

MTU Aero Engines Polska sp. z o.o.



Information on the implemented tax strategy

compiled in accordance with Article 27c of the Corporate Income Tax Act
binding in Poland

for the tax year

2020

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I. Introduction

1. Abbreviations

The table below consists the list of abbreviations used in this document.

List of abbreviations	
the Company, the Taxpayer, MTU Aero Engines Polska	MTU Aero Engines Polska spółka z ograniczoną odpowiedzialnością with its registered office in Tajęcina, address: Tajęcina 108, 36-002 Tajęcina, entered into the register of entrepreneurs of the National Court Register kept by the District Court in Rzeszów, XII Commercial Division of KRS under KRS number: 0000286892, NIP (tax identification number): 8133521239
Group, MTU Group	MTU Group with its registered office in Munich (Germany)
The CIT Act	The Corporate Income Tax Act of February 15, 1992
The VAT Act	Value Added Tax Act of March 11, 2004
TO	Act of August 29, 1997 - Tax Ordinance
The Tax Year 2020	The Company's tax year starting on January 1, 2020 and ending on December 31, 2020

2. Basic data on the Company and MTU Group

MTU Aero Engines Polska sp. z o.o. was incorporated on July 20, 2007 and continues to develop and conduct business activity in Poland.

Within the subject of the Company's business activity there are:

- production of components and parts for aircraft engines and turbines (blades, HSC large-size connecting pieces),
- service activity in the field of aircraft parts machining services, aircraft engine components assembling, repairing of aircraft engine parts including tubing and engine external accessory components,
- wholesale of aircraft engine parts as part of participation in V2500 program,
- research and development,

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- service activity for related parties in the field of IT services as well as purchasing and logistics services.

The Company belongs to the international MTU capital group. MTU Aero Engines AG with its registered office in Munich, the leading engines manufacturer in Germany, is the main entity in the Group. The Company is a technological leader in the aerospace industry for low-pressure turbines, high-pressure compressors, central engine turbine parts as well as manufacturing and repair processes.

MTU Group has plants located all over the world and therefore consistently builds an organization culture based on partnership and fair cooperation, tolerance and trust in everyday relations. As a part of corporate culture, an ethics code was developed in the form of written legal, ethical and moral principles of conduct, which are binding for any MTU Group's employee.

MTU Group in its strategy assumes the implementation of economic and operational objectives with particular emphasis on local social, cultural and legal conditions.

MTU Group assumes its social responsibility within tax payments and, through impeccable conduct, contributes to social, economic and societal growth of the countries in which it operates. Group standards of conduct referring to the tax function are based on the guiding principles of openness, honesty and transparency.

The Group is aware of its liability and supports the companies, including MTU Aero Engines Polska, wherever doubts carrying tax risk may occur as to ensure that fiscal responsibilities are properly discharged.

MTU Aero Engines Polska as the MTU Group's subsidiary fully pays respect to and implements ethical and social principles being the base for corporate culture and develops its own good practices, influencing the Company's reputation as the strong and trust-worthy business partner.

The Company, acting on the basis of core group values, defines its own processes and applies its own procedures to ensure transparency in the course of its business transactions.

3. Scope and goal of compiling the information

In accordance with its obligations under Article 27c of the CIT Act, the Company prepares and publicly discloses information on its tax strategy for 2020.

II. Information on the implemented tax strategy

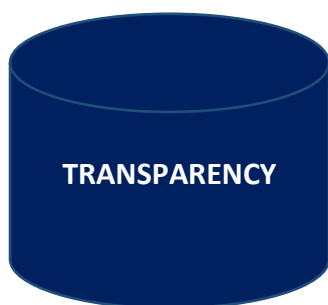
1. Processes and procedures

The information on the processes and procedures applied by the taxpayer concerning management of the fulfilment of the duties as laid down in the tax law provisions and ensuring their proper performance.

