

PwC Luxembourg Annual Review

*Reviewing 2011, looking
forward to 2012*

pwc

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Foreword



Didier Mouget
Managing Partner PwC Luxembourg

The past year has been an energising year for our Firm, full of innovation, dynamism and optimism, despite the market conditions. Full credit is due to all our people for their efforts to inspire innovation as well as to foster a more collaborative working culture and dynamism.

While we can't take economic recovery for granted, new opportunities have enabled us to grow and further strengthen our N°1 position in Luxembourg.

Our turnover reached EUR 263 million, a 12.9% growth. This represents an outstanding performance in this context and confirms the strategy of our Firm. Looking across the world, the PwC Network's overall gross revenues were up by 10% to USD 29.2 billion reinforcing PwC's global Network leadership position.

"We help our clients respond to their business challenges by demonstrating continuous creativity and use of recognised methodologies to solve complex problems."

Jean-François Kroonen, Advisory Leader

12,9%
increase
in revenues

Revenues of
€ 263
million

Relentlessly focusing on quality

As the audit profession is facing higher scrutiny from the market, the politicians and the regulators, the debate over the role and the responsibilities of auditors offers opportunities to increase the scope of all types of audit services.

As leaders of our profession in all service lines, we have a responsibility to foster an ethical culture that engenders trust in the marketplace. Risk management, security and quality are central issues for our business operations and are embedded in all our standards and practices.

We will continue to invest in all our lines of services to make sure we deliver exceptional value to our clients and opportunities to our people.

PwC: creating a distinctive experience

We measure our business success by the experience of our clients, our people and our contribution to our communities. We aim at improving ourselves in each of these areas while further developing trust in business.

Beyond our capabilities and experience, we want PwC to be known for building great relationships with clients that help them create the value they are looking for.

“Making the most of our leading market position, applying the highest standards of quality and searching for further efficiency in the delivery model have been the fundamental elements for meeting our client expectations and therefore ensuring the continuous success of our audit practice in Luxembourg.”

Pascal Rakovsky, Audit Leader, Deputy Managing Partner

Navigating through turbulent times

The Western public debt crisis, which reached a climax over the summer of 2011, raised serious concerns over the capital market's evolution and their effects on the economic situation in most countries around the world.

The relevance of our professions will increase in times where the capital markets and our clients critically need trust and support.

We will intensify our efforts to preserve our people, to actively support our clients to help them take advantage of new opportunities and to continue to promote Luxembourg abroad.

I look forward to updating you on our future contribution in our 2012 review.

I would like to take this opportunity to thank all of our clients for their trust and our people for their unrestricted efforts and commitment.

Didier Mouget,
Managing Partner PwC Luxembourg

“Foreign companies consider Luxembourg to be an ideal location to do business. So existing companies boost their activities while new ones set up in Luxembourg. The country has made tremendous efforts to establish an expatriate tax regime but it still needs to improve the competitiveness of its tax framework.”

Wim Piot, Tax Leader

Our Clients

As the leading professional services firm in Luxembourg, we recognise our responsibility to lead and to uphold profession standards and build trust in our markets. Our success depends on fostering an ethical and professional culture that engenders trust in the marketplace, and conduct our business within the framework of applicable professional standards, laws, and regulations together with our own policies.



Building relationships with our clients that create the value they are looking for

We believe that the best outcomes are achieved through close collaboration with our clients. So every day, our PwC people work hard to build strong relationships with our clients and understand the issues and aspirations that drive them. We measure success by our ability to create the value that our clients expect.

We acknowledge that we have a responsibility to assist local businesses to develop their activities. Our study on Small and Medium-Sized Enterprises (SMEs) and cross-border companies, published on 12 April 2011, is part of this effort. Besides serving our existing clients, we have been extremely involved in promoting the Luxembourg market place abroad.

Partnering with the largest emerging markets...

Our country programmes are the mechanism we use to project ourselves across borders. They are either specialised by industry or specialist areas. This year, we have committed ourselves to collaborating with four geographical areas we believe have swiftly developing economies to set the pace for growth over the next decade: Middle East, Russia, India and China (MRIC). Through a combination of market research, roadshows and publications we have striven to create unprecedented business and growth opportunities for Luxembourg and for our Firm. As our connections with these local partners continue to grow, new opportunities begin to emerge.

