KKO INTERNATIONAL

Interim report for the six months ended 30 June 2017

Business report for the six months ended 30 June 2017

KKO INTERNATIONAL a public limited company (Société Anonyme), incorporated under Belgian law and registered with the Crossroads Bank for Enterprises under number 0839.801.947. The company's registered office is situated at Avenue Louise, 363 (box19), 1050 Brussels (referred to hereinafter as the "**Company**").

The Company owns all SOLEA shares (Société de Logistique et d'Exploitation Agricole), a public limited company whose registered office is situated at Bocanda BP 123, entered in the Commercial Register under number 11 11 792 L, operating in the Ivory Coast (referred to together hereinafter as the "**Group**").

The Group has been listed on Euronext Growth Brussels and Euronext Growth Paris since 23 October 2015 and its aim is to become one of the biggest cocoa producers on the African continent.

SOLEA holds two major agricultural operating sites in the region of Bocanda, situated in east central Ivory Coast. These two sites are located in rural surroundings not far from each other. Each is situated along the N'Zi River; more specifically, located at Kotokounou and Akossikro respectively.

As of 30th June 2017, SOLEA leased 2 403 hectares of land, 1 549 hectares of which are developed or in the process of being developed for growing cocoa.

The innovative production techniques introduced by SOLEA is i.a. to irrigate and "fertigate" (add fertiliser with irrigation) all its cocoa trees using a drip-feed system. This system removes the stress caused by a lack of water from the cocoa plant, which is then able to produce for 12 months of the year and hence double its productive yield. SOLEA believes it will be able to achieve a minimum yield of 4 tons per hectare from the fourth year of harvesting.

In doing so, SOLEA could bring back to life the old "Cocoa Belt" in Bocanda. The group is attaching the greatest importance to ethical and social values, as well as protecting the environment and ensuring the good practices are implemented. By taking this approach, SOLEA is contributing to the economic and social development of an entire region.

The multi-skilled and experienced management team has put a very structured organisation in place that implements strategy, operates the cultivable lands and manages the ambitious growth of the cocoa plantations.

Management Report

1. Activity and highlights for the first half of 2017

In the course of the first semester, KKO International extended its plantations by several hundreds of hectares.

As of 30 June 2017, KKO International holds land totaling 2,403 hectares, broken down as follows:

- 1,192 hectares at Kotokonou I & II, of which 788 hectares have been developed for growing cocoa and 404 hectares are dedicated to growing yams;
- 1,211 hectares at Akossikro I & II and Abugnikro, of which 761 hectares are in the process of being developed to grow cocoa.

As a result, the total number of hectares developed or in the process of being developed to grow cocoa was 1,549 at 30th June 2017.

On 30th June 2017, SOLEA had 844,071 living cocoa trees and 58,310 teak trees. In its nurseries, the company had 111,320 cocoa plants and 68,000 teak plants ready to be planted. The overall objective on these lands is to have between 1.7 and 2 million cocoa trees and 0.5 million of teak trees planted.

Kotokounou 1

The objective of the first semester has been to enhance the productivity on the Kotokounou 1 plots.

There for, we have mainly worked on our trees. The following tasks have been executed with great care:

- the replacement of the dead tress as well as those which showed weaknesses;
- the trimming and pruning of all our trees to give them adequate shape and strength in order that the trees use their energy to produce pods and not just leaves;
- the mulching of the soils around the trees and the covering of the lands;
- the putting of bio organic fertilizers to reconstruct the soils;
- preventive phytosanitary treatments;
- increase of water distribution capacity. Indeed, as the trees grow, more water is required and the systems must be tuned to be able deliver 10 liters/day per tree;
- and finally, the grafting of our trees with our own vegetal material, developed in our clonal gardens.

All those initiatives should render our trees very productive for the 2017/18 season.

We have re-designed some of the plots, eliminating some because of their low yields and densifying others where the soil quality is higher. On some places unfit for growing cocoa, we have planted teak trees for several reasons. Teak is a natural firewall and, in our regions, fire risk is high during the dry season. It is also a good protection against wind, but more importantly, a natural repellent against mealybugs which sometimes carry the virus provoking the “swollen shoot” disease. Further, it is financially attractive: a 10 to 15 years old teak tree represents more than a cubic meter of wood. In Ivory Coast, a cubic meter of teak ex-field is valued at €300. On the world market, it can reach as much as €2,000. We have already planted 60,000 teak trees during this semester and our objective in the coming years is to exceed 500,000 such trees.

Kotokounou 2

As to Kotokounou 2, we have planted more than 150,000 yams in the last trimester. The novelty this year was to work on the substrate and that should yield us better statistics.