a. General information

MTU Group is distinguished by corporate values such as innovation, quality and efficiency. The Company recognizes its corporate responsibility, what entails a clear commitment to integrity and sincerity on the part of both directors and employees working for the Company, as well as consistent compliance with statutory and regulatory requirements, with particular emphasis on the tax law area. According to MTU Tax Code of Conduct and Tax Policy, the culture of the Group and each of the companies operating within its structure is based, on the one hand, on compliance with the relevant laws of the country concerned and, on the other hand, on the attitude adopted in dealing with tax authorities, based on openness and transparency. The Company undertakes ethical and transparent business practices with respect to taxes and other charges, and avoids aggressive tax strategy and its artificial creation. Transactions executed by the Company must have a business purpose or commercial rationale. Tax matters are treated with utmost care and timely payment of tax liabilities within the time required by law is the result of fundamental business ethics. In accordance with the Group's tax strategy, each tax issue must be given due attention, bearing in mind the Group's reputation and good name and that it is committed to fulfilling its obligations under the law responsibly.

The Company's approach to its obligations under the tax area is based on the following principles:



Undertaking ethical and transparent business practices



Undertaking open and transparent dialogue with the tax authorities



Acting in a responsible manner by building the knowledge of employees involved in tax returns and external consultation on key and questionable tax issues

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In 2020 the Company had written tax procedures regarding the following:

- the Group's tax strategy,
- Instruction pertaining to the withholding tax,
- Internal procedure for dealing with the prevention of non-compliance with the obligation to report tax schemes,
- Instruction on formal and legal verification of suppliers, supporting the process of building business relations in line with the law with due care,
- Process on general corporate income tax calculation rules.

b. Tax risk

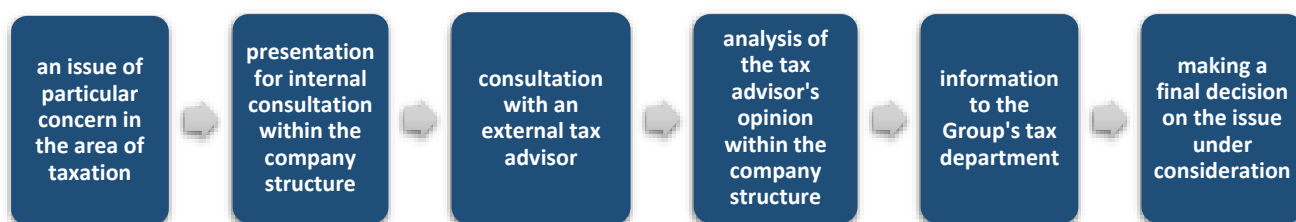
- Identification of potential tax risks

The Company follows the applicable tax laws and identifies any risks in the tax function on an ongoing basis. Risk identification is based in particular on ongoing monitoring of legal changes, analysis of tax law interpretations, administrative court as well as ministerial rulings and other guidance issued by the tax authorities (including tracking notices published on the website of the Ministry of Finance). The Company verifies not only the literal meaning of the provisions, but also its construction and practice of its application (if formed), including in particular administrative courts' rulings and interpretation, clarifications and guidelines of the tax authorities. Transactions entered into by the Company, both intra-group and with external parties, remain in compliance with the relevant laws. In particular, the Company performs diligent professional care to ensure that transactions with related parties complies with arms' length basis. Tax issues are subject to analysis within the internal structure of the Company, in particular among the persons involved in the tax settlements. All actions indicated above are aimed at performance of diligent professional care and ensuring proper compliance with the obligations imposed on the Company.

