



TUFF

SEMI ANNUAL REPORT

Q2/2020



CHAIRMAN'S MESSAGE

Dear Shareholders,

the year 2020 started with some major engineering feed work for North Oil Company (Qatar) and Saipem. The FEED scope of work for NOC was based upon TUFF Groups' subsidiary company, TUFF Offshore Singapore's outstanding engineering capabilities during the export scheme optimisation (ESO) design competition in 2019 resulted in NOC's direct involvement with TUFF for a renewed feasibility and concept development. The project was successfully completed in a professional and cost-effective manner. However, the possibility of converting the FEED work into complete EPC execution got stalled due to contract extensions of existing assets being considered as the most cost effective and favorable option. Nevertheless, the FEED work was of very high quality and well appreciated and commended by the Client.

For Saipem, TUFF carried out extensive FEED scope of work on the GDM project. This was a huge FEED, with topside weights in the region of 25000 tons, the work required specialized in-depth engineering efforts. The project was completed successfully to the project requirements and satisfaction of the Client.

These projects have thrust our company into the big leagues of undertaking and executing any type of major FEED work for worldwide projects namely in Brazil and the Middle East regions.

As a Group we have provided proposals and bids for various projects and stand in good stead in achieving a favorable outcome on most of the bids due to TUFF's realistic and favorable solutions. However, due to the ever-changing landscape attributable to the COVID situation, decisions to award have been delayed but TUFF nonetheless foresees that we would have some major jobs awarded to us within the second /third quarter.

Foreseeably, at least over the next two decades Oil and Gas will form part of the base load for the vehicle/electricity/other power requirements. However, for the benefit of humanity in the long run, a combination of green energy concepts with cutting edge technological innovations and advancements together with the use of fossil fuels will be the optimum solution to mitigate the reliance on fossil fuel technology.

Having said so, there are exceptional inventions and investments going on in the Non-conventional (green) energy sector. Wind is in abundance mostly in the southernmost side or northernmost part of the world where the temperatures are low and fewer people live. Most of the world's population live near to the equatorial region where sunlight is in abundance, which brings forth the benefits of solar energy. However, current solar technologies involve the requirement of more land area. The utilization of Non-conventional (green) energy, will also require cost-effective energy storage solutions.

TUFF has invested its time in developing the technology for the Oil and Gas Engineering, this aspect of innovative engineering which we illustrated in oil and gas is now being introduced and extended to the technologies for offshore wind farms, fisheries and solar plants. Our team has also come up with innovative designs with proven analysis for offshore mooring solutions. This has now started to interest investors and yards globally. TUFF is in discussion with these interested parties for joint ownership of the technology and for the implementation in future projects.

On behalf of the Board, I would like to take this opportunity to thank all shareholders, partners, and other stakeholders for their continuous support. The Board would also like to share its appreciation towards the Management, and all employees of TUFF for their patience, perseverance and dedication to grow our Company in accordance with our values.

Sincerely,

Natarajan Paulraj
Executive Chairman
TUFF Group

Tuff Group AG, Frankfurt am Main

**Interim consolidated financial statements
as at 30 June 2020**

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Tuff Group AG
Konzernbilanz
für das zum 30. Juni 2020 endende Halbjahr

	<u>Anm.</u>	<u>30.06.2020</u> EUR	<u>31.12.2019</u> EUR
AKTIVA			
Langfristige Vermögenswerte			
Sachanlagen	4	1.691.596	1.746.314
		<u>1.691.596</u>	<u>1.746.314</u>
Kurzfristige Vermögenswerte			
Forderungen aus Lieferungen und Leistungen und sonstige Forderungen	6	2.673.363	3.043.410
Einbehaltene Forderungen	5	1.422.129	1.421.367
Geleistete Anzahlungen		9.890	7.148
Zahlungsmittel und Zahlungsmitteläquivalente	7	284.153	254.957
		<u>4.389.535</u>	<u>4.726.882</u>
Summe Aktiva		<u><u>6.081.131</u></u>	<u><u>6.473.196</u></u>
PASSIVA			
Eigenkapital			
Gezeichnetes Kapital	8	58.974	58.974
Gewinnrücklagen		(800.147)	32.745
Rücklage für Währungsumrechnung	9	12.528	32.896
Rücklage für den umgekehrten Unternehmenserwerb	10	(11.755)	(11.755)
Eigenkapital insgesamt		<u>(740.400)</u>	<u>112.860</u>
Langfristige Schulden			
Sonstige Rückstellungen	11	1.841.757	1.840.771
Latente Steuerschulden		20.822	20.810
		<u>1.862.579</u>	<u>1.861.581</u>
Kurzfristige Schulden			
Verbindlichkeiten aus Lieferungen und Leistungen und sonstige Verbindlichkeiten	12	3.820.456	3.523.541
Sonstige Rückstellungen	11	1.114.937	948.436
Steuerrückstellungen		23.559	26.778
		<u>4.958.952</u>	<u>4.498.755</u>
Verbindlichkeiten insgesamt		<u>6.821.531</u>	<u>6.360.336</u>
Summe Passiva		<u><u>6.081.131</u></u>	<u><u>6.473.196</u></u>