Akossikro (on the other bank)

We are still in the development phase of this plot. Maintenance of the plants, shape pruning and planting. It has started somewhat because the rain expected to fall in April has only started in June. Close to 80,000 plants have been replanted with a new protocol developed by our R&D team and that should yield us from now on an acceptable mortality rate (below 5%).

A shorter production cycle is anticipated on these plots: already on the AK-A5 plot, some trees produce sherelles, an early indicator of good productivity and production.
On the plots of this side of the river, in the areas not suited for cocoa culture, we continue to plant cassava.

2. Infrastructure

No major developments outside the maintenance of our roads and the placement of pipes in areas liable to flooding.

3. Social

Supply of water to the Ebouanou village (Akossikro), installation of a cistern of 3,000 liters.
The drilling well of Kotokounou is now fed by an electric pump and solar energy. By this year's end, the other associated villages also will be equipped in solar drilling wells.

4. Research and Development

We achieved the following tasks:

- Improvement of our vegetal material;
- Development of our clonal gardens:
  - Provision by ICRAF of clones developed in the research station;
  - From retrievals on our existing trees, some presented amazing features, e.g. more than 100 pods per tree;
- Development of a wood park.

From our clonal garden, we have selected several clones which satisfied us, and we have transplanted these in a new park, the so-called wood park, and which will provide us with all the grafts and cuttings which will enhance our vegetal material.

All this with the purpose of rendering our plantations more homogenous. Indeed, the Mercedes stump which we used to cultivate, turned out as being non-homogenous, in other words 20% of the trees producing 80% of the pods. Our objective is of course to invert that ratio.

5. Corporate

The Company is searching to raise new money to finance the development of the remaining areas, and to meet the objective of 1.7 to 2 million of cocoa trees planted in the Bocanda region. The Company has not been able to raise the whole amount to achieve its initial ambition. It is now in discussions with a set of investors known for their special appetite for African projects. These are large international institutions and “impact” funds. With some of these “funds”, Due Diligence processes have started or are still under way. Whilst awaiting the conclusion of these major and long-term financings, the main shareholders of KKO International have granted new loans to SOLEA, while an agreement with Bracknor Fund ltd. has been signed on 27 April 2017, establishing of a flexible bond facility of maximum €3,120,000, of which €3,000,000 in cash, through the issuance of 312 convertible bonds (CB) into KKO International shares to Bracknor Fund Ltd.

The CB may be underwritten in 12 sequential tranches of € 250,000 (corresponding to 25 CB with a par value of € 10,000 each). Each tranche will be underwritten either at the initiative of the company (under certain conditions) or of the Bracknor Fund Ltd., over a period of 36 months from the date of the Extraordinary General Meeting of 21 June 2017.

The CBs will not bear interest. Bracknor Fund Ltd. will nevertheless be entitled to a single commitment fee equal to 4% of the nominal amount of the CBs actually underwritten, which it undertakes to reinvest in the company in return for additional CBs. In addition, Bracknor Fund Ltd. will be entitled to a Conversion Fee equal to 5% of the nominal value of converted CBs, payable by the company in cash upon conversion of the CBs. The conversion price of the CBs is set at the lower of (i) 85% of the weighted average price of the 30 trading days preceding the conversion notice and (ii) 130% of the weighted average trading price of 30 trading days preceding the underwriting of a tranche of CBs, where this value may not be less than the intrinsic value.

6. Outlook and post-close events

<u>Financing:</u>

Equity capital has been issued in the framework of the authorized capital of the Company, without preference right for the existing shareholders, and privately placed with the main shareholders, for a total amount of €2,399,623, of which €1,200,000 in cash and €1,199,623 in kind.

The contributions in kind were made of receivables held on the Company and its SOLEA subsidiary. Two specific reports have been established on this: one by the Board of Directors and another one by the Auditors. The issue price of the new shares has been fixed at €1/share, i.e. a slightly above the stock price at the time of the transaction. The new shares have been admitted to the listing on Euronext Growth Brussels and Euronext Growth Paris.

That capital increase's objective was to complement, as anticipated, the amounts of cash needed to run the operations of the Group in Ivory Coast, to significantly strengthen the owners' equity of the Company and to reduce its debt towards suppliers.

The special report established by the Board of Directors regarding this capital increase is available on the Company's Internet site at the following address: http://kko-internatiional.com/les-documents .

Activity

We have started the harvesting cassava and confirm a ratio of 6kg/plant. We sell 3T a day. The first big harvests have started on 5 October and we hope to meet our objectives.

Today, the "SOLEA" model, such as put in place, is very positively perceived by the village communities. And, there for, several new plots have been proposed to us, plots located in different regions of Ivory Coast, some of which are very well suited for irrigated cocoa culture. Let us also remind ourselves of our RainForest Alliance certification earned in July 2016.