- Mitigation of tax risks

The Company adopts a low-risk approach to tax, however, due to the scale of its operations and the size of its tax liabilities, the Company is aware of the potential risk related to the interpretation of tax laws. The tax risk is regularly examined and it is being mitigated through the constant contact of persons responsible for tax settlements with all business areas. Proper fulfilment of tax obligations is a top priority for the Company. One of the areas that the Company is continually developing, therefore, is building a qualified team responsible for the tax functions. Current tax law issues are resolved by knowledgeable persons responsible for the tax settlements. In order to clarify issues in current tax settlements, employees responsible for the tax settlements seek the assistance of the consultants of the National Fiscal Information. To the extent that there is uncertainty about the application of tax law, issues are analysed by persons responsible for tax settlements within the Company. In case of significant doubts related to the interpretation of tax law, the Company uses the advice of professional entities. The worked out solutions are presented to the Company's Management Board and the Group's tax department. The below scheme illustrates how the analysis process looks like for the tax issues that raise particular doubts:

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Strategic decisions regarding the application of tax laws are made by the Company with the support of the Group's tax department. The Group tax department's participation in the process is intended to help the Company make appropriate decision that properly reflects Group values.

To fulfil its corporate obligations the Company regularly informs the central group entity of all relevant tax matters.

The above applies to the following areas:

- tax treatment of new key business projects,
- impact of amendments to the Polish tax laws on the Company's tax settlements,
- quarterly and annual corporate income tax calculations.

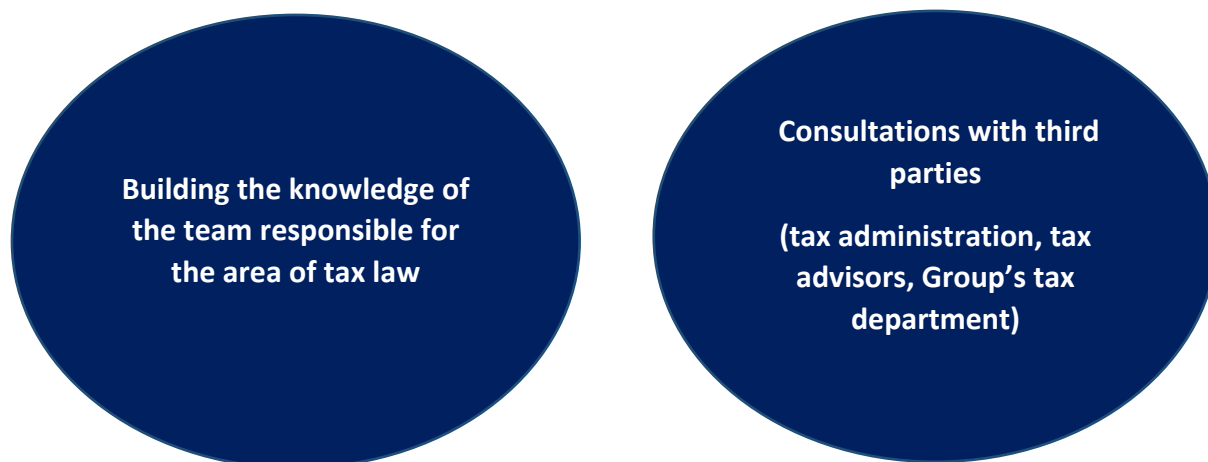
The Company is also open to dialogue with the relevant tax authority to arrive at a solution that provides certainty as to the compliance with applicable laws. According to the Group tax strategy, maintaining good relations with the tax authorities is one of the primary goals guiding the Group and its member companies in their daily operations. Based on mutual respect, relationships are built and goal-oriented constructive dialogue is conducted. The Company responds to inquiries and requests for information in a timely and comprehensive manner, and it is subject to inspections and audits carried out by authorized institutions and tax authorities. It fulfils its compliance obligations with diligent professional care.