Tuff Group AG
Konzern-Gesamtergebnisrechnung
für das zum 30. Juni 2020 endende Halbjahr

	<u>Anm.</u>	<u>Januar bis Juni 2020 EUR</u>	<u>Januar bis Juni 2019 EUR</u>
Umsatzerlöse	13	1.604.013	9.590.777
Sonstige Ertragsposten			
Sonstige Erträge		1.967	56.989
Betriebliche Aufwandsposten			
Aufwendungen für Fremdleistungen		(1.323.201)	(3.388.206)
Personalaufwendungen		(434.605)	(1.279.546)
Abschreibung auf Sachanlagen	4	(60.537)	(61.291)
Sonstige betriebliche Aufwendungen		(566.264)	(1.235.901)
Ergebnis vor Zinsen und Ertragsteuern		<u>(778.627)</u>	<u>3.682.822</u>
Zinserträge		235	93.040
Finanzierungsaufwendungen		(26.571)	-
Ergebnis vor Ertragsteuern		<u>(804.963)</u>	<u>3.775.862</u>
Ertragsteueraufwand		(27.929)	(705.822)
Ergebnis nach Ertragsteuern		<u>(832.892)</u>	<u>3.070.040</u>
Sonstiges Ergebnis:			
<i>Posten, die in die Gewinn- und Verlustrechnung umgliedert werden dürfen</i>			
Währungsumrechnung	9	<u>(20.368)</u>	<u>(6.689)</u>
Sonstiges Ergebnis, nach Steuern		<u>(20.368)</u>	<u>(6.689)</u>
Gesamtergebnis		<u>(853.260)</u>	<u>3.063.351</u>
Ergebnis entfallend auf:			
Aktionäre der Muttergesellschaft		<u>(832.892)</u>	<u>3.070.040</u>
Gesamtergebnis entfallend auf:			
Aktionäre der Muttergesellschaft		<u>(853.260)</u>	<u>3.063.351</u>
Ergebnis je Aktie (verwässert/unverwässert)			
bezogen auf die Aktien der Tuff Group AG	9	(0,02)	0,08

Tuff Group AG
Konzern-Eigenkapitalveränderungsrechnung
für das zum 30. Juni 2020 endende Halbjahr

	Gezeichnetes Kapital	Gewinn- rücklagen	Rücklage für Währungs- umrechnung	Rücklage für den umgekehr- ten Unterneh- menserwerb	Eigenkapital insgesamt
	<u>EUR</u>	<u>EUR</u>	<u>EUR</u>	<u>EUR</u>	<u>EUR</u>
Stand am 1. Januar 2019	58.974	274.690	24.536	(11.755)	346.445
Gesamtergebnis	-	3.070.040	(6.689)	-	3.063.351
Stand am 30. Juni 2019	<u>58.974</u>	<u>3.344.730</u>	<u>17.847</u>	<u>(11.755)</u>	<u>3.409.796</u>
Stand am 1. Januar 2020	58.974	32.745	32.896	(11.755)	112.860
Gesamtergebnis	-	(832.892)	(20.368)	-	(853.260)
Stand am 30. Juni 2020	<u><u>58.974</u></u>	<u><u>(800.147)</u></u>	<u><u>12.528</u></u>	<u><u>(11.755)</u></u>	<u><u>(740.400)</u></u>

Tuff Group AG
Konzern-Kapitalflussrechnung
für das zum 30. Juni 2020 endende Halbjahr

		Januar bis Juni 06 2020	Januar bis Juni 06 2019
		EUR	EUR
Cashflows aus der laufenden Geschäftstätigkeit			
Ergebnis vor Ertragsteuern		(804.963)	3.775.862
<i>Anpassungen für:</i>			
Abschreibungen auf Sachanlagen	4	60.537	61.291
Zinserträge und -aufwendungen		26.336	(93.040)
Operativer Cashflow vor Änderungen im Nettoumlaufvermögen		<u>(718.090)</u>	<u>3.744.113</u>
<i>Veränderungen des Nettoumlaufvermögens:</i>			
Einbehaltene Forderungen		-	(12.558)
Forderungen aus Lieferungen und Leistungen und sonstige Forderungen		361.264	(3.472.337)
Anzahlungen		(2.742)	(28.048)
Zur Sicherheit hinterlegte Bankguthaben			574.818
Bruttoverbindlichkeiten gegenüber Kunden aus Auftragsfertigung			31.726
Sonstige Rückstellungen	11	162.549	(531.082)
Verbindlichkeiten aus Lieferungen und Leistungen und sonstige Verbindlichkeiten		307.468	(765.383)
Erhaltene Zinsen		235	93.040
Gezahlte Zinsen		<u>(26.571)</u>	<u>-</u>
Mittelzufluss/(abfluss) aus der laufenden Geschäftstätigkeit		<u>84.113</u>	<u>(365.711)</u>
Gezahlte Ertragsteuern		<u>(31.136)</u>	<u>(283.851)</u>
Nettomittelzufluss/(abfluss) aus der laufenden Geschäftstätigkeit		<u><u>52.977</u></u>	<u><u>(649.562)</u></u>
Cashflow aus Investitionstätigkeit			
Erwerb von Sachanlagen	4	<u>(5.819)</u>	<u>(5.246)</u>
Netto-Cashflows aus Investitionstätigkeiten		<u><u>(5.819)</u></u>	<u><u>(5.246)</u></u>
Cashflow aus Finanzierungstätigkeit			
Darlehen von nahestehenden Personen	12	<u>(17.599)</u>	<u>177.052</u>
Nettomittelzufluss/(abfluss) aus Finanzierungstätigkeit		<u><u>(17.599)</u></u>	<u><u>177.052</u></u>
Nettoabnahme der Zahlungsmittel und Zahlungsmitteläquivalente			
Zahlungsmittel und Zahlungsmitteläquivalente am Beginn der Periode		29.559	(477.756)
Effekte von Umrechnungsdifferenzen in Zahlungsmitteln und Zahlungsmitteläquivalenten		254.957	826.537
		<u>(363)</u>	<u>9.189</u>
Zahlungsmittel und Zahlungsmitteläquivalente am Ende der Periode	7	<u><u>284.153</u></u>	<u><u>357.970</u></u>

