



AIRBUS SPARED 1 BILLION EURO TAX BILL IN SAFRAN SPACE TIE-UP

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Airbus Group has been spared a 1 billion euro (\$1.15 billion) tax bill thanks to a deal with the French government over the company's plans to set up a new space launcher venture, a person familiar with the discussions said.

The company was facing the hefty tax charge over plans to combine space launch activities with engine maker Safran, under which Airbus would be paid 800 million euros in cash to preserve an equal stake in Airbus Safran Launchers.

Under some interpretations of French tax rules, Airbus Group could have been taxed on the value of the assets being transferred and not solely on the lump sum from Safran.

The aerospace groups said on Monday that they had signed a deal over the industrial phase of their project, which is designed to overhaul Europe's Ariane space-rocket program in the face of low-cost U.S. competition.

The agreement had been delayed by months of discussions over whether Airbus Group should be taxed as though the plan involved a sale of space assets to the new venture.

"If the operation had been considered as an asset sale, Airbus Group would have had to pay a billion euros in tax," the source said, asking not to be identified because of the confidentiality of the

discussions.

Airbus Group will still have to pay some tax on the lump sum from Safran, but the source declined to say what the newly agreed bill would be.

Airbus declined to comment and French finance ministry officials could not be reached for comment.

Officials involved in setting up the venture say it is unusual because the two companies value its strategic importance in equal measure and both are locked in for the long term.

The project took more than a year to finalize, largely because French tax regulations are not easily applicable to such a partnership of equals, people involved in the discussions said.

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