Key actions taken by the Company in 2020 to identify and mitigate tax risks included:

- cooperation with external advisors to the extent (as to events and issues) that the Company was uncertain as to the application of tax law,
- cooperation with tax authorities, including in particular contact with the National Fiscal Information helpline;
- annual review of the correctness of the corporate income tax settlements performed by external tax advisor,
- limited reviews of other taxes,
- annual limited health-check of the tax return as part of the auditor's examination of the financial statements,
- use of external advisor support in timely and correct preparation of the transfer pricing documentation,
- analysis of transactions/events and preparation of documentation constituting the basis for a review concerning fulfilment of tax scheme reporting (MDR) obligations,
- regular participation of the Accounting Department staff in professional training,
- ongoing use of newsletters, tax press releases published by advisors cooperating with the Company, professional press and own analysis of media reports on taxes.

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Thus, it should be indicated that the approach used by the Company to mitigate tax risks is based on the following foundations:



- *Tax risk acceptance level*

The Company always chooses prudent options to deal with tax issues of concern, based on its corporate responsibility policy, working to identify, manage and monitor tax risks to remain in compliance with the Group's principles. The Company does not avoid taxes, does not create artificial structures in order to obtain tax benefits. Each transaction and undertaking carried out by the Company should have a business purpose or commercial rationale. In meeting its tax obligations, the Company is guided by the principles of honesty and diligent professional care. Tax risks in the Company are constantly monitored by persons with tax knowledge and experience. The Company takes diligent professional care to ensure that the competence of persons responsible for the tax settlements is constantly improved. The amount of the Company's tax liabilities is adequate to the size and nature of its business and continued to be so in 2020. The Company also ensures proper pricing in its transactions with related parties.

Timely payment of tax liabilities in the amount required by relevant regulations is a basic standard of conduct for both the Company and the entire Group.

- *Roles and responsibilities, submission of returns, payments*

The Chief Accountant, or in her/his absence her/his deputy, is responsible for the Company's tax returns. To the extent that accounting staff are uncertain about the application of the tax law, they follow the implemented procedures and processes appropriately using the path illustrated under "mitigation of tax risks". The Company fulfils its documentation obligations in accordance with the applicable laws, submits the required declarations and pays its tax liabilities on time. Tax returns are signed in accordance with applicable laws by authorized persons. Payment of tax liabilities follows the applicable payment process:

- information on the amount of the liability,
- inserting a bank transfer,
- payment authorization.

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The Company's Management Board understands the importance of tax compliance and how this goal is achieved by defining processes, applying procedures and best practices. Every business decision is made taking into account possible tax consequences and is preceded by an analysis to minimize potential tax risks. The Company's management is also responsible for maintaining and implementing group safety standards with respect to national, European and international tax legislation.

2. Forms of cooperation with the National Fiscal Administration

Information on voluntary forms of cooperation with the National Fiscal Administration applied by the taxpayer

Due to the fact that no cooperation agreement has been concluded, formally the Company is not a party to the agreement on voluntary cooperation with NFA authorities, however, in case of current doubts regarding the scope of tax obligations, the Company consults with the National Tax Information.

3. Fulfilment of tax obligations

Information in respect of the taxpayer's fulfilment of tax obligations in the territory of the Republic of Poland, together with the information on the number of the reported tax arrangements under the mandatory disclosure regime of the pieces of information on tax arrangement schemes provided to the Head of the National Fiscal Administration, as referred to in the Article 86a, paragraph 1, subparagraph 10 of the TO, broken down by the taxes to which this information is related

a) In 2020 the Company within its business activity fulfilled tax obligations in the area of the following taxes:

Tax type	The Company's role
corporate income tax (CIT)	taxpayer
withholding tax (WHT)	tax remitter
personal income tax (PIT)	tax remitter
value added tax (VAT)	taxpayer
real estate tax	taxpayer
others (e.g. customs)	taxpayer

b) In the tax year 2020 the Company fulfilled its own liabilities and payer's liabilities towards the Social Insurance Institution.