All these elements concur to validate the options retained by SOLEA, and are comforting ourselves in our own development perspectives.

Infrastructure

At the end of August, SOLEA has obtained on behalf of land owners, a real estate certificate pertaining to 594 ha of good quality lands, situated at ADI-KOUASSIKRO (region of TAABO). A lease agreement is about to be signed with the owners.

Statement of responsibility

The Board of Directors, represented by its Chairman, hereby states that the condensed accounts for the past six months have been drawn up in accordance with the applicable accounting standards and provide a true picture of the financial situation and results of the Company and its subsidiary, SOLEA. It further states that the half-yearly activity report attached is a true representation of the major events that occurred during the first six months of the financial year, their effect on the accounts and the main transactions between the associated, as well as a description of the principal risks and uncertainties for the six remaining months of the financial year.

Brussels, 18 October 2017

Jacques-Antoine de Geffrier
Chairman of the Board of Directors

Interim Consolidated statement of comprehensive income

[Unaudited financial information]	*Notes*	As at 30 June 2017	As at 30 June 2016
		in EUROs	in EUROs
Revenue from ordinary activities	4	110.334	1.082
Change in fair value of biological assets	8	29.612	315.514
Raw materials	5	(31.381)	(15.107)
Loss in value of biological assets	8	(395.374)	(292.679)
Employee benefits	5	(365.819)	(78.438)
Depreciation	7	(176.747)	(160.608)
Other operating expenses	5	(597.491)	(671.538)
Result from operations		**(1.426.865)**	**(901.775)**
Interest expenses		0	(68)
Other finance expenses		1	-
Other non-recurrent income		44.468	-
Net result before tax		**(1.382.396)**	**(901.843)**
Income taxes	6	(19.969)	(76.189)
NET RESULT FOR THE PERIOD		**(1.402.365)**	**(978.032)**
Other comprehensive income		**366.192**	**217.181**
Items that will not be subsequently reclassified to net income		*366.192*	*217.181*
Revaluation of bearer plants	8	482.769	430.904
Income tax related thereto	6	(116.577)	(213.723)
TOTAL COMPREHENSIVE INCOME		**(1.036.173)**	**(760.851)**
Result for the year attributable to :			
Owners of the parent		(1.401.523)	(977.445)
Non-controlling interest		(841)	(587)
Total comprehensive income attributable to :			
Owners of the parent		(1.035.552)	(760.394)
Non-controlling interest		(622)	(457)
Earnings per share			
basic (in EUR per share)		(0,10)	(0,10)
diluted (in EUR per share)		(0,10)	(0,10)

Interim consolidated statement of financial position

[Unaudited financial information]	Notes	As at 30 June 2017	Year ended Dec 31, 2016
		in EUROs	in EUROs
Assets			
Non-current assets		**6.664.836**	**6.236.484**
Intangible assets		3.085	1.506
Property, Plant & Equipment	7	3.242.264	3.342.678
Biological assets	8	3.405.888	2.878.700
Other non-current assets		13.600	13.600
Current assets		**295.085**	**209.982**
Inventories		-	40.231
Trade and other receivables		88.362	121.320
Cash and cash equivalents		206.723	48.431
Total assets		**6.959.921**	**6.446.465**
Equity and liabilities			
Equity attributable to owners of the parent		**1.067.331**	**2.102.882**
Share capital	9	8.742.541	14.912.339
Revaluation reserve	8	636.771	270.579
Retained earnings	9	(8.311.981)	(13.080.036)
Non-controlling interest		**(9.859)**	**(9.237)**
Total equity		**1.057.472**	**2.093.645**
Non-current liabilities		**864.379**	**730.325**
Employee benefits		45.577	48.071
Deferred tax liability	6	818.802	682.254
Current liabilities		**5.038.069**	**3.622.495**
Amounts due to the owners of the parent	11	3.041.548	2.177.909
Other loans	11	545.000	-
Trade and other payables	10	1.451.521	1.444.587
Total liabilities		**5.902.448**	**4.352.820**
Total equity and liabilities		**6.959.921**	**6.446.465**

