ARTEFACT
Consolidated Financial Statement (summary) as of December 31, 2018.

2018 CONSOLIDATED FINANCIAL STATEMENT

CONSOLIDATED INCOME STATEMENT

In thousands of euros	Note	2018	2017 restated[1]
Revenue	1	67 607	49 870
Cost of Sales		(3 772)	(2 751)
Gross margin	1	63 835	47 119
Employees expenses	2	(46 820)	(34 082)
Employee expenses – IFRS 2 share-based payment	2	(2 177)	(584)
Employee expenses – Remuneration for post-combination services under IFRS 3R	2	(115)	
External expenses	3	(14 323)	(11 892)
Taxes (excluding income tax)		(404)	(224)
Other incomes and expenses from operational activities	4	1 450	752
EBITDA		1 446	1 089
Depreciation and Amortization	5	(1 396)	(874)
Other operating income and expenses - non-current	6	(898)	(2 758)
Operating profit (loss)		(848)	(2 543)
Income from cash and cash equivalents		63	78
Cost of financial debt		(660)	(731)
Cost of net financial debt	7	(596)	(653)
Other financial incomes and expenses		421	(1 216)
Net financial profit (loss)	7	(176)	(1 869)
Profit (loss) before tax		(1 023)	(4 412)
Income tax	8	209	(230)
Net profit (loss) for the year		(814)	(4 643)
Non-controlling interests		343	200
Group Net Profit (loss)		(1 158)	(4 843)

[1]2017 Income statement is restated under the new IFRS 15 standard.

CONSOLIDATED BALANCE SHEET

In thousands of euros	Note	2018	2017 restated[2]
Goodwill	9	54 422	50 816
Intangible assets		4 162	4 490
Tangible assets		1 679	1 736
Financial derivative instruments	10	36	71
Non-current financial assets		844	1 063
Other non-current assets		2 567	1 265
Non-current deferred tax assets		2 374	1 435
Non-current assets		66 084	60 876
Trade and other receivables		53 196	57 984
Contract assets		3 413	899
Current tax assets		234	1 516
Other current assets		3 540	2 365
Cash and cash equivalents		16 491	11 324
Current assets		76 875	74 088
TOTAL ASSETS		142 958	134 964
Ordinary shares		3 267	2 579
Premium shares		57 230	42 599
Retained earnings and other reserves		(2 888)	(4 079)
Conversion reserves		(412)	(242)
Group net result		(1 158)	(4 843)
Group equity		56 039	36 014
Non-controlling interests		1 243	514
Equity		57 282	36 528
Provisions	11	470	17
Non-current financial liabilities	12	11 951	1 565
Other non-current liabilities	13	3 496	3 721
Non-current liabilities		15 917	5 303
Current financial liabilities	12	3 273	18 519
Account and other payables		60 333	60 605
Contract liabilities		5 187	6 632
Financial derivative instruments	10	89	5 163
Current tax liabilities		107	115
Other current liabilities	13	770	2 097
Current liabilities		69 759	93 132
TOTAL LIABILITIES		142 958	134 964

[2] 2017 Balance Sheet is restated under the new IFRS 15 standard.

CONSOLIDATED CASH FLOW STATEMENT

In thousands of euros	2018	2017
Net profit (loss) for the year	(814)	(4 643)
Neutralization of non-cash items (income & expenses)		
- Net depreciation and amortization	1 750	1 036
- Net gain (loss) on disposals	100	(115)
- IFRS 2 share-based payment	2 010	
- Income tax	(194)	230
Income tax paid	(2 079)	(1 314)
- Other non-cash items[3]	(1 256)	1 192
- Cost of net financial debt	637	653
Interest paid	(638)	(806)
Gross margin self-financed	(483)	(3 767)
Variation of working capital related to operational activities	(3 499)	3 714
Net cash flows from/used in operating activities	(3 983)	(53)
Acquisitions net of cash including earn out	(1 091)	174
Acquisitions of tangible and intangible assets	(799)	(1 310)
Acquisitions of non-current financial assets	241	(117)
Disposal of other non-current assets	399	45
Net cash flows related to other current assets and liabilities	172	(173)
Net cash flows from/used in investing activities	(1 079)	(1 381)
Capital increase	15 325	-
Borrowing subscriptions		2 295
Borrowing refunds	(1 987)	(2 042)
Acquisition/Disposal of Owned shares	(56)	306
Interest received	-	72
Dividends paid to non-controlling interests	(127)	(94)
Other net cash flows from financing activities	56	(1 452)
Net cash flows from/used in financing activities	13 211	(916)
Net cash flows variation	8 149	(2 349)
Cash and cash equivalents at the beginning of the year	7 178	9 703
Conversion impact related to variations	(127)	(175)
NET CASH FLOWS AT THE END OF THE YEAR	15 200	7 178