1 Group information

Tuff Group AG, Frankfurt am Main (hereinafter referred to as the "Company") arose in July 2018 from the change of name of the public limited company "Ad Acta" 182. Vermögensverwaltung, which was founded in 2015 as a shelf company. Since the change of name and the acquisition of the shares in Tuff Offshore Engineering Services Pte. Ltd. the Company has been operating as a managing holding company.

The Company has had its registered office in Frankfurt am Main since 16 July 2018. It is registered with the Commercial Register of the Local Court of Frankfurt am Main under the number HRB 113072. In the first half of the 2020 financial year, the business address was Bockenheimer Landstraße 101, 60325 Frankfurt am Main.

The reporting currency is the euro (EUR). The information in the notes is given in euros (EUR) according to the respective information. The financial year corresponds to the calendar year.

The group's main business activities include engineering services and acting as a general contractor for infrastructure projects. In addition to the previous main business field in maritime oil and gas production with the construction or conversion of floating production, storage and transshipment units, the group's activities have been expanded in recent years to include land-based infrastructure projects.

The consolidated interim financial statements as at 30 June 2020 were prepared by the Executive Board of Tuff Group AG and released for publication on 25 June 2021.

2 Summary of significant accounting policies

2.1 Fundamentals, compliance with IFRS

The interim consolidated financial statements of Tuff Group AG as at 30 June 2020 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (EU). The interim consolidated financial statements have been prepared in accordance with IAS 34 and contain a condensed scope compared to the consolidated financial statements.

The amendments to existing standards newly issued by the IASB and requiring mandatory application for the first time as of the 2020 financial year

Amendments to the Framework and References to the Framework in IFRS Standards
Amendments to IAS 1 and IAS 8: Definition of materiality
Amendments to IFRS 7 and 9, IAS 39: Effects of the Reform of the Reference Interest Rates (IBOR Reform)
Amendment to IFRS 3: Definition of an entity, optional concentration test

have no material impact on the presentation of the interim consolidated financial statements.

There has been no early application of standards or interpretations that have been issued but are not yet mandatory for the 2020 financial year.

The format of the comparative income statement as at 30 June 2019 and cash flow statement as at 30 June 2019 has been restated from the original interim financial statements as at 30 June 2019 to conform to the current format. The statement of changes in equity for the comparative period January to June 2019 has been restated from the original interim financial statements to be consistent with the audited consolidated financial statements for the 2019 financial year. No other adjustments have been made to the comparative figures.

A review of the interim consolidated financial statements as at 30 June 2020 was not performed.

2.2 Principles of the consolidation methods applied

(a) Reverse acquisition

Until mid-July 2018, Tuff Group AG had subscribed capital of EUR 50,000. On 16 July 2018, the Annual General Meeting of TuffGroup AG authorised the Executive Board to increase the share capital of the company by up to EUR 39,950,000 from EUR 50,000 to EUR 40,000,000 by issuing 39,950,000 no-par value bearer shares. On 2 October 2018, the Executive Board, with the consent of the Supervisory Board, resolved to increase the share capital by EUR 39,950,000 by way of a contribution in kind. Entitled to subscribe for all new shares was Mr Ganesh Paulraj, Singapore, who in return acquired 100% of the shares in Tuff Offshore Engineering Services Pte. Ltd. ("Tuff Offshore"), Singapore, to Tuff Group AG. The capital increase was completed by entry in the Commercial Register on 4 February 2019. With the takeover, the company became the legal parent company of Tuff Offshore Engineering Service Pte.

This transaction was not considered by the Board as a business combination under IFRS 3 as a shell company is not an entity under IFRS 3 and the Implementation Guidelines. As a result, Tuff Offshore was identified as the economic acquirer and the interim consolidated financial statements are a continuation of the accounting for Tuff Offshore.