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- c) In the tax year 2020 the Company did not benefit from a relief in payment of tax liabilities within the meaning of Chapter 7a of TO.
- d) The Company benefits from tax reliefs and subsidies which are granted by the public administration authorities in the course of its activities (activities carried out in the special economic zone on the basis of permits and decision on support obtained and a subsidy granted in accordance with the provisions of the act on special solutions related to preventing, counteracting and combating COVID-19).
- e) In the tax year 2020 the Company reported the following information on the tax schemes referred to in Article 86a § 1 item 10 of TO to the Head of the National Fiscal Administration:

Type	The tax area to which the scheme information related
MDR-1	<i>creation/change of deferred tax assets in corporate income tax with a value exceeding PLN 5 million (year 2019)</i>
MDR-1	<i>creation/change of deferred tax assets in corporate income tax with a value exceeding PLN 5 million (year 2020)</i>
MDR-1	<i>Payment of a dividend to a non-resident (year 2020)</i>
MDR-3	<i>creation/change of deferred tax assets in corporate income tax with a value exceeding PLN 5 million (year 2019)</i>

4. Transactions with related parties

Information on transactions with related parties within the meaning of the Article 11a, paragraph 1, subparagraph 4 of the CIT Act, the value of which exceeds 5% of total value of assets within the meaning of the accounting regulations as determined based on the recent approved financial statement of the company, including the subjects which are not tax residents of the Republic of Poland

In the tax year 2020 the Company had only one transaction with the related entity within the meaning of the Article 11a paragraph 1 subparagraph 4 of the CIT Act, the value of which exceeded 5% of total value assets within the meaning of the accounting regulations as determined based on the recent approved financial statement of the Company for 2019. This transaction included production and sale of aircraft engines blades and large-size connecting pieces (HSC) to a foreign related entity. The total value of the aforementioned transaction in 2020 was PLN 303,958,832.

5. Restructuring operations

The taxpayer's planned or taken restructuring activities which could affect the amount of the taxpayer's tax obligations or the tax obligations of the related entities within the meaning of the Article 11a, paragraph 1 subparagraph 4 of the CIT Act.

The Company does not plan or undertake any restructuring activities that could affect the amount of the Company's or the Company's related entities tax obligations within the meaning of the Article 11a, paragraph 1 subparagraph 4 of the CIT Act, in particular operations involving:

- merging the Company with another entity,

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- transformation of the Company into another entity,
- contribution to the company in the form of the Company's enterprise or its organized part (including the demerger of the Company),
- exchange of shares.

6. Requests for the issue of interpretations and binding information

The information on the requests filed by the taxpayer for the issue of: general tax interpretation referred to in the Article 14a, paragraph 1 of the TO, the interpretation of the tax law provisions, as referred to in the Article 14b of the TO, the binding VAT rate information referred to in the Article 42a of the VAT Act or the binding excise information referred to in the Article 7d, paragraph 1 of the Act of December 6, 2008 on Excise Duty.

In the tax year 2020 the Company did not file any request for the issue of a general tax interpretation referred to in the Article 14a, paragraph 1 of the TO, the binding VAT rate information referred to in the Article 42a of the VAT Act or the binding excise information referred to in the Article 7d, paragraph 1 of the Act of December 6, 2008 on Excise Duty (Journal of Laws of 2020, issue 722 and 1747).

7. Making tax settlements in the territories or countries pursuing harmful tax competition

Information on any tax settlements by or on behalf of the taxpayer in the territories or countries pursuing harmful tax competition indicated in the implementing acts issued under the Article 11j, paragraph 2 of the CIT Act and under the Article 23v, paragraph 2 of the Act of July, 26 1991 on Personal Income Tax and in the announcement of the minister competent for public finance issued under the Article 86a, paragraph 10 of the TO.

In the tax year 2020 the Company did not make any tax settlements in the territories or countries applying pursuing harmful tax competition indicated in the implementing acts issued under the Article 11j, paragraph 2 of the CIT Act and under the Article 23v, paragraph 2 of the Act of July, 26 1991 on Personal Income Tax and in the announcement of the minister competent for public finance issued under the Article 86a, paragraph 10 of the TO.