[3] As of December 31st, 2018: change in fair value of ADP 1 and re-evaluation of the shares held in NB Asia Limited Ltd for 17%. As of December, 31st : Fair value of financial derivative instruments (preference shares - ADP 1).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of euros	Share capital	Share premiums	Consolidated reserves	Conversion reserves	Group Consolidated Net Result	Non Controlling Interests	Equity
Position at 12/31/16	1 911	26 607	(4 340)	127	376	408	25 089
Net result of the year					(4 843)	200	(4 643)
Conversion variation				(83)			(83)
Global Net Result				(83)	(4 843)	200	(4 726)
Capital increase	668	16 432					17 100
Costs of capital increase		(728)					(728)
Allocation in reserves			376		(376)		-
Dividends						(94)	(94)
Owned shares variations		289					289
Value of employee services (IFRS 2)			584				584
Goodwill ADPI retreatment			(704)				(704)
Other movements			3	(286)			(283)
Position at 12/31/17	2 579	42 599	(4 079)	(242)	(4 843)	514	36 528
Net result of the year					(1 158)	343	(814)
Conversion variation				(170)		5	(165)
Global Net Result				(170)	(1 158)	348	(979)
IFRS 9 First Application			(25)				(25)
Capital increase	688	15 428					16 116
Costs of capital increase		(793)					(793)
Allocation in reserves			(4 843)		4 843		-
Dividends						(126)	(126)
Preference shares ADP 1 Conversion - IFRS2			4 527				4 527
Value of employee services (IFRS 2)			2 010				2 010
Other movements		(4)	(478)			507	24
Position at 12/31/18	3 267	57 230	(2 888)	(412)	(1 158)	1 243	57 282

GLOBAL NET INCOME STATEMENT

In thousands of euros	31/12/2018	31/12/2017
Net result of the year	(814)	(4 643)
Items which will not be booked in the income statement		
- Revaluation of post-employment benefits obligations		
Items which may be reclassified subsequently in the income statement		
- Conversion variations	(165)	(83)
Total of other items for the global result after tax	(165)	
Global net result of the year	(979)	(4 726)

NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENT

1. General presentation

Artefact is a French limited company subject to all commercial laws applicable to commercial companies in France, and observing the Commercial Code. Its registered office is located on the 19th rue Richer in Paris (75009). The company is quoted on the Euronext Growth (ex-Alter next) stock exchange in Paris.

Consolidated financial statement of the Artefact group (composed by the company Artefact and its subsidiaries) have been authorized for issue by the Board of Directors on April 23th 2019.

All the figures disclosed in the appendix are disclosed in thousands of euros (K€).

2. Major events of the period

2.1 Acquisition of 8 Matic and its affiliates in China

On March 16th, 2018, Artefact acquired a stake in 8 Matic and its affiliates operating under the Netbooster brand in China. The companies have proven expertise in the digital field, offering a blend of consulting, media, activation and creative services.

Following the transaction, Artefact took a majority stake in 8 Matic and its affiliates. The agreement provides for an increase in Artefact's stake over the next four years, after which Artefact will have full ownership.

An initial purchase price of 2 901 thousands of euros has been paid and earn outs will be payable over the next four years. These additional payments will depend on the future performance of the acquired companies and include a global guaranteed share price of 1 403 thousands of euros. The difference between the fair value acquisition price and the Net Assets of 8 Matic companies amounts to 3 750 thousands of euros, booked in "Goodwill".