The accounting method chosen by the Executive Board in accordance with IFRS 2 accurately represents the economic value of the transaction, as the shareholders of the subsidiary acquired 99.875% of the share capital of Tuff Group AG through the transaction. Accordingly, the assets and liabilities of the legal subsidiary are included in the consolidated financial statements at book value without recalculation of the fair values.

After completion of the reverse acquisition, the Group consists of:

- i. Tuff Offshore Engineering Services Pte. Ltd. , Singapore, and
- ii. Tuff Group AG, Frankfurt am Main.

As of 30 June 2020 and to date, Tuff Group AG continues to hold a 100% interest in Tuff Offshore Engineering Services Pte. Ltd.

The consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the interim consolidated financial statements as at 30 June 2020 and the corresponding figures for the previous year represent the continuation of the financial position and performance of Tuff Offshore Engineering Services Pte. Ltd. (until 2 October 2018).

(b) Consolidation basics

The consolidated financial statements comprise the separate financial statements of the Company and its subsidiary as at the end of the reporting period. The individual financial statements of the subsidiary were prepared as at the same reporting date as the consolidated financial statements. Uniform accounting policies are applied for like transactions and events in similar circumstances.

All intra-group balances, income and expenses as well as unrealised gains and losses from intra-group transactions are eliminated in full.

Subsidiaries are consolidated at the time of acquisition. This is the date on which the Group directly or indirectly obtains control. Consolidation ends at the point in time when control is no longer exercised.

(c) Business combinations

Notes to the consolidated financial statements for the six months ending 30 June 2020

Business combinations are accounted for using the purchase method. The cost of an acquired subsidiary is measured at the fair value of the consideration transferred, i.e. the sum of assets given, liabilities assumed and equity instruments issued. Incidental acquisition costs are recognised as expenses in the period in which they are incurred and the services are received. The identifiable assets acquired and liabilities assumed in a business - combination are initially measured at fair value at the acquisition date. Any remaining positive difference is capitalised as goodwill; this goodwill is not amortised; it is subjected to an annual impairment test. Any remaining negative difference is immediately reversed to profit or loss.

Contingent consideration to be provided by the acquirer is recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration treated as an asset or liability are recognised in profit or loss.

2.3 Currency conversion

The annual financial statements are presented in euros, which is also the functional currency of Tuff Group AG. Each Group company determines its own functional currency. The financial statement items of each company are initially measured using this functional currency.

(a) Business transactions and balances

Transactions in foreign currencies are measured using the functional currency of the Company and are initially recognised in the functional currency at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate. Non-monetary items that are measured in terms of cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items measured at fair value in a foreign currency are translated at the exchange rate prevailing at the date when the fair value was determined.

Translation differences from the settlement or translation of monetary items in the reporting period are recognised in profit or loss.

(b) Consolidated Financial Statements

Assets and liabilities of operations with a functional currency other than EUR are translated into EUR for consolidation purposes using the exchange rate at the end of the reporting period. Gains or losses are translated at the exchange rates prevailing on the date of the transaction. Foreign exchange differences arising on translation are recognised in other comprehensive income. On disposal of such a business, the component of other comprehensive income relating to that particular business is recognised in profit or loss.

The following table shows the exchange rates used by the Group for the major currencies.

	Abschluss- stichtag 30.06.2020	Jahres- durchschnitt 1.1.-30.6.2020
	EUR	EUR
1 Euro entspricht:		
US Dollar (USD)	1,11980	1,10141
Singapore Dollar (SGD)	1,56480	1,54038

2.4 Property, plant and equipment

All items of property, plant and equipment are initially recognised at cost. The cost of property, plant and equipment include, removal or restoration are included in the cost of property, plant and

Notes to the consolidated financial statements for the six months ending 30 June 2020

equipment if the obligation to demolish, remove or restore the asset arose as a result of the acquisition or use of the asset. Property, plant and equipment are subsequently measured at the lower of amortised cost and recoverable amount.

Depreciation is calculated using the straight-line method over the estimated useful life of the asset. The estimated useful life for significant asset classes is as follows:

	<u>Useful life</u>
Rights of use to land and buildings	43 years
Installations	5 years
Computers and peripherals	5 years
Business equipment	3 years
Factory equipment	5 years

The carrying amounts of property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

At the end of each reporting period, the useful life, residual value and amortisation method are reviewed and prospectively changed, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in profit or loss in the year the asset is derecognised.

2.5 Leases

Leases are arrangements whereby the lessor conveys to the lessee the right to use an identified asset for a fixed period of time in return for payment of a consideration. In accordance with IFRS 16 *Leases*, leases are capitalised as a right-of-use asset at the present value of the lease payments for the basic lease term of the leased asset and the costs incurred in setting up and dismantling or returning the leased asset, and depreciated over the basic lease term; the liabilities from future lease payments are recognised at their present value.

Tuff Offshore Engineering Services Pte. Ltd. has leasehold rights to owner-occupied premises in Singapore, which are classified as leases under IFRS 16. As the acquisition was made in return for a one-off payment, no present value had to be recognised for future lease liabilities. The economic useful life was recognised in accordance with the remaining term of the leasehold at the time of acquisition.