... and the US for growth

For ambitious European companies, Silicon Valley is a strategic development point to find key iconic clients and to have access to funding and world class expertise. In this context, we launched in cooperation with **Plug and Play Tech Center** (based in Silicon Valley) our **PwC's Accelerator** which aims at granting innovative companies access to funding, markets and extensive expertise. The overall goal of this Luxembourg-based European **PwC's Accelerator** is to build a two-way bridge between Luxembourg, Europe and the Silicon Valley to help these high tech companies succeed in this journey and offer the right business solutions as well as business contacts on the ground.



BEST ICT STRATEGY COMPANY
LUXEMBOURG 2011

BEST ICT STRATEGY
COMPANY



BEST LEARNING
& DEVELOPMENT SOLUTIONS
LUXEMBOURG 2011

BEST LEARNING
& DEVELOPMENT
SOLUTIONS

We have greatly enhanced our business development programme, now in its 10th year, called “Invest in Luxembourg” which aims at attracting foreign entrepreneurs, investors and people to the Grand-Duchy of Luxembourg. This unique initiative includes:

- A website, designed to guide investors in the process of setting up or developing new activities in Luxembourg as a gateway to Europe,
- A video, featuring testimonials of major decision-makers in Luxembourg,
- Cost Calculator, a tool to evaluate and compare the cost of setting up a business in major European cities,
- Major publications, including:
 - Luxembourg: where else?,
 - “Asset Management: Luxembourg, your location of choice”,
 - “Luxembourg: an e-hub for Europe – opportunities and actions on the horizon 2015”, and
 - “The place for listing Alternative Investment Funds”.
- Roadshows, visits and presentations.



10,000 copies of “Luxembourg Where else?” have already been distributed (also available in Mandarin Chinese and coming soon in Russian).

Providing insight into sustainability

We realise the business environment is changing. Heightened public concern and international pressure have made sustainability one of the most significant issues facing Luxembourg and the world today. We believe we have a duty to take an active role in helping address issues related to sustainability through our constant efforts with our clients, stakeholders, suppliers and other organisations. We originated the first “Sustainability Day” in December 2010 in Luxembourg, which endeavoured to bring together key players of Luxembourg and the Greater Region to express their expectations and exchange their experiences in sustainability. What’s more, we teamed up with PROgena to develop **PwC’s Sustainability and Climate Change practice**, designed to support our clients in their sustainability challenges by seizing business opportunities through sustainability strategies that meet their corporate objectives and turn them into actions.

Whether it be in Luxembourg, the Greater Region or elsewhere, we are a leading voice for enduring relationships with our clients that promote responsible business practices.

Quality

Quality assurance is a constant priority at PwC Luxembourg. We are committed to assuring the highest standards of quality at all times; from our client acceptance process right through to the execution and completion and delivery of our work and advice throughout our lines of service. Before accepting a client mandate we carry out rigorous vetting procedures to ensure that we only work with reputable companies or businesses. This process asks questions about how the business is run and looks into topics like beneficial ownership and compliance with anti-money laundering legislation.

A quality control system, compliant with International Standards on Auditing (ISA) requires the firm to have a system of quality control over its audit practice.

These controls are embedded as part of our daily activities. The quality control system is in compliance with International Standard on Quality Control 1 (ISQC1), issued by the International Federation of Accountants (IFAC).

Audit methodology

We use a consistent audit methodology and process for audit engagements in compliance with ISA and our Firm’s standards. The methodology is enhanced as necessary to respond to the changing environment and the specificities of the industry. All audit engagement partners and staff receive ongoing training on this methodology, together with industry specific training. To complement the global Network policies and procedures, we have developed comprehensive policies and procedures governing our audit practice. We are committed to constantly update these procedures and policies to reflect new professional developments and our operating environment and to address emerging issues.

These policies cover not only professional and regulatory standards, but also reflect the guidance that we provide to our professionals about how best to implement them.