Before the acquisition, Artefact already had a 17% stake in one of the acquired companies since 2010. According to IFRS 3R, a fair value re-evaluation through income statement of this stake has been performed for 637 thousands of euros and booked in "Goodwill".

According to IFRS 3R, the additional earn outs which depends on contractual presence and performance conditions are considered as "Remuneration for post-combination services" and recorded as it is in the income statement. The related expense amounts to 1 094 thousands of euros. The fees related to this acquisition for 174 thousands of euros have been booked in "other non-current expenses".

According to IFRS 3R, later changes are possible to reflect the fair value of acquired assets and estimated liabilities at the effective date of the deal. The definitive values are booked within 12 months as of the acquisition date at the latest. As a result, the final purchase price acquisition could be different from the temporary allocation booked in the 2018 consolidated financial statements.

2.2 Increase in capital of 15.5 million euros

On January 29, 2018, the Company has performed an increase in capital of 15.5 million euros, through a private placement with the suppression of the preferential rate to subscribe to qualified investors. This operation, performed through an accelerated book building process, is thus consistent with the implementation of the 2018 – 2020 strategic plan.

The Company issued 5,158,223 new shares each with a par value of €0.10, with a unit price of €3, including additional paid-in capital, for a total of approximately €15,47m, accounting for 20% of the share capital prior to the transaction.

The successful completion of this transaction affords the Group an opportunity to develop its Data solution in France and internationally. The funds raised will also allow for any potential acquisition opportunities that may expand the Group's expertise or geographic reach.

2.3 Earn outs' payment

As part of the acquisition of the company 4P's in September 2016, Artefact has paid two earn outs over the first semester: one related to 2017 for an amount of 1 064 thousands of euros and another one of 1 136 thousands of euros in final payment, subsequent to the departure of the founders at the end of June.

As of December 31st 2018, the outstanding debt regarding the sellers for an amount of 1 161 thousands of euros is no longer due and has been reversed as a net gain in the income statement over the period according to IFRS 3R - Remuneration for post-combination services.

2.4 Preference shares conversion (ADP 1)

On September 13th, 2018, the Board of Directors approved the conversion of 54 075 ADP 1 into 1 514 100 ordinary shares with a par value of €0,10, at a rate of twenty-eight (28) ordinary shares for each ADP 1 and the completion of the related capital increase for a total amount of 146 002,50 euros, as a result of the conversion of the 54 075 ADP 1 into 1 514 100 ordinary shares.

As the outcome of the transaction, the share capital of the company amounts to 3 267 436,40 euros, divided into 32 632 556 ordinary shares with a par value of 0,10 euro and 41 808 ADP 2 with a par value of 0,10 euro.

3. Summary of accounting principles

3.1 Consolidation principles

Referential

By applying to the European legislation 1606/2002 of July the 19th 2002 with respect to international standards, Artefact Group consolidated financial statements for the year end closing as of December the 31st 2018 have been prepared under the international accounting standards IFRS in effect in the European Union on December 31st, 2018. They include norms approved by the International Accounting Standards Board (IASB), that is the IFRS, International Accounting Standards (IAS) and interpretations communicated by the International Financial Reporting Interpretation Committed (IFRIC).

IFRS Standards, IFRIC interpretations or mandatory amendments applied to the company as of 01/01/18

Except for the IFRS 15 et IFRS 9 standards, the new standards, which must be mandatory applied for the accounting exercises opened as of January the 1st, 2018 have no significant impact on the consolidated financial statements:

- Amendments to IFRS 2 – share based payment
- IFRS 22 – foreign currency transactions and advance consideration
- Yearly improvements of IFRS standards – Cycle 2014 / 2016

IFRS 16 – Leases, comes in effect on January 1st, 2019: the new standard requires lessees to recognize nearly all leases on the balance sheet which will reflect their right to use an asset for a period of time and the associated liability for payments. First of all, the transition to IFRS 16 has been performed at Group level, based on the collect of all significant lease agreements to assess the potential impacts depending on the different options. Over a second phase, a global analysis has been performed in anticipation of an effective application on January 1st, 2019. The Group decided to choose the simplified method for the transition to IFRS 16. Based on the review in progress, the estimated impact of IFRS 16 on the Group's Financial statements as at January 1st, 2019 is an increase of lease liability for 8 to 12 million euros.