Otherwise, the Group only had short-term leases for business premises and warehouse space with an initial basic lease term of up to one year in the reporting period and in the previous year's period. The Group makes use of the option not to capitalise and recognise short-term leases with a lease term of up to one year. The lease payments for short-term leases are recognised as an expense in other operating expenses in the period of use.

2.6 Impairment of non-financial assets

The Group assesses at each balance sheet date whether there is any indication of impairment, i.e. whether the recoverable amount of an asset or cash-generating unit is less than its carrying amount. If any such indication exists, or if an annual impairment test for an asset is required by a standard, the Group estimates the asset's recoverable amount.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. It is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of

Notes to the consolidated financial statements for the six months ending 30 June 2020

assets. If the carrying amount of an asset or a cash-generating unit is higher than its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in the income statement.

An impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The increased carrying amount may not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss previously been recognised. This reversal is recognised in profit or loss.

2.7 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised only when the entity becomes a party to the contractual provisions of the financial instrument. They include cash and cash equivalents, trade receivables, other receivables and derivative financial assets.

On initial recognition, the Group measures a financial asset at fair value plus, in the case of financial assets not designated as at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets designated as at fair value through profit or loss are expensed.

Trade receivables are measured at the transaction price to which the Group is entitled in exchange for the goods or services to be transferred to a customer, excluding amounts received on behalf of a third party. If the trade receivable includes a significant financing component at initial recognition, it is recognised at fair value.

Subsequent valuation

Financial investments in debt instruments

The subsequent measurement of debt instruments depends on the business model used by the Group to manage the asset and the contractual cash flows of the asset. The three measurement categories for classifying debt instruments are amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL). The Group only has debt instruments that are measured at amortised cost.

Financial assets held to collect contractual cash flows that represent solely principal and interest payments are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment losses. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, as well as through the amortisation process.

Financial investments in equity instruments

On initial recognition of an investment in equity instruments that are not held for trading, the Group may irrevocably elect to recognise subsequent changes in fair value in other comprehensive income that are not reclassified to profit or loss. Dividends from these investments are recognised in profit or loss when the Group's right to receive payment is established. For investments in equity instruments for which the Group does not recognise subsequent changes in fair value in other comprehensive income, changes in fair value are recognised in profit or loss.

Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the asset expire. When a financial asset is derecognised in its entirety, the difference between the carrying amount and the total consideration received and any cumulative gain or loss on the debt instrument that was recognised in other comprehensive income is recognised in profit or loss.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised only when the Group becomes a party to the contract. The Group determines the classification of financial liabilities at initial recognition.

All financial liabilities are initially measured at fair value. In the case of financial liabilities that are not subsequently measured at fair value through profit or loss, they are measured plus directly attributable transaction costs.

Subsequent valuation

Subsequent measurement after initial recognition of financial liabilities that are not recognised at fair value through profit or loss is at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation is discharged or cancelled or expires. On derecognition, the difference between the carrying amount and the consideration paid is recognised in profit or loss.

2.8 Impairment of financial assets

The Group recognises an allowance for *expected credit losses (ECL)* on all debt instruments that are not held at fair value through profit or loss. Expected credit losses are based on the difference between the cash flows that are contractually due and all cash flows that the Group expects to receive, discounted at the approximate original effective interest rate. The expected cash flows include cash flows from the sale of collateral held or other credit protection that is an integral part of the contractual provisions.

Expected credit losses are recognised in two stages. For credit exposures without significantly increased default risk since initial recognition, an allowance for expected credit losses is amount of the expected 12-month credit loss. For credit exposures with a significantly increased risk of default since initial recognition, an allowance is recognised for the expected credit losses over the entire term, regardless of the time of default.

For trade receivables, a simplified approach is used to calculate expected credit losses. Therefore, the Group does not track changes in credit risk but recognises an allowance for credit losses at each balance sheet date based on expected credit losses over the life of the receivable. The Group has created a matrix based on past credit losses and supplemented it with forward-looking factors relevant to the debtors and the economic environment that may affect the solvency of the debtors.

In the Group, financial assets are considered to be at risk of default if the contractual payment is 60 days overdue. In certain cases, however, the Group also considers a financial asset to be in default if internal or external information indicates that the outstanding contractual payments are unlikely to be received, without taking into account the Group's credit protection.

A financial asset is written off completely when it can no longer be reasonably expected the contractual cash flows will be received.

2.9 Cash and cash equivalents

This item includes cash in hand and short-term bank balances with a residual term of up to three months, which are only subject to insignificant fluctuations in value.

2.10 Provisions

General information

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the expected settlement amount, taking into account all identifiable risks and uncertainties.

At the end of each reporting period, the provisions are reviewed and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the reversed. If there is a material interest effect, the provisions are discounted at an interest rate on a pre-tax basis that reflects the term and risk (to the extent not already taken into account in determining the settlement amount) of the obligation. After discounting, the increase in the provision due to the passage of time is recognised as interest expense.

2.11 Revenues

Sales revenues include all revenues resulting from the ordinary business activities of the Tuff Group. Ordinary business activities are not limited to the core business, but also include other recurring deliveries and services and ancillary revenues. Revenue is measured at the amount of consideration to which the Group is entitled in exchange for the goods or services to be transferred to a customer, excluding amounts received on behalf of a third party.