Interim consolidated statement of changes in equity

[Unaudited financial information]	*Notes*	Share capital	Revaluation reserve	Retained earnings	Attributable to the owners of the parent	Non-controlling interest	Total
		in EUROs	in EUROs	in EUROs	in EUROs	in EUROs	in EUROs
As of 1 January 2016		**14.838.777**	**511.753**	**(9.068.905)**	**6.281.625**	**(6.515)**	**6.275.110**
Net result for the year				(4.292.824)	(4.292.824)	(2.577)	(4.295.401)
Other comprehensive income			(241.174)	145	(241.029)	(145)	(241.174)
Total comprehensive income for the year		**-**	**(241.174)**	**(4.292.679)**	**(4.533.853)**	**(2.722)**	**(4.536.575)**
Cancellation of preferred interests to owners	15			281.548	281.548		281.548
Expenses related to the issuance of shares	13	73.562			73.562		73.562
Total transactions with the owners of the parent		**73.562**	**-**	**281.548**	**355.110**	**-**	**355.110**
As of 31 December 2016		**14.912.339**	**270.579**	**(13.080.036)**	**2.102.882**	**(9.237)**	**2.093.646**
Net result for the period				(1.401.523)	(1.401.523)	(841)	(1.402.365)
Other comprehensive income			366.192	(220)	365.972	220	366.192
Total comprehensive income for the period		**-**	**366.192**	**(1.401.743)**	**(1.035.552)**	**(622)**	**(1.036.173)**
Reduction of capital by incorporation of losses	13	(6.169.797)		6.169.797	-		-
Total transactions with the owners of the parent		**(6.169.797)**	**-**	**6.169.797**	**-**	**-**	**-**
As of 30 June 2017		**8.742.541**	**636.771**	**(8.311.981)**	**1.067.331**	**(9.859)**	**1.057.472**

Interim consolidated statement of cash flows

[Unaudited financial information]	Notes	For the six month ended 30 June 2017	2016
		in EUROs	in EUROs
Cash flows from operating activities			
Net result for the period		(1.402.365)	(978.032)
Adjustments for :		602.709	214.030
Change in fair value of biological assets	8	(29.612)	(315.514)
Gain on inventory recognition	8	40.231	-
Loss in value of biological assets	8	395.374	292.679
Depreciation	7	176.747	160.608
Interest expenses	7	(0)	68
Income taxes	8	19.969	76.189
Changes in working capital:		(140.482)	370.982
(Increase) / Decrease in Other non-current assets		-	(2.401)
(Increase) / Decrease in Trade and other receivables		32.958	222.003
(Decrease) / Increase in Employee benefits		(2.493)	7.536
(Decrease) / Increase in Trade and other payables		(170.946)	143.843
Interests paid		(1.778)	
Net cash flows used in operating activities		**(941.916)**	**(393.020)**
Cash flows from investing activities			
Acquisition of tangible and intangible fixed assets	7	(92.026)	(1.159.644)
Purchase and development of bearer plants	8	(342.766)	(999.526)
Net cash used in investing activities		**(434.792)**	**(2.159.170)**
Net cash flows from financing activities			
Sums advanced by the owners of the parent	11	1.035.000	500.000
Sums advanced for conversion (Convertible bonds)	11	500.000	
Repayment of advances to owners of the parent	11		(1.000.000)
Net cash used in / from financing activities		**1.535.000**	**(500.000)**
Net increase / (decrease) in cash and cash equivalents		**158.292**	**(3.052.190)**
Cash and cash equivalents at the beginning of the period		48.431	3.575.023
Cash and cash equivalents at the end of the period		**206.723**	**522.833**

Notes to the interim consolidated financial statements

1. General information

The Company is a public limited company (Société Anonyme), incorporated under Belgian law and registered with the Crossroads Bank for Enterprises under number 0839.801.947. Its registered office is situated at 363 Avenue Louise, box 19, 1050 Brussels. The Company was incorporated on 29th September 2011 and owns 99.94% of SOLEA (Société de Logistique et d'Exploitation Agricole), which it also established itself, referred to together hereinafter as the "**Group**".

SOLEA is a company specialized in cocoa plantations in Ivory Coast. It began operations in October 2011. SOLEA holds two agricultural production sites in the region of Bocanda, in East Central Ivory Coast. These two sites are located in rural surroundings not far from each other. Each is situated on one side of the N'Zi River; the two sites are located at Kotokounou and Akossikro respectively.

As of 30th June 2017, SOLEA held land of 2,403 hectares, which are distributed as follows:

- 1,192 hectares on Kotokounou I and II, of which 788 ha have been developed for the culture of cocoa and 404 for the culture of yam;
- 1,211 hectares on Akossikro I and II, and Abugnikro, of which 761 ha are being developed for the culture of cocoa.

The total area developed, or in the process of being developed, for the culture of cocoa is 1,549 hectares as of 30th June 2017.

These interim consolidated financial statements were approved by the Board of Directors on 18th October 2017. The figures are expressed in Euros, unless stated otherwise. As SOLEA uses the Franc CFA as its operating currency, its financial statements are converted at the end of each financial period using the method set out in note 3.4 below.

The Group, including the Company and SOLEA, presents its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union and in effect at 30th June 2017. This financial information has been drawn up in line with IAS 34 "Interim Financial reporting", as adopted by the European Union. This information has not been audited nor been given a limited examination by the auditors, and nor have the underlying accounts.