3.2 First application of IFRS 15 and IFRS 9

IFRS 15 – Revenue from contracts with customers

IFRS 15 replaces IAS 18 – Revenue and IAS 11 – Construction contracts and establishes a new five-step model that applies to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized to reflect the transfer of promised goods and services to customers for amounts that reflect the consideration to which an entity expects to be entitled in exchange for those goods and services.

The five-step accounting model is the following:

1- Identify the contract
2- Identify the performance obligations in the contract

3- Determine the transaction price
4- Allocate the transaction price to performance obligations
5- Recognize revenue when (or as) the entity satisfies a performance obligation

The Group analyzed the impact of the adoption of IFRS 15 and identified no significant impact of the global gross margin. The main changes incurred by the new standard are the following:

- Agent versus Principal:

The notion of control has changed the assessment of the roles of Agent and Principal. Under the new revenue standards, when a third party is involved in providing services to a customer, the Group must determine if its performance obligation is to provide the service itself (i.e; the Group is principal and therefore records revenue and related expenses on a gross basis) or to arrange for another party to provide service (i.e., the Group is an agent and records as revenue the net amount it retains as a commission).

For some Media transactions, the Group is an agent on behalf of clients and books net revenue without the pass-through Media costs. For other Media transactions and Consulting-Data activities, the Group acts as a principal.

The following table presents the impacts of the application of IFRS 15 on the consolidated income statement:

In thousands of euros	Dec 31st, 2017	IFRS 15	Dec. 31st, 2017 restated
Revenue	160 924	(111 054)	49 870
Cost of sales	(113 805)	111 054	(2 751)
Gross Margin	47 119	-	47 119

- Contract Assets and Liabilities:

Revenue recognized over time that is subject to client's approval should be recognized as contract assets rather than Trade Receivables. Client advances to be recognized in Revenue when the control of goods and/or services will be transferred to clients are now reported into Contract Liabilities.

On January 1st 2018, the following impacts are identified:
- Contract Assets : 899 thousands of euros were reclassified from Trade Receivables to Contract Assets;
- Contract Liabilities : 6 632 thousands of euros were reclassified from other current liabilities to Contract Liabilities;

The following table presents the impacts of the application of IFRS 15 on the consolidated balance sheet:

In thousands of euros	Dec 31st, 2017	IFRS 15	Dec. 31st, 2017 restated
Non current assets	60 876	-	60 876
Trade and other receivables	58 883	(899)	57 984
Contract Assets	-	899	899
Other current Assets	15 205	-	15 205
Current Assets	74 088	-	74 088
Total Assets	134 964	-	134 964
Equity	36 528	-	36 528
Incl. Retained earnings and other reserves	(4 079)	-	(4 079)
Non current liabilities	5 303	-	5 303
Contract Liabilities	-	6 632	6 632
Other current liabilities	93 132	(6 632)	86 500
Current Liabilities	93 132	-	93 132
Total Liabilities	134 964	-	134 964

The Group decided to choose the simplified method for the transition to IFRS 15.

IFRS 9 – Financial Instruments

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement".

The main change concerns the accounting of impairment losses on financial assets by introducing a prospective approach for losses on expected receivables. The following impacts are identified on the Group's financial statements:

- 25 thousands of euros as of December, 31st 2017 were booked in reserves in compliance with the simplified transition method (no comparative data from the previous period have been restated)
- In addition, 29 thousands of euros were booked in the consolidated income statements for 2018

3.3 Reconciliation of alternative performance indicators

The aim of this note is to establish the link between the performance indicators used for the financial communication and the Group's Financial statements:

In thousands of euros	Dec 31st, 2018
Revenue	67 607
Cost of sales	(3 772)
Gross Margin	63 835

Cost of sales mainly corresponds to the Media Costs out of the IFRS 15 scope (see paragraph 3.2), sub-contracts expenses for Consulting and Creative activities. The Gross Margin is is the key indicator used by the Group to monitor the revenue recognition as it represents the net income (related third-parties costs are excluded).

