment

1. General Context

- . EU/OECD/G20 Governments: restore trust in the fairness of tax systems
- . Supported by the OECD/G20 'BEPS' work (acronym for 'Base Erosion and Profit Shifting')
- . BEPS work has then been complemented at EU level by:
 - EU action Plan on Corporate Taxation (June 2015)
 - EU anti-tax avoidance package, including legally binding measures (January 2016)

Luxembourg in an evolving International tax environment

2. BEPS initiative

- Recommendations targeting aggressive tax strategies
- BEPS action plan of 15 actions, along 3 fundamental pillars:
 - Coherence in domestic rules for cross-border activities
 - Substance requirements and improved transparency
 - Certainty for businesses that do not take aggressive positions
- Final reports for each and every actions (October 2015)
- BEPS package to be presented to G20 Finance Ministers (8 October, Lima/Peru)
- BEPS initiative constitutes best practices (i.e. non-binding)
- Effective implementation at national level

Luxembourg in an evolving International tax environment

3. **BEPS-inspired EU initiative**

- . EU Commission fully engaged in BEPS initiative
- . Proposed Directive to evenly implement BEPS within the EU
- . Directive broadly inclusive to capture all taxpayers which are subject to CIT in a Member State.
- . Rules laid down by the Directive:
 - Interest limitation rules (to prevent artificial erosion of taxable base)
 - Exit taxation rules (to ensure taxation of latent capital gains in case of tax residency change)
 - CFC rules (to re-attribute the income of a low-taxed controlled subsidiary to its parent company)
 - Hybrid mismatches rules (to tackle tax diverging treatment entailing double deduction or deduction without inclusion)
 - General anti-avoidance rules (to tackle abusive tax practices)
- . Transposition by 31 December 2018 and application from 2019

Luxembourg in an evolving International tax environment

4. What impact for Luxembourg?

- . Position of Luxembourg remains strong
- . Luxembourg has implemented a formal procedure/framework for advance tax agreements
- . Certain advance tax agreements are examined by the EU Commission in light of state aid investigation:
 - EU Commission does not question the ruling practice itself
 - It applies to all EU countries
- . Luxembourg legislation is largely in line with the anti-tax avoidance directive
- . The Luxembourg tax system (i) should hardly be impacted by the OECD/EU initiatives and (ii) remains very competitive:
 - One of the lowest standard VAT rate in the EU (i.e. 17%)
 - Corporate Income Tax to be progressively decreased to circa. 26% by 2018
 - Nominal tax rate vs. effective tax rate
 - Possibility to address Foreign Exchange exposure via functional currency request
 - Extensive tax treaty network (76 treaties signed)

In a nutshell

Your 2 key messages for the audience