Revenue is recognised when the Group satisfies a performance obligation by transferring an agreed good or service to the customer. The asset or service is transferred when the customer obtains control over it. A performance obligation can be fulfilled at a point in time or over a period of time. The amount of revenue recognised corresponds to the amount attributable to the fulfilled performance obligation.

Infrastructure projects

The Group builds infrastructure and other technical facilities under long-term customer contracts. These contracts are concluded prior to the start of construction. Under these contracts, the Group is contractually prohibited from transferring work performed to another client and has an enforceable right to payment for work performed. Revenue from construction contracts is thus recognised over time, i.e. the stage of completion is determined by the ratio of costs incurred to date to the total cost of the construction contract. According to management, this input-based method is suitable for determining the percentage of completion compared to the complete fulfilment of these performance obligations.

In connection with long-term customer orders, contractual penalties are agreed for late performance of services, and obligations arise from non-performance or poor performance of services as well as for warranties customary in the industry. The obligations and risks resulting from these contractual conditions are taken into account by the management when assessing the progress of performance and evaluating customer orders.

Consulting services

Consulting services are recognised on a time or period basis, depending on the contractual arrangement with the client. Revenue is recognised in the period in which the services are rendered by the Group.

2.12 Government grants

Government grants are recognised when it is reasonably certain that the grant will be received and all conditions attached to it have been fulfilled. Grants related to income are recognised in the income statement either separately or under a general item such as "other income". Alternatively, they are deducted directly from the corresponding expenses.

2.13 Employee benefits

Defined contribution retirement plans

The Company makes mandatory contribution a public retirement fund (Central Provident Fund) for its employees in Singapore. The fund grants the insured persons pension entitlements as well as health care and long-term care benefits in old age. Employers are not obliged to make additional contributions. Contributions to defined contribution plans are recognised as an expense in the period of the employee's service.

2.14 Income taxes

(a) Actual taxes on income and earnings

Current income tax assets and liabilities for the current and prior periods are recognised when probable and measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax regulations that apply or have been validly enacted at the balance sheet date are used as a basis.

Current income taxes are recognised in profit or loss unless they relate to items recognised directly in equity or in other comprehensive income. The management regularly assesses the items reported in the tax returns with regard to whether there is a possibility of interpretation for the applicable tax regulations and, if so, creates provisions.

(b) Deferred taxes

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences and for the carry forward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary difference and the unused tax credits and unused tax losses can be utilised.

When assets or liabilities are initially recognised in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, deferred tax assets are not recognised for temporary differences.

Deferred tax items are measured at the tax rates that are expected to apply when the difference is reversed or the offsetting is utilised. The corporate income tax rate of 17% of Singapore is used for the calculation of the imputed tax burden of the pre-tax result in the tax reconciliation, as the main taxable result of the Group is generated in this country.

2.15 Value added tax

Revenues, expenses and assets are recognised net of VAT, with the following exceptions:

- VAT on the acquisition of assets or services is not recoverable from the taxation authorities, in which case the VAT is recognised either as part of the cost of the asset or as an expense item;
- Receivables and liabilities are reported with VAT.

The recoverable or payable VAT is recognised as a net amount within receivables or payables.

2.16 Subscribed capital, capital reserve

Proceeds from the issue of ordinary shares are recognised in equity as subscribed capital to the extent that they correspond to the nominal capital increase attributable to these shares. The issue amounts in excess of this amount are recognised in the capital reserve. Additional costs directly attributable to the issue of ordinary shares are deducted directly from the capital reserve.

2.17 Contingent liabilities

A contingent liability is:

- (a) a possible obligation arising from past events that is caused by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity;
- (b) a present obligation from past events that is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) the amount of the obligation cannot be estimated with sufficient reliability.

A contingent asset is a possible claim arising from past events that is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

3 Significant accounting judgments and estimates

The preparation of the consolidated financial statements requires management to make accounting judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the reporting period. Uncertainties in these assumptions and estimates may result in outcomes that require a material adjustment to the carrying amount of the asset or liability in future periods.

The following sections explain the key assumptions about the future and other key sources of estimation in the event of uncertainty at the end of the reporting period. The Group bases its assumptions and estimates on the information available at the time of preparing the financial statements. However, circumstances and assumptions about future developments may change depending on changes in the market or circumstances beyond the Group's control. These changes are reflected in the assumptions as they occur.

Due to the still unforeseeable consequences of the global Covid 19 pandemic, the discretionary decisions, estimates and assumptions are subject to increased uncertainty. The actual amounts may deviate from these; the changes may have a significant impact on the consolidated interim financial statements.

3.1 Determination of the functional currency

The Group measures foreign currency transactions in the functional currency of the entity and its subsidiary. In determining the functional currency of the Group's entities, judgement is required as to which currency primarily affects the selling prices of goods and services and which country's competitive forces and regulations primarily determine the selling prices of its goods and services. The functional currency of the group companies is determined by management's assessment of the economic environment in which the group companies operate and how they set sales prices.