The accounting principles used are the same as those used to establish the consolidated financial statements at 31st December 2016.

2. Application of new and revised Standards and Interpretations

2.1. New Standards, Interpretations and Amendments applied by the Group

During the current period, the Group has adopted all the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, as adopted by the European Union, that are relevant to its operations and effective for the accounting year starting on January 1st, 2017.

No new Standards, Interpretations and Amendments issued by the IASB and the IFRIC as adopted by the European Union are effective for the current annual period.

2.2. Standards and Interpretations issued but not yet effective

The Group elected not to early adopt the following new Standards, Interpretations and Amendments, which have been issued by the IASB and the IFRIC but are not yet effective as per 30 June 2017 and/or net yet adopted by the European Union as per 30 June 2017.

- Annual Improvements to IFRSs 2014-2016 Cycle (December 2016) *
- IFRS 2 Share-based Payment — Amendments to clarify the classification and measurement of share-based payment transactions (June 2016) *
- IFRS 7 Financial Instruments: Disclosures (Amendments December 2011) — Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures
- IFRS 7 Financial Instruments: Disclosures (Amendment November 2013) — Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9
- IFRS 9 Financial Instruments — Classification and Measurement (Original issue July 2014, and subsequent amendments)
- IFRS 15 Revenue from Contracts with Customers (Original issue May 2014 and subsequent amendments)
- IFRS 15 Revenue from Contracts with Customers – Clarifications (Original issue April 2016) *
- IFRS 16 Leases (Original issue January 2016) *
- IAS 7 Cash flow statement — Amendments as result of the Disclosure initiative (January 2016) *
- IAS 12 Income taxes — Amendments regarding the recognition of deferred tax assets for unrealized losses (January 2016) *

** Not yet endorsed by the EU as of 30 June 2017*

No significant effect on the future financial reporting of the Group is expected from the other new Norms, Interpretations and Amendments, entering into force after 1 January 2017, and not having been anticipatively applied as at 30 June 2017.

3. Risk management

3.1. Risks associated with land rights

We currently have a procedure in place that enables us to say that our property risk is fully under control. It consists of:

- Obtaining the land certificate in the names of the landowners;
- Publishing that information in the Official Journal;
- Signing a long-term lease of 35 years and registering it with the relevant authorities
- Registering the plots of land

At 30 June 2017, we had signed leases on these terms totalling 2,403 hectares, of which 1,549 are developed or in the course of being developed for the culture of cocoa.

3.2. Risks associated with operations

Cocoa plantations are exposed to risks specific to agriculture: harvests can be affected by disease (the most destructive being the Swollen Shoot), insects and bad weather. SOLEA has studied these issues closely and has taken the necessary measures upstream to mitigate those risks and treat the trees, for example through sound management of the hydraulic factor of the land.

To offset as much as possible any risks associated with the land and the quality of the soil, SOLEA has introduced a new process for determining the areas that can be used:

- first, a geological analysis of the soil is effected, enabling unsuitable land to be eliminated;
- then, a soil analysis of the land is carried out to determine needs and the possibility of improving the soil;
- and finally, a hydraulic analysis is made to determine the best method of irrigation.

All this will make it possible to select the land recognised as suitable for growing cocoa.

SOLEA irrigates its cocoa plantations, which helps overcome a lack of water. The risk associated with the Harmattan wind has been reduced significantly following the upgrade to the irrigation systems, which increase the amount of water brought in (in total 10 litres of water per tree per day).

3.3. Risks associated with the country

The socio-political situation in Ivory Coast is currently stable, although it remains fragile and any disturbance to the balance or change could affect the development of SOLEA’s business.

Coordinated action between the government and the various economic players will be necessary to avoid any new spikes in inflation, particularly on foodstuffs. However, no one can predict today what measures will be taken by the Ivorian government.

3.4. Market risk

Cocoa is a commodity whose price is the subject of negotiation on the markets in London and New-York. Because of its volatility, the price of cocoa is likely to change.

However, in the long run, SOLEA believes that given the fact that demand is greater than supply, the price of cocoa is unlike to plummet. The local authorities in Ivory Coast have introduced a minimum guaranteed price below which transactions are not permitted. As this minimum guaranteed price is calculated on the CAF reference price based on the price of cocoa on the LIFFE market in London, the minimum guaranteed price will be linked indirectly to the price of cocoa on these markets.

In the event of a high probability of price changes, SOLEA will hedge itself by financial instruments to partially offset the effects of price volatility of the commodity on the Group’s results.

The benefit of obtaining interest-free fund advances also shelters SOLEA from any significant risk linked to interest rates.

As at the 30 June 2017, the Group has not concluded any hedging contract.