Consultation

Consultation is a key element of quality in all service lines. We have formal protocols setting out the circumstances under which consultation is mandatory. We are supported by technical experts who track new developments in accounting, auditing, tax, regulatory, valuation, IT systems and other relevant areas and provide updates to the appropriate professional staff. Our consultative culture means that our engagement teams will regularly consult with experts and others beyond those that are formally required.

Quality reviews

The Luxembourg Firm itself, and our work is subject to regular reviews in all lines of service. In our case these come from several sources:

- Our own internal reviews, in Audit, Tax and Advisory,
- The PwC global Network's quality review program,
- The CSSF review as public supervisory authority for the Luxembourg audit profession, and
- Luxembourg IRE (Institut des Réviseurs d'Entreprises) and OEC (Ordre des Experts-Comptables) reviews in audit and/or accounting.

Via the PwC global Network's quality review, a selection of files or partners' work is reviewed every year by other independent audit reviewers from our PwC international organisation. In addition to this, at PwC Luxembourg, we also perform internal reviews in all service lines each year on a sample of the work of those partners who have fallen outside the scope of the global Network's quality review programme. Our leadership team and all partners involved in client work, each have a role in, and are accountable for, promoting audit quality.

“Quality assurance is, and will continue to be, embedded into our firm’s processes. It is at the very core of our brand and is the foundation on which we serve our clients and our success.”

***Pascal Rakovsky, Audit Leader,
Deputy Managing Partner***



BEST RISK MANAGEMENT FIRM

**BEST RISK
MANAGEMENT FIRM**



Our People

The talent of our People and the value they bring to every assignment every day, nurture our success and lay the foundations of our constant commitment to quality. We are poised to find new profiles, innovative skills and entrepreneurial spirited people to enhance our business relationships and deepen our industry knowledge. Our long-term people strategy is based on fundamental priorities, like diversity, mobility and talent development.





“People are the foundation of our business. We believe in supporting our People, in developing their full potential. This triggers both their engagement and motivation, which are essential elements to be distinctive.”

*Christophe Pittie, Partner,
Human Capital Leader*

Bringing our promise to life through our People

Our strategy is to confidently invest in the future – even in tough economic times – it has enabled us to sustainably reinforce our workforce to nearly 2,100 employees as of June 2011. This represents a 4% net increase over the past 12 months, during which we have recruited about **500 new people** throughout the year in Luxembourg.

Despite uncertain signs of recovery, we still support employment and solidarity. Indeed, we continue to offer challenging and interesting experiences as well as innovative compensation schemes to reward our People.

Shaping our future for us also means promoting our People, integrating professionals from various fields and welcoming the new generation and their fresh perspectives.

Creating value for our People

This year again, we’ve taken care to provide a comprehensive range of training solutions. Indeed, our training offer combines advanced technical expertise and industry specific training with state of the art behavioural solutions. We have developed a blended approach, including e-learning modules alternated with traditional classroom and experiential workshops. It is our commitment to build strong relationships, technical skills and sector knowledge.



GRAND PRIX
PAPERJAM TOP 10
2010



In addition of internal training, we actively encourage our professionals to enroll in appropriate professional qualifications. As such, we sponsored over 15 different professional qualifications in Assurance, Tax and Advisory, as well as memberships in the respective professional organisations. We have also made great strides in driving international mobility throughout the year, with 121 people on overseas assignments, including 56 sent abroad and 65 hosted in Luxembourg.

make up 51% of our workforce. With 26% women in our Partnership and an Executive Committee consisting of 25% women, we hope to have paved an inspiring way to all the younger talented women. We participated in affirmative action, initiated by the government, to assess our gender balance and take additional steps. All in all, our People are encouraged to value differences while sharing a common vision.