In thousands of euros	Dec 31st, 2018
Operating income	(848)
Depreciation and amortization	1163
Provision for risks and charges	540
Re-evaluation of the shares held in NB Asia Limited Ltd for 17%*	(637)
Restructuring costs	576
Fees related to business combination	197
Other non-current income and expenses	455
EBITDA	1 446
Employee expenses – IFRS 2 share-based payment	2 177
Employee expenses – Remuneration for post-combination services under IFRS 3R	115
EBITDA restated	3 738

**see "8 Matic Acquisition" (Major Events)*

3.4 Consolidation principles

The Group consolidated financial statements consist of the financial statements of Artefact and its subsidiaries as of December the 31st 2018. Subsidiaries financial statements are prepared within the same reference period as the parent company financial statement. The list of retained subsidiaries within the consolidation scope is disclosed in the fourth paragraph below.

Subsidiaries are defined as every entity on which the Group exercises control. Subsidiaries are consolidated by global integration at the date the Group obtains the control on them, and they are excluded from the consolidation scope at the date they ceased to be controlled by the Group. Subsidiaries consolidated accounts are adjusted if needed, to ensure consistency to the accounting and evaluation principles.

4. Scope of Consolidation

The scope of consolidation as of December 31, 2018 is the following:

Entity	Registered office	Country	% of interest	% of ownership	Method
Artefact SA	19 rue Richer 75009 Paris	France	Parent society	Parent society	FC
Pixidis SARL	19 rue Richer 75009 Paris	France	100%	100%	FC
Artefact Germany GmbH	21 Philosophenweg, 47051 Duisburg	Germany	100%	100%	FC
metapeople GmbH	26 Siewerdtstr, 8050 Zurich	Swiss	100%	100%	FC
Artefact Netherlands	Artur van Schendelstraat 500, 3511 MH Utrecht	Netherlands	100%	100%	FC
Artefact Marketing engineers UK Limited	4th Floor, 78 Chamber Street Whitechapel, London E1 8BL	UK	100%	100%	FC
Artefact Italy SRL	Via Sicilia, 43, 00187 Rome	Italy	100%	100%	FC
Artefact Data Spain SLU	Paseo de la Castellana 77, 10th Floor. 28046 Madrid	Spain	100%	100%	FC
Media Diamond	Calle Marques de Monteagudo, 22, 28028 Madrid	Spain	50%	100%	FC
Artefact Middle East and Africa FZ-LLC	3rd Floor office, 3004 Building EIB1, Dubai	Dubai	100%	100%	FC
Artefact Denmark A/S	Pilestraede 521, 3, sal 1112 Copenhagen K	Denmark	100%	100%	FC
NetBooster Finland Oy	Bulevardi 2-4 A 00120 Helsinki	Finland	100%	100%	FC
Artefact Norway AS	Filipstad Brygge 1 – 2nd floor 0252 Oslo	Norway	100%	100%	FC
Netbooster Sweden	Sankt Eriksgatan 63 11234 Stockholm	Sweden	100%	100%	FC
Netbooster Holding A/S	Pilestraede 521, 3, sal 1112 Copenhagen K	Denmark	100%	100%	FC
Netbooster APAC Ltd	Unit 1904-5, 135 Bonham Strand Trade Center, Hong Kong	Hong Kong	100%	100%	FC
Netbooster Hong Kong Ltd	Unit 1904-5, 135 Bonham Strand Trade Center, Hong Kong	Hong Kong	100%	100%	FC
Netbooster Malaysia SDN BHD	Level 27 Centerpoint North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur	Malaysia	100%	100%	FC
Artefact Australia PTY LTD	Should be 77-83 City Road, Southbank, Victoria 3006	Australia	100%	100%	FC
Netbooster Singapore PTE Ltd	92 Robinson Road, #11-04 SIF Building, 68899 Singapore	Singapore	100%	100%	FC
Netbooster Asia Limited	10 Floor, Guangdong Investment Tower, 148 Connaught Road Central, Hong Kong	China	59,69%	100%	FC
Netbooster Internet Science and Technology Co., Ltd	Land Building, No 580 West Nanjing Road,Jingan district Shanghai, China	China	59,69%	100%	FC
8Matic Advertising (Shanghai) Co, Ltd	No 360 Hengtong Road, Jingan district Shanghai, China	China	59,69%	100%	FC
8Matic Limited	10 Floor, Guangdong Investment Tower, 148 Connaught Road Central, Hong Kong	China	50,01%	100%	FC
Artefact Do Brasil Consultoria Estrategica Ltda	Avenida das Nações Unidas, 12901,11° andar São Paulo	Brasil	93%	100%	FC