3.5. Exchange rate risk

SOLEA is supplied essentially by local vendors, in CFA Francs (fixed parity with the Euro since 1st January 1999). An exchange rate risk for purchases from local suppliers would only exist if parity between the FCFA and the euro were to be abandoned.

However, SOLEA is exposed to the risk of variations in international exchange rates given that the minimum guaranteed price of cocoa in Ivory Coast is set in FCFA whereas the price of cocoa in London is denominated in Pounds Sterling (GBP).

3.6. Liquidity risk

Since the of the creation Group, the major part of investments has been allocated to the development of the plantations.

In addition to its equity capital and until its listing on the stock exchange, the Group benefited from short-term finance in the form of current account advances, most of which were non-interest bearing and unguaranteed.

These have been complemented upon the conclusion of a convertible bonds issuance facility signed on 27 April 2017 (see Management Report under: 5. Corporate) as well as a capital increase effected on 28 July 2017 (see Management report under: 6. Outlook and Post-close Events), in the framework of its authorized capital, with 50% contributed in cash and 50% in kind (debt vis-à-vis some shareholders).

The Group is not subject to any external requirements in terms of capital.

In its business plan, SOLEA provides for a land extension of up to 1,069 additional hectares, above the areas already benefiting from land titles, enabling it over time to hold 3,500 hectares of land which can be cultivated. This new development requires significant additional financial resources, for the plantations to be operated.

The Group is seeking additional capital to complete the financing of the project. While awaiting the closing of this new raising of funds, the Company is financed by shareholder current account advances.

4. Revenue from ordinary activities

	For the six month ended 30 June 2017	2016
	in EUROs	in EUROs
Revenue from ordinary activities	**110.334**	**1.082**
Sales of cocoa	46.292	412
Sales of ignames	32.571	-
Other sales	31.471	671
Change in fair value of biological assets	**29.612**	**315.514**
Tecks	29.612	315.514
For a total of	*139.946*	*316.596*

About 50 tons of cocoa have been sold in the first half of 2017.

For 2017, SOLEA expects to sell and deliver around 150 tons (106 tons in 2016). The growth in revenues from cocoa is expected to accelerate in the immediately following years.

5. Operating expenditures

	For the six month ended 30 June 2017	2016
	in EUROs	in EUROs
Raw materials	**31.381**	**15.107**
Cocoa related purchases	-	4.967
Purchase of ignames	151	156.549
Fournitures	31.230	18.278
Other purchases	-	47.208
Purchases capitalized as inventory and biological assets	-	(211.895)
Employee benefits	**365.819**	**78.438**
Wages and salaries	560.592	705.759
Temporary staff	80.493	10.089
Other employee costs	49.998	55.784
Expenses capitalized as biological assets	(325.264)	(693.193)
Other operating expenses	**597.491**	**671.538**
Travel	88.756	254.628
Maintenance and repair	82.629	120.864
Fees	314.022	176.066
Telecommunications	5.334	29.334
Rental fees	29.976	40.367
Insurance	9.143	12.179
Other operating expenses	85.134	132.537
Expenses capitalized as biological assets	(17.502)	(94.438)

The first semester has been marked by a marked reduction in the investment activity. As a result, some labor charges, booked in preceding periods mostly in fixed assets, have been shifted and recorded under the heading maintenance activities. The charges related to maintenance are per definition not activated.

6. Income taxes

	Deferred tax balance as of 1 January	Changes through income statement	Changes through OCI	Deferred tax balance as of 30 June
	in EUROs	in EUROs	in EUROs	in EUROs
2017	**682.254**	**19.969**	**116.578**	**818.801**
Cocoa trees	593.151	27.763	116.578	737.492
Tecks	89.103	(7.794)	-	81.309
2016	**690.761**	**76.189**	**213.723**	**980.673**
Cocoa trees	635.140		213.723	848.863
Tecks	55.621	76.189	-	131.810

SOLEA benefits from a tax exemption on industrial and commercial profits (BIC), as well as on taxes from patents and licences for a 15-year period which began on 1st February 2014. This tax exemption is 100% from 1st February 2014 until 31st December 2026; the exemption is reduced by 50% on the tax normally owed from 1st January to 31st December 2027, and by 25% on the tax normally owed from 1st January to 31st December 2028.

Accordingly, no current tax will be owed by the Company during the current period.

A deferred tax liability has been recognized on the fair value of the cocoa trees and teak trees at 30th June 2017, given their lifespan of 35 years and the permanent difference in the temporary value of these assets beyond Year 15 (end of the tax break period enjoyed by SOLEA).