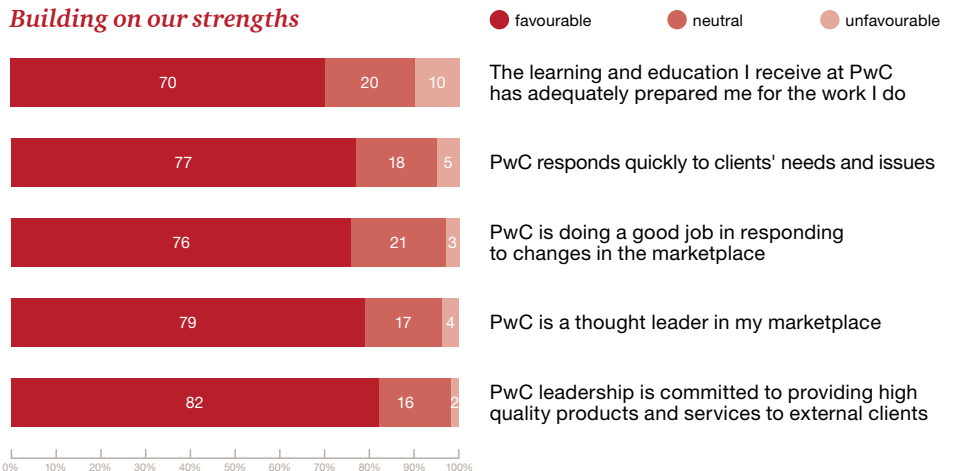
As a responsible leader, we understand the importance of continuing to build trust and credibility with our people, speaking with one voice on our strategy, and supporting them in their professional ambitions through our words and actions.

Diversity and inclusion strategy

We foster an inclusive environment where our People can develop in a flexible manner, regardless of their background or gender. This diversity contributes to deliver the highest value for our stakeholders.

As the leading professional services firm in Luxembourg, we have a major role to play in progressing gender equality in the country. We take great pride in our gender balance, as women

Building on our strengths





Our Firm Organisation

At PwC Luxembourg we are very much aware of the position of trust that we are granted by our clients and the market. We have implemented structures and standards to ensure the ongoing professionalism and integrity of all our people in all of our activities and at all levels of the firm. These also include standards on how we interact with the market, our clients, the authorities and other firms in the PwC global Network.



PwC structure

PricewaterhouseCoopers S.à r.l. (“PwC Luxembourg”) is a limited liability company (by shares) incorporated under Luxembourg law, and is registered with the Luxembourg Trade and Companies Register under number B 65477. It is owned ultimately by the individual partners practicing audit, tax and consulting in Luxembourg. PwC Luxembourg is itself registered as auditor (and is a “cabinet de révision agréé”) as per the Law of 18 December 2009 on the audit profession.

The majority of PwC Luxembourg shareholders are registered auditors (“réviseurs agréés”).

The firm is also registered with the Public Company Accounting Oversight Board (PCAOB - the US supervisory agency for public company auditors) and with the Japanese Financial Services Agency (JFSA - the Japanese capital markets supervisory authority).



BEST M&A
ADVISORY SERVICES



BEST FINANCIAL
ADVISORY FIRM



TRANSFER PRICING
OF THE YEAR

PwC Luxembourg: One firm, one vision, 2,100 people

PwC Luxembourg's Management Teams

The Management Board

PwC Luxembourg has a Management Board (Country Leadership Team) that has overall responsibility for the strategic, business, operational and financial management of the Firm. This Board is currently made up of eight partners, representing each of the Firm's strategic areas.

Management Board

Didier Mouget	Managing Partner
Pascal Rakovsky	Audit Leader, Deputy Managing Partner
Wim Piot	Tax Leader
Jean-François Kroonen	Advisory Leader
Valérie Piastrelli	Operations Leader (COO)
Rima Adas	Market Leader Financial Sector
Luc Henzig	Market Leader Commercial & Public Sectors
Christophe Pittie	Human Capital Leader

The Supervisory Board

Our main governance body is our Supervisory Board. This Board is currently made up of five partners elected by their peers.