Scope variations which occurred in 2018 are as follow :

- Acquisitions during the period:
- Acquisition of 59,69% of Netbooster Asia Limited, Netbooster Shanghai Internet Science and Technology Co., Ltd and 8Matic Advertising (Shanghai) Co, Ltd and 50,01% of 8Matic Limited.
- Investment in the company Artefact Do Brasil for 93%
- Disposals during the period:
- Liquidation of NetBooster GmbH

5. Notes related to the income statement and the balance sheet

Note 1 | Turnover – Segment information

The management monitors the Group's activities by region and by channel.

Three geographic areas are identified: France, the rest of Europe and Other Markets which include Asia, the Middle-East and Brasil.

The two main channels are the following:

1) The first includes Consulting and Data activities
2) The second includes all the Activation and Creative activities:
   - PPC (Pay Per Click): management of key words and advertising campaigns for clients
   - SEO (Search Engine Optimization): visibility improvement on search engines (Googles, Bing, Youtube etc)
   - Media: optimization of advertising campaigns, and automation of Media Buying
   - Affiliate advertising: connecting advertisers with publishers and putting links on sites
   - Creative and Design: creation of web sites and advertising campaigns
   - Social Media: advertising retargeting on social Networks

Gross Margin and profitability per geographic area

	Gross Margin		EBITDA	
In thousands of euros	2018	2017	2018	2017
France	24 613	11 795	3 216	246
Rest of Europe	32 142	32 940	774	1 397
Other Markets	7 080	2 384	(252)	30
Impact of IFRS 2 & IFRS 3R			(2 292)	(584)
TOTAL	63 835	47 119	1 446	1 089

Gross Margin per channel

In thousands of euros	2018		2017	
Consulting (consulting & data)	20 174	32%	7 866	17%
Marketing (media & activation, creation)	43 661	68%	39 253	83%
TOTAL Gross Margin	63 835	100%	47 119	100%

Note 2 | Employees expenses

In thousands of euros	2018	2017
Wages and salaries	(37 875)	(28 343)
Social charges	(8 183)	(5 355)
Pension benefits	(13)	(4)
Other	(749)	(380)
Sub-total	(46 820)	(34 082)
Employee expenses – IFRS 2 share-based payment	(2 177)	(584)
Employee expenses – Remuneration for post-combination services under IFRS 3R	(115)	-
TOTAL	(49 113)	(34 666)

Average Workforce

The average workforce is distributed as follow:

	2018	2017
France	201	178
Rest of Europe	462	447
Other Markets	140	31
TOTAL	803	656

Payment based on IFRS 2 shares

This P&L named "employee expenses – Payment based on the IFRS 2 shares" which represents an expense of 2 177 thousand of euros, corresponds to a reclassification of free shares for 1 319 thousand of euros and preferential shares, ADP 2, for 858 thousand of euros in "employee expenses" according to the IFRS 2 standard

Remuneration for post-combination services under IFRS 3R

It represents an expense of 115 thousands of euros in 2018 is mainly the impact of two operations recorded in "employee expenses - Remuneration for post-combination services under IFRS 3R":

- 8 Matic's earn out which corresponds to the amount over the guaranteed shared price and subjects to presence and performance conditions for a total expense of 1 094 thousands of euros as of December 31st, 2018;
- 4P's Price adjustment booked in the income statement for a net gain of 1 161 thousands of euros, subsequent to the departure of the directors and the end of the related earn out clause.