7. Property, Plant & Equipment

	Fixtures and fittings	Tools & Equipment	Assets under construction: Fixtures and fittings	Assets under construction: Tools & Equipment	Total
As of 1 January 2016	515.058	951.376	724.078	386.619	2.577.131
Acquisition cost	618.820	1.612.726	724.078	386.619	3.342.243
Accumulated depreciation	(103.762)	(661.351)	-	-	(765.112)
Movements for the period	5.530	(534.807)	580.778	714.046	765.547
Additions	122.472	74.520	580.778	714.046	1.491.816
Disposals					-
Reclassifications	-	-	-		-
Depreciation and impairment	(116.942)	(609.326)			(726.269)
As of 31 December 2016	520.588	416.569	1.304.856	1.100.665	3.342.678
Acquisition cost	741.292	1.687.246	1.304.856	1.100.665	4.834.059
Accumulated depreciation	(220.704)	(1.270.677)	-	-	(1.491.381)
As of 1 January 2017	520.588	416.569	1.304.856	1.100.665	3.342.678
Acquisition cost	741.292	1.687.246	1.304.856	1.100.665	4.834.059
Accumulated depreciation	(220.704)	(1.270.677)	-	-	(1.491.381)
Movements for the period	(36.444)	(155.997)	70.856	21.170	(100.414)
Additions	(0)	(0)	70.856	21.170	92.026
Disposals					-
Reclassifications	-	-	-		-
Depreciation and impairment	(36.444)	(155.997)			(192.440) *
As of 30 June 2017	484.144	260.572	1.375.712	1.121.835	3.242.263
Acquisition cost	741.292	1.687.246	1.375.712	1.121.835	4.926.085
Accumulated depreciation	(257.148)	(1.426.674)	-	-	(1.683.822)

** Excl. depreciation on biological assets*

Machinery and equipment consists mainly of investments relating to the construction of the irrigation station (mainly pumps, tanks, drilling costs, etc.) and the amenities at the Bocanda plantation (timber, cement, sand, etc.).

The section for equipment and tools consists mainly of farming equipment, vehicles and rolling stock and miscellaneous materials. The greatest investments are those for the components of the irrigation station, bulldozers, a drone, several tractors, numerous chainsaws, brush-cutters, a generator, weather station and office equipment.

The machinery and equipment relate to the development of land at the Bocanda plantation (irrigation, sand, cement).

8. Biological assets

	As at 30 June 2017	Year ended Dec 31, 2016
	in EUROs	
Bearer plants	**3.069.171**	**2.476.060**
Cocoa trees	3.069.171	2.476.060
Other biological assets	**336.717**	**402.640**
Tecks	336.717	368.993
Ignames	-	33.647
For a total of	*3.405.888*	*2.878.700*

Once they have reached maturity and after accounting for their cost of acquisition, the biological assets are valued at their fair value, using a level-3 technique of categorized valuation consisting of defining future expected financial flows from harvests to come, based on a price per kilo, an estimated yield per hectare and, where appropriate, risk factors constituting the discount rate.

Apart from the areas planted, the variables used to value these biological assets as at 30th June 2017 did not vary during the financial year.

Any impacts linked to the initial accounting and variation in the fair value of the biological assets, as summarized below, are shown in the net result under Variation in the fair value of the biological assets.

	Cocoa trees	Mature trees	Non-mature trees	Tecks	Ignames	Total
As of 1 January 2016	2.653.350	764.021	1.889.330	230.336	-	2.883.686
Purchases and capitalization	**2.143.075**	**111.366**	**2.031.709**	**-**	**167.958**	**2.311.033**
Purchases	9.694	219	9.475	-	167.958	177.652
Payroll expenses	1.707.275	88.947	1.618.328	-	-	1.707.275
Depreciation	230.947	12.032	218.915	-	-	230.947
Borrowing costs	30.907	1.610	29.297	-	-	30.907
Other expenses	164.252	8.557	155.695	-	-	164.252
Changes in fair value	**(2.295.985)**	**(339.583)**	**(1.956.403)**	**138.657**	**(73.246)**	**(2.230.574)**
Revaluation through OCI	0	0	-	-	-	1
Revaluation through income statement	-			138.657	-	138.657
Impairment losses through OCI	(317.972)	(317.972)	-	-		(317.972)
Impairment losses through inc. statement	(1.978.014)	(21.611)	(1.956.403)	-	(73.246)	(2.051.260)
Crops	**-**	**-**	**-**	**-**	**(61.065)**	**(61.065)**
Depreciation	**(24.380)**	**(24.380)**	**-**	**-**	**-**	**(24.380)**
As of 31 December 2016	2.476.060	511.424	1.964.636	368.993	33.647	2.878.700
Purchases and capitalization	**428.108**	**35.946**	**392.162**	**-**	**-**	**428.108**
Purchases	-	-	-	-	-	-
Payroll expenses	325.264	27.310	297.954	-	-	325.264
Depreciation	27.177	2.282	24.895	-	-	27.177
Borrowing costs	58.165	4.884	53.281	-	-	58.165
Other expenses	17.502	1.470	16.032	-	-	17.502
Changes in fair value	**174.009**	**454.969**	**(280.960)**	**(32.276)**	**(1.076)**	**140.657**
Revaluation through OCI	482.769	482.769	-	-	-	482.769
Revaluation through income statement	-	-	-	63.458	-	63.458
Impairment losses through OCI	(9.120)	(9.120)	-		-	(9.120)
Impairment losses through inc. statement	(299.640)	(18.680)	(280.960)	(95.734)	(1.076)	(396.450)
Crops	**-**	**-**	**-**	**-**	**(32.571)**	**(32.571)**
Depreciation	**(9.007)**	**(9.007)**	**-**	**-**	**-**	**(9.007)**
As of 30 June 2017	**3.069.170**	**993.331**	**2.075.839**	**336.717**	**-**	**3.405.887**