The Supervisory Board

Thierry Blondeau	Chairman
Pierre Krier	Member
Steven Libby	Member
Serge Saussoy	Member
Anne-Sophie Preud'homme	Member

The Committees

The Luxembourg firm is managed through the following committees, which report to the Management Board:

Functional Committees	Management Committees	Industry Group Committees
Human Capital	Audit	Asset Management
Markets	Tax	Banking
Operations	Advisory	Hedge Funds
Risk and Quality		Insurance
		International Structures
		Operational Companies
		Private Equity
		Public Sector
		Real Estate

PwC global Network: 158 countries with a total strength of more than 169,000 people

The PwC global Network

PwC Luxembourg is a member of the PwC global Network of separate and independent member firms operating locally in 158 countries around the world. Member firms are linked together exclusively through membership in PricewaterhouseCoopers International Limited (PwCIL), a UK membership-based company. By joining PwCIL, and becoming part of the PwC global Network, a member firm obtains the right to use the PwC name and gains access to the common resources, methodologies, knowledge and expertise shared among the member firms. Each member firm also agrees to abide by PwCIL's common standards and policies, including engaging in quality control and compliance monitoring activities, covering the provision of services, ethics and business conduct, and independence standards.

By working together, the PwC member firms form a robust and dynamic worldwide Network. Hence, together we are able to serve a broad range of clients: from large, publicly-listed multinationals to small, private, domestic companies and individuals.

The PwC global Network covers 158 countries, with a total strength of more than 169,000 people. The structure of the PwC Network gives its member firms additional strengths: a deep understanding of local and international markets; the sense of individual responsibility and initiative that comes from having a stake in the practice and the ability to serve global clients with the same highest quality in standards wherever they operate.

PwCIL does not provide services to clients and no member firm acts as its agent. Its primary activities are to: identify broad market opportunities and develop associated strategies,

strengthen internal services, skills, and knowledge networks, promote the PwC brand; and develop and work for the consistent application of common risk and quality standards by member firms, including compliance with independence processes. PwCIL has no right or ability to control any member firm's exercise of professional judgment. PwCIL does not have any liability for the acts or omissions of any member firm.

PwC Luxembourg has always been keen to play a role in the Network, a role going beyond our size or economic weight. In this context, several of our partners carry out regional and global responsibilities:

Our leaders in the Network

Didier Mouget	Member of the PwCIL Global Board
John Parkhouse	Central Cluster Asset Management Leader
Kees Hage	Global Real Estate Leader
Laurent Probst	Regional Innovation Cluster Leader
Anne Murrath	VAT Financial Services Central Cluster Leader
David Roach	Central Cluster Real Estate Tax Leader
Marc Minet	Global Accounting Consultancy Services Partner



Corporate and Social Responsibility

Corporate Social Responsibility (CSR) represents the way we integrate social, environmental and economic concerns into our values, business culture, decision-making and operations in a transparent, reliable and accountable manner. As the leading professional services firm in Luxembourg, we have a responsibility to lead by example in setting up CSR policies across all our services. We focus our commitments and actions on the four pillars in which we operate, i.e. Community, Environment, People and Marketplace to bring a comprehensive view to our CSR initiatives.



Community

We take our mission of making a positive, lasting impact in our communities seriously and are resolute in living up to it. We believe that we have a social obligation to provide support where we think it is needed. Engaging our people to get involved not only makes a difference in the lives of others, it enables us to better connect with one another, create stronger relationships across our many lines of service and develop our people.

During the past year, we committed ourselves to improving the quality of life in the communities where we did business. We provided financial and other support to cultural institutions (e.g. MUDAM and Centre Culturel de Rencontre Abbaye de Neumünster) and local and global communities through our numerous office fundraising campaigns as well as the efforts of our people who volunteered their time (e.g. Postlaf, Relais pour la vie, Télévie, etc.) to make them successful.

Environment

We respect the environment by looking for ways to lessen our own environmental impact. Our efforts continued to be focused on raising awareness of environmental issues among our people and in our communities, taking specific actions (e.g. waste management and commuting).

Throughout the past year, we took additional steps to make effective changes to reduce our firm's environmental footprint. We focused on tracking our energy use and carbon inventory by implementing new and ongoing activities to reduce Greenhouse Gas (GHG) emissions attributed to our facilities. Several initiatives have already been developed (e.g. bicycles available for free in our buildings, we proposed flexi-car policy for all staff employees which allows them to choose between a car selection emitting less than 110g/CO₂ per km on average).