3.2 Useful lives of property, plant and equipment and rights to use property, plant and equipment

Property, plant and equipment and rights to use property, plant and equipment capitalised under leases are depreciated over their estimated useful lives, taking into account their estimated residual values. The estimated useful life takes into account management's estimate of the period over which the Group expects to derive future economic benefits from the use of its property, plant and equipment. The residual value takes into account management's estimate of the amount that the Group would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, as if the asset were already of an age and in a condition to be expected at the end of its useful life. Changes in the expected level of use and technological development may affect the economic benefits, useful lives and residual values of these assets, which in turn would affect future depreciation expense.

3.3 Percentage of completion and valuation for customer orders

The Group uses the cost-to-cost method as an input-oriented method to determine the stage of completion and the period-related realisation. The expected total costs of the contract are reviewed at each reporting date and updated on the basis of a project appraisal. The assessment is based on a commercial and technical analysis of the contract, taking into account management's experience from previous similar contracts.

3.4 Allowance for expected credit losses on trade receivables

The Group uses a valuation matrix to calculate expected credit losses on trade receivables. The amount of the write-down is based on the past due of aggregated customer segments with similar default patterns.

In the first step, the valuation matrix is based on the default rates observed by the Group in the past. The matrix is refined by adding forward-looking information to the historical default data. At each reporting date, the historical default rates are updated and the changes in the forward-looking estimates are analysed.

The assessment of the correlation between observed past default rates, projected economic conditions and expected credit losses is a significant estimate. The amount of expected credit losses is highly dependent on changing circumstances and projected economic conditions. The historical loan loss experience and the forecasts of the economic situation are not necessarily representative of the actual defaults of the customer in the future.

4 Property, plant and equipment

Since July 2018, Tuff Offshore Engineering Services Pte. Ltd. has been using business premises in a commercial building in Singapore, which it acquired as a leasehold. The acquisition was made in return for a one-time payment; therefore, a present value for lease liabilities did not have to be recognised. The economic useful life of 43 years corresponds to the period until the end of the leasehold on 30 June 2061.

5 Retained receivables

The retained receivables relate to security deposits of a customer in connection with the construction of an airport. The airport construction was completed in 2019. The receivables are impaired at 35%, unchanged from the previous year.

The retained receivables are denominated in US dollars. The increase in the gross amount results from currency translation.

6 Trade receivables and other receivables

Trade receivables are unsecured, non-interest bearing and are generally due after 30 days (2018: 30 days).

The impairment provision of EUR 590 thousand recognised in 2019 remains unchanged.

7 Cash and cash equivalents

Cash and cash equivalents are due and available in the short term. They continue to be denominated mainly in USD.

8 Subscribed capital

Tuff Offshore Engineering Services Pte. Ltd.

As in the previous year, the subscribed capital of the economic parent company shown in the consolidated balance sheet consists of 100,002 issued and fully paid ordinary shares.

Tuff Group AG

The **share capital** of the legal parent company Tuff Group AG has consisted unchanged since 4 February 2019 of 40,000,000 no-par value bearer shares with an accounting value of EUR 1 per share.

All holders of ordinary shares in the Company are entitled to dividends on the basis of a profit distribution resolution passed at the Annual General Meeting. The ordinary shares carry one voting right each without restrictions. The ordinary shares have no par value.

At the Annual General Meeting of 20 February 2019, the Executive Board was authorised, with the approval of the Supervisory Board, to increase the share capital on one or more occasions by up to EUR 20,000,000.00 by issuing up to 20,000,000 no-par value shares until 19 February 2024 (**Authorised Capital 2019**). The subscription rights of existing shareholders may be - excluded,

- (a) to enable a capital increase in kind for the acquisition of companies, parts of companies, participations in companies or other assets, if this acquisition is in the interest of the company;
- (b) to enable the entry of a strategic investor if this is in the interest of the company,
- (c) in the case of a capital increase up to 10% of the previously existing share capital, if the issue price is not significantly lower than the then current stock exchange price,
- (d) to compensate for fractional amounts.

The Annual General Meeting of 20 February 2019 further resolved a conditional capital increase of up to EUR 16,000,000.00 through the issue of up to 16,000,000 no-par value shares - (**Conditional Capital I/2019**). This capital increase serves to grant shares upon the exercise of conversion and option rights from bonds issued by the company until 19 February 2024 based on an authorisation resolution of the same Annual General Meeting to issue bonds with warrants and convertible bonds. The capital increase shall only be carried out to the extent necessary to fulfil the exercised conversion and option rights or the fulfilled conversion or option obligations of

bondholders, or to the extent that repayment obligations from these bonds are fulfilled by issuing shares and this is not done by issuing treasury shares or shares from an authorised capital.

The Annual General Meeting of 20 February 2019 also approved a conditional capital increase of up to EUR 2,000,000.00 through the issue of up to 2,000,000 no-par value shares - (**Conditional Capital II/2019**). This conditional capital serves exclusively to secure subscription rights of members of the management and employees of Tuff Group AG or its affiliated companies from a stock option programme. The conditional capital increase will only be carried out to the extent that subscription rights are issued and their holders make use of them and the Company does not fulfil these subscription rights by issuing treasury shares or by cash settlement.