9. Equity

	As at 30 June 2017	Year ended Dec 31, 2016
	in EUROs	in EUROs
Attributable to the owners of the parent	**1.067.331**	**2.102.882**
Share capital	8.742.541	14.912.339
Revaluation reserve	636.771	270.579
Other reserve	(8.311.981)	(13.080.036)
Non-controlling interest	**(9.859)**	**(9.237)**

Reduction of capital by incorporation of losses

Based on the statutory accounts drawn on 31 December 2016, and approved by the General Assembly of 21 June 2017, the Company has recorded cumulative losses amounting to €6,169,797.48. In due consideration of this, the Extraordinary General Assembly, held on the same day, has been asked to reduce the capital of the Company for the same amount, to cover the above losses.

The Assembly has decided to reduce the statutory capital by incorporation of these losses, in accordance with article 614 of the Company Code, for an amount of €6,169,797.48, bringing the statutory capital from €15,895,700.89 to €9,725,903.41.

It has been decided that this capital decrease will be imputed on the actually subscribed fiscal capital, without cancellation of shares.

10.Trade and other creditors

	As at 30 June 2017	Year ended Dec 31, 2016
	in EUROs	in EUROs
Trade payables	**775.031**	**642.091**
Amounts due to suppliers	582.954	388.735
Invoices to be received	192.077	253.355
Payroll and social debts	**476.540**	**620.444**
Wages	64.942	10.380
Remuneration due to management	8.671	-
Provision for holiday pay	45.029	72.214
Other payroll debts	357.898	537.850
Other payables	**199.951**	**182.052**
For a total of	*1.451.521*	*1.444.587*

The capital increase of 28 July 2017 (€1,2 million of new-money) enables a reduction of the amounts owed to the creditors.

11.Related party transactions

The balances and transactions between the Company and its subsidiaries that are parties related to the Company have been eliminated on consolidation and are not presented in this note. The details of transactions between the Group and the other related parties are presented below.

11.1. Loans granted by related parties

	As at 30 June 2017	Year ended Dec 31, 2016
	in EUROs	in EUROs
Amounts due to the owners of the parent	**3.041.548**	**2.177.909**
Cash advances	3.041.548	2.177.909
Other loans	**545.000**	**-**
Convertible bonds	545.000	-

Since the Group was created, the majority of investments have been focused on financing the development of the plantations.

The Company has entered intocan agreement with Bracknor Fund Ltd. on 27 April 2017, establishing of a flexible bond issuance facility of maximum €3,120,000, of which €3,000,000 in cash, enabling the issuance of 312 convertible bonds into KKO International shares (CB) , to be subscribed by Bracknor Fund Ltd..

The CB may be underwritten in 12 sequential tranches of € 250,000 (corresponding to 25 CB with a par value of € 10,000 each). Each tranche will be underwritten either at the initiative of the Company (under certain conditions) or, of the Bracknor Fund Ltd., over a period of 36 months from the date of the Extraordinary General Assembly of 21 June 2017.

The CBs will not bear interest. Bracknor Fund Ltd. will nevertheless be entitled to a single commitment fee equal to 4% of the nominal amount of the CBs actually underwritten, which it undertakes to reinvest in the company in return for additional CBs. In addition, Bracknor Fund Ltd. will be entitled to a Conversion Fee equal to 5% of the nominal value of converted CBs, payable by the company in cash upon conversion of the CBs.

The conversion price of the CBs is set at the lower of (i) 85% of the weighted average price of the 30 trading days preceding the conversion notice and (ii) 130% of the weighted average trading price of 30 trading days preceding the underwriting of a tranche of CBs, where this value may not be less than the intrinsic value.

Two tranches have been issued since the signing of the facility, each in June.

11.2. Key executive compensation

	2017	2016
	in EUROs	in EUROs
Executive members	**275.694**	**179.204**
Fixed wages	275.694	179.204