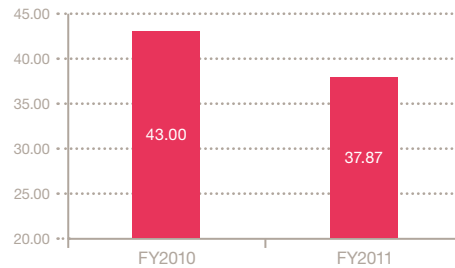
We also conducted our first transport plan to collect information on our people's commuting habits. For the sixth time in a row, we were awarded "SuperDrecksKëscht® fir Betriber" label, granted by the Ministry for Sustainable Development and Infrastructure.



SUPERDRECKSKËSCHT®
FIR BETRIBER

We have set up several initiatives to decrease our paper consumption, like not printing anymore the material for internal training.

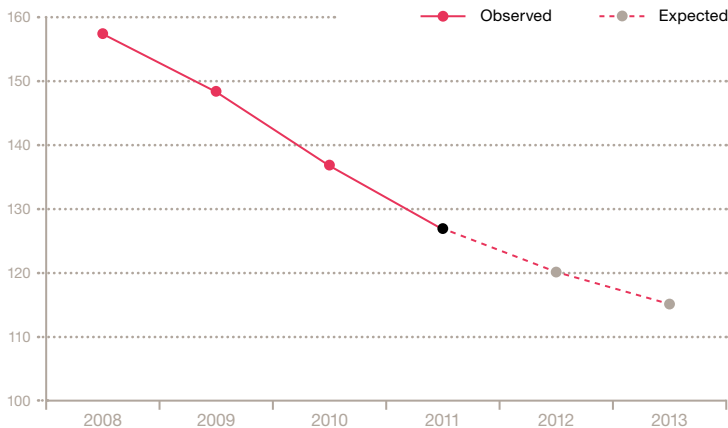
Annual Paper consumption per employee (kg/employee)



People

Our people are at the heart of our CSR plan. We strive to provide a unique, engaging and motivating experience for our people to give their best and develop their full potential. At PwC, we care about offering development to our people simultaneously with our business evolution to warrant our excellence in delivery to our customer.

Company car average CO₂ emissions (gCO₂/km)



Our vision for diversity and inclusion is to foster an inclusive environment where our people can develop and exceed their expectations, regardless of their background or gender, and make the most of diversity. We also consider our staff well-being as very important that's why we promote a sound work/life balance.

Marketplace

We use our position as the leading professional services firm in Luxembourg and trusted business advisers to promote responsible leadership and business practices that uphold accounting profession standards and build trust in our capital markets.

We are committed to sharing our industry and professional knowledge in a way that contributes constructively and positively to our clients and stakeholders. During 2011, we organised many initiatives in collaboration with the Luxembourg government (i.e. Economy Days) and participated in public and private committees and working groups (i.e. ABBL, ALFI, CSSF, IMS, IRE and Fedil) as well as conferences.

Whether it be in Luxembourg, the Greater Region or elsewhere, we support the growth of local markets as well as the diversification and promotion of Luxembourg's economy.

Economic footprint

The number of employees in our firm corresponds to 0.5% of the overall number of employees in Luxembourg which currently ranks PwC Luxembourg at the 10th place of the biggest employers of the country and the 6th place of the largest private employers.

***We place responsible growth
at the heart of our activities.***

*To view the web version
of this report, visit:*
www.pwc.lu/annualreview

PwC Luxembourg (www.pwc.lu) is the largest professional services firm in Luxembourg with more than 2,100 people employed from 57 different countries. It provides audit, tax and advisory services including management consulting, transaction, financing and regulatory advice to a wide variety of clients from local and middle market entrepreneurs to large multinational companies operating from Luxembourg and the Greater Region. It helps its clients create value they are looking for by giving comfort to the capital markets and providing advice through an industry focused approach.

The global PwC network is the largest provider of professional services in audit, tax and advisory. We're a network of independent firms in 158 countries and employ close to 169,000 people. Tell us what matters to you and find out more by visiting us at www.pwc.com and www.pwc.lu.



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