Earnings per share

The issued shares of Tuff Group AG were used for the earnings per share. The capital increase through contribution in kind was taken into account at the time of the economic acquisition (transfer of control) of the contribution in kind. The number of shares determined for the calculation therefore amounts to 40,000,000 for both the interim financial statements and the comparative period.

9 Currency translation reserve

The currency translation reserve represents the currency differences from the translation of foreign individual financial statements whose functional currency differs from the Group's reporting currency.

10 Reserve for the reverse acquisition of companies

The reverse acquisition reserve represents the difference between the legal subsidiary as the accounting acquirer and the legal parent as the accounting acquiree (see Note 2.2 a).

11 Other provisions

In connection with an engineering contract for a floating production, storage and offloading unit (FPSO) that was terminated several years ago, remuneration claims by a subcontractor are in dispute. Since the 2019 financial year, no attempts have been made to enforce the claim. The Group has therefore qualified the remaining provision as non-current after reversal of the partial claim that lapsed in 2019. The provision has increased from Euro 1,840,771 to Euro 1,841,757 as at 30 June 2020 due to currency effects.

Several subcontractors have disputed remuneration claims arising from the contract for the construction of an airport on the island of Maafaru / Maldives, which ended in 2019. There are disputes regarding the scope and claims for compensation due to deficiencies in performance; the outcome of these disputes also depends on the outcome of the arbitration proceedings (Note 15) between the Group and the government of the Maldives as the client of the airport project. At present it is not possible to assess when these disputes will be concluded and the obligations will become payable. The provision has changed as of 30 June 2020 due to partial payments and the assertion of further compensation claims.

In 2019, there were out-of-court disputes with several employees regarding current and one-off remuneration claims. As at 30 June 2020, the obligations have increased due to new current remuneration claims. The settlement of this provision took place at the end of 2020 after the agreement was reached.

12 Trade payables and other liabilities

Trade payables are non-interest bearing and are generally due after 30 days (31 December 2018: 30 days).

Notes to the consolidated financial statements for the six months ending 30 June 2020

The loans granted by a member of the Executive Board and a member of the Supervisory Board to Tuff Offshore Engineering Pte. Ltd. are unsecured, interest-free and only due for repayment on demand. In the first half of 2020, additions of TEUR 106 and repayments of TEUR 124 were made.

13 Revenues

In the first half of the year, the Group generated revenue from consulting services and smaller projects.

The customer contract for the construction of an airport on Maafaru Island / Maldives was terminated in 2019. The government of the Maldives, as the client, claimed a contractual penalty for project delays, which was mainly settled by drawing on seized bank balances. Arbitration proceedings are pending between the Group and the Government of the Maldives regarding this customer order. The subject of these proceedings is the extent of outstanding payments for services rendered by the Grouas well as counterclaims due to deficiencies in performance asserted by the client. At the time the consolidated financial statements were prepared, the proceedings and negotiations had not yet been concluded. There are still claims against the client arising from the contract. In valuing these claims, the management has taken into account the uncertainties arising from the outcome of the arbitration proceedings.

14 Members of the Executive Board and the Supervisory Board

Composition of the members of the Board of Directors

Members of the Board of Directors are

- Natarajan Paulraj, Engineer, Singapore (Chairman)
- Ganesh Paulraj, Engineer, Singapore (Vice Chairman)
- Vinodkumar Bhaskaran Pillai, employee, Bangalore / India

Composition of the members of the Supervisory Board

Members of the Supervisory Board are

- Mahalakshmi d/o Mahalingam, Commercial Director of Tuff Offshore Engineering Services Pte. Ltd, Singapore (Chairwoman of the Supervisory Board)
- Govindarajan Paulraj, lawyer, Chennai / India (Deputy Chairman of the Supervisory Board)
- Carlo Arachi, Lawyer, Cologne

Mr Arachi was also a member of the Executive Board of De Raj Group AG, Cologne, from 5 August 2019 until the beginning of September 2020.

15 Events after the balance sheet date

The course of the COVID 19 pandemic has continued in the second half of 2020 and also in 2021. Due to the waves of infection in India and the resurgence of infections in East Asia, Tuff Group AG must continue to expect short-term restrictions on its business activities in the regions in which its main business activities take place.

This delays the completion of ongoing projects, but also the initiation of new project orders in all business areas. Additional costs in project execution or due to downtimes are to be expected, which cannot be fully passed on to the clients. It is currently not possible to estimate these financial effects.

**Notes to the consolidated financial statements
for the six months ending 30 June 2020**

Frankfurt am Main, 25 June 2021

The Board of Directors

Natarajan Paulraj

Ganesh Paulraj

Vinodkumar Bhaskaran Pillai

Responsibility statement by the legal representatives

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements as of 30 June 2020 of Tuff Group AG give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report as of 30 June 2020 of Tuff Group AG includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Frankfurt am Main, 25 June 2021

The Board of Directors

Natarajan Paulraj

Ganesh Paulraj

Vinodkumar Bhaskaran
Pillai