Note 3 | External Expenses

In thousands of euros	2018	2017
Rental and lease costs	(4 209)	(3 146)
Fees	(2 590)	(2 296)
Travel expenses	(1 740)	(1 655)
Marketing expenses	(1 221)	(752)
Dues and subscriptions	(346)	(284)
License fees	(452)	(607)
Telephone and internet	(415)	(454)
IT equipment	(533)	(540)
Maintenance	(594)	(371)
Insurance	(179)	(198)
Recruitment costs	(654)	(547)
Staff entertainment expenses	(447)	(343)
Bank fees	(195)	(220)
Training costs	(211)	(108)
Other	(535)	(371)
TOTAL	(14 323)	(11 892)

Note 4 | Other current incomes and expenses

In thousands of euros	2018	2017
Research tax credit and other subventions	1 228	795
Charges transferred	-	134
Other current incomes	348	270
Bad debt costs	156	(457)
Other current expenses	(283)	10
TOTAL	1 450	752

Note 5 | Depreciation and amortization

In thousands of euros	2018	2017
Intangible assets depreciation	(444)	(270)
Tangible assets depreciation	(718)	(604)
Other operating depreciation	(233)	-
TOTAL	(1 396)	(874)

Note 6 | Other non-current operating incomes and expenses

In thousands of euros	2018	2017
Re-evaluation of the shares held in NB Asia Limited Ltd for 17%	637	-
Restructuring costs	(576)	(1 056)
Fees related to business combination	(197)	(743)
Recall of VAT in Germany		(662)
Provision for litigation	(307)	
Other	(455)	(297)
TOTAL	(898)	(2 758)

Restructuring and reorganization costs are mainly concerning France (333 thousands of euros), the Nordics (130 thousands of euros) and Germany (95 thousands of euros).

The fees related to the business combination correspond to the consultancy fees incurred as part of the acquisition of Chinese companies and the creation of the Brazilian subsidiary.

Note 7 |Financial incomes and expenses

In thousands of euros	2018	2017
Incomes from cash and cash equivalent	63	78
Cost of financial debt	(660)	(731)
Cost of net financial debt	(596)	(653)
Fair value impacts of derivative instruments	636	
Exchange gains	491	389
Other	1	1
Other financial income	1 128	390
Fair value impacts of derivative instruments	(125)	(575)
Amortization of financial assets	(18)	(1)
Exchange loss	(499)	(984)
Other	(65)	(46)
Other financial expenses	(707)	(1 606)
NET FINANCIAL RESULT	(176)	(1 869)

The financial income related to the fair value impacts of derivative instruments for 636 thousands of euros correspond to the preference shares - ADP 1. It is the result of the number of new ordinary shares issued following the conversion of theses ADP 1 multiplied by the difference between the exchange rate at the issue date, ie 3,27€ (subsequent to the capital increase on July 27th, 2017 to pay the contribution of Artefact's shares) and the exchange rate at the conversion date on September 13th 2018, ie 2,99€.

Note 8 | Tax Income

Tax income detail

In thousands of euros	2018	2017
Tax income	(363)	(380)
IAS 12: CVAE and other	(345)	(114)
Current income tax	(708)	(494)
Deferred tax income	918	264
Effective tax charge	209	(230)

Note 9 | Goodwill

In thousands of euros	Net value as of 31/12/2017	Increase	Decrease	Conversion difference	Net value as of 31/12/2018
France	19 515	-	-	(99)	19 416
4Ps Marketing (UK)	8 068	-	-	-	8 068
meta people (DE, CHF, NL)	12 652	-	-	-	12 652
Northern Europe	4 565	-	-	-	4 565
Southern Europe	6 016	-	-	-	6 016
NB Shanghai	-	3 750		(45)	3 705
TOTAL	50 816	3 750	0	144	54 422

The acquisition in China of the company 8 Matic and its affiliates on March 16th has generated a goodwill of 3 750 thousands of euros (see "*Major events*").

Note 10 | Financial derivative instruments

In thousands of euros	2018	2017
Fair value of the hedging swap contract	36	71
Financial derivative instruments (Assets)	36	71
Fair value of the preference shares « ADP1 »		(5 163)
Other financial instruments Liabilities	(89)	
Financial derivative instruments (Liabilities)	(89)	(5 163)
TOTAL	(54)	(5 092)

The preference shares (ADP 1) have been converted on September 13th 2018 (see *"Major Events"*)

Note 11 | Provisions

en milliers d'euros	31/12/2017	Accrual	Reversal	31/12/2018
Provision for risk (non-current)	-	440	-	440
Pension plan provision	17	13		30
TOTAL	17	453		470

The provision for risk corresponds to diverse litigations with former employees, mainly in France.

Note 12 | Financial debts

In thousands of euros	31/12/2017	Variation	Reclassification	Conversion difference	31/12/2018
Bank loans	1 565	(1 469)	11 854		11 951
Non-current Financial Debt	1 565	(1 469)	11 854		11 951
Bank loans	14 373	(536)	(11 854)		1 983
Bank overdraft	4 146	(2 853)		(2)	1 290
Current Financial Debt	18 519	(3 390)	(11 854)	(2)	3 273
Total Financial Debt	20 084	(4 858)	0	(2)	15 224

Bank loans

As of December 31st 2018, the variation of the bank loans mainly corresponds to the repayment of the amount due over the year for 1 646 thousands of euros and related to the loan obtained in March 2016

As of December 31st 2018, the balance of the bank loan is composed of:

- 8 075 thousands of euros based on a variable interest rate yearly calculated on the basis of the rate Euribor 6 month + 4,3% and repayable in fine on March 18th 2022

- 4 939 thousands of euros related to the tranche A2, based on a variable interest rate yearly calculated on the basis of the rate Euribor 6 months + 2% and repayable on bi-annual maturity date until December 31st, 2021

Under this loan agreement, the Groupe commits to adhere to the covenants. Artefact has also implemented an hedging contract to cover the risk for interest rate fluctuation.

The reclassification of 11 854 thousands of euros from non-current financial debt to current financial debt is mainly explained by the reversal of the reclassification booked as of December 31st 2017 further to the breaching of bank covenants and the waiver of the obligations due to this breach on January 29th 2018.

Note 13 | Other current and non-current liabilities

In thousands of euros	31/12/2018	31/12/2017*
Debt on acquisition – guaranteed share price	1 403	3 385
Debt on acquisition – remuneration under conditions	1 094	-
Other liabilities	1 769	2 433
TOTAL	4 266	5 818
Including non-current	*3 496*	*3 721*
Including current	*770*	*2 097*

**2017 Balance Sheet is restated under the new IFRS 15 standard (Contract liabilities)*

The debt on acquisition of 1 403 thousands of euros corresponds to the best estimate of the guaranteed share price to be paid regarding the acquisition of Chinese companies in March 2018. The estimation of additional earn outs based on presence and performance conditions is booked in "other liabilities" in the balance sheet and in "Employee expenses – Remuneration for post-combination services under IFRS 3R" in the income statement for an amount of 1 094 thousands of euros (see "Major events").

Note 14 | Post closure Events

Sale of the affiliation activity in the Nordics countries

As part of the restructuring plan of the Nordics countries, the Company has sold the affiliation activity operating in Denmark, Norway, and Finland on January 30th 2019. The gross margin of the disposed activity amounted to 753 thousands of euros in 2018, which represents around 20% of the gross margin over these three countries in 2018.

Signature of an amendment to the loan agreement with the banking pool

On April 12th 2019, the Company has signed an amendment to the loan agreement with the banking pool, which includes more flexible commitments and covenants, especially the ratio EBITDA on net debt. These new conditions are applicable as from the 2018 Consolidated statements. The Company adheres to the bank covenants as of December 31st 2018.

ARTEFACT