ARGAN

French public limited company (*Société Anonyme*)
with an Executive Board and Supervisory Board
with share capital of €44,618,454

Registered office: 21, rue Beffroy
92200 Neuilly sur Seine
393 430 608 Nanterre Trade and Companies Register

HALF-YEAR FINANCIAL REPORT

Period from 1st January to 30 June 2020

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Half-Year Consolidated Financial Statements as at 30 June 2020

From 1st January to 30 June 2020

I – Consolidated balance sheet

ASSETS (in thousands of euros)	Notes	30.06.2020	31.12.2019
Non-current assets:			
Goodwill	8	55,648	55,648
Other intangible assets	9	12	18
IFRS 16 rights of use	9	64,973	64,098
Tangible fixed assets	10	11,701	11,787
Assets under construction	11.1	116,665	54,346
Investment properties	11.2	2,677,100	2,670,452
Investments in associates	17	918	1,073
Financial derivative instruments	12		
Other non-current assets	13	1,118	1,127
Total non-current assets		**2,928,137**	**2,858,551**
Current assets:			
Trade receivables	14	51,260	40,643
Other current assets	15	32,684	30,535
Other financial assets at fair value through income			
Cash and cash equivalents	16	29,070	16,721
Total current assets		**113,014**	**87,898**
Assets held for sale			
TOTAL ASSETS		**3,041,151**	**2,946,449**

LIABILITIES (in thousands of euros)	Notes	30.06.2020	31.12.2019
Shareholders' equity:			
Capital	18.1	44,618	44,424
Premiums	18.1	295,733	330,692
Reserves		869,174	659,892
Impact of first application of IFRS 16 (1)			-3,167
Treasury shares	18.3	-170	-74
Revaluation of financial instruments	12	-9,982	-8,083
Income		49,612	215,037
Total equity, share of owners of the parent company		**1,248,985**	**1,238,722**
Minority interests		4	4
Total consolidated shareholders' equity		**1,248,989**	**1,238,726**
Non-current liabilities:			
Long-term portion of financial liabilities	19	1,477,046	818,341
Long-term portion of IFRS 16 lease liabilities	19	68,534	67,402
Financial derivative instruments	12	9,295	5,703
Security deposits	20	8,794	7,839
Provisions	21		
Long-term tax liabilities (Exit Tax - SIIC)	22		
Total non-current liabilities		**1,563,669**	**899,285**
Current liabilities:			
Short-term portion of financial liabilities	19	108,827	60,696
Short-term portion of financing (Cargo transaction)	19		645,000
Short-term portion of IFRS 16 lease liabilities	19	1,525	1,455
Financial derivative instruments	12		
Short-term tax liabilities (Exit Tax - SIIC - Current taxes)	22		
Debts on fixed assets		29,476	26,587
Provisions	21		
Other current liabilities	23	88,665	74,701
Total current liabilities		**228,493**	**808,439**
TOTAL LIABILITIES		**3,041,151**	**2,946,449**

(1) When IFRS 16 was introduced on 1 January 2019, the impact on equity was specified. As from financial year 2020, the impact of IFRS 16 is recognized in consolidated reserves.

II – Consolidated income statement

Period from 1 January 2020 to 30 June 2020

In thousands of euros	Notes	30.06.2020	30.06.2019
Rental income		69,505	45,122
Property operating income and expenses		-1,171	7
Other income and expenses on buildings		1,140	1,198
Net income from buildings	24	**69,475**	**46,327**
Other income from operations			
Personnel expenses		-2,287	-2,932
External expenses		-1,000	-1,587
Taxes		-764	-875
Amortisation, depreciation and provisions (1)		-1,186	-778
Other operating income and expenses		-23	113
Current operating income		**64,215**	**40,267**
Income from disposals	11	-83	-263
Change in fair value of investment property	11	5,681	127,680
Operating income		**69,813**	**167,685**
Income from cash and cash equivalents	25	-6	87
Cost of gross financial debt	25	-18,069	-9,650
Cost of net financial debt	25	**-18,075**	**-9,563**
Other financial income and expenses	26	-1,971	-2,060
Tax expense or income	27		-301
Share of income from associates	17	-155	1,428
Net income		**49,611**	**157,188**
Equity holders of the parent		49,612	157,189
Non-controlling interests		0	-1
Earnings per share in euros	28	**2.22**	**9.55**
Diluted earnings per share in euros	28	**2.23**	**9.55**

(1) Including allocations for IFRS 16 rights of use: €1,050K

III – Statement of income and expenses recognised

In thousands of euros	Notes	30.06.2020	30.06.2019
Earnings for the period		**49,611**	**157,188**
Effective portion of gains and losses on hedging instruments	12	-793	-2,154
Total gains and losses recognised directly in equity		**-793**	**-2,154**
Earnings for the period and gains and losses recognised directly in equity		**48,819**	**155,034**
- Of which Group share		48,819	155,034
- Of which non-controlling interests		0	-1

IV – Consolidated cash flow statement

In thousands of euros	Notes	30.06.2020	30.06.2019
Consolidated net income (including minority interests)		**49,611**	**157,188**
Net depreciation expense and provisions		1,186	531
Unrealised gains and losses related to changes in fair value of investment property	11	-5,681	-127,680
Unrealised gains and losses related to changes in fair value of derivative instruments	12	1,971	2,026
Calculated expenses		-272	986
Income from disposals of assets, grants received	11	83	263
Share of income related to associates		155	-1,428
Cost of net financial debt	25	18,075	9,563
Tax expense (including deferred taxes)	27		301
Cash from operations before cost of debt and tax (A)		**65,128**	**41,750**
Current taxes (B)		1,623	-1,895
Change in operating WCR (C)		962	-19,658
Net cash flow from operations (D) = (A + B + C)		**67,713**	**20,197**
Acquisition of tangible and intangible assets		-67,778	-57,936
Disposals of fixed assets	11	69	17
Acquisitions of financial capital assets	13	-54	-235
Decreases in financial capital assets			
Impact of business combinations - Portimmo	30		-6,441
Dividends received (equity-accounted companies)	17		5,588
Change in fixed asset liabilities		2,889	7,616
Other investing cash flow items		-2	-136
Net investing cash flow (E)		**-64,876**	**-51,528**
Capital increase and reduction			0
Purchase and resale of treasury shares	18.3	-87	-111
Investment grant received			
Dividend paid (shareholders of the parent company and minority interests)	18.2	-38,175	-10,197
Receipts from borrowing		728,874	71,500
Repayment of borrowings and financial debts	19.1	-667,126	-24,200
Payment of IFRS 16 lease debt	19.1	-774	-539
Net cash flow from financial income and expenses		-13,944	-7,597
Other financing cash flow items (lessee advances)			
Net financing cash flow (F)		**8,798**	**29,077**
Net cash flow (D + E + F)		**11,635**	**-2,254**
Opening cash position		16,664	25,617
Cash position on the balance sheet date	29	29,043	23,364

V – Statement of changes in consolidated equity

(in thousands of euros)	Capital	Premiums and Reserves	IFRS 16	Treasury shares	Gains and losses recognised in equity	Earnings	Shareholders' equity, Group share	Shareholders' equity, minority interests' share	Total shareholders' equity
Shareholders' equity as at 31 December 2018	**32,755**	**480,218**	**0**	**-181**	**-3,843**	**144,525**	**653,472**	**5**	**653,477**
Dividend	491	11,418				-22,106	-10,197		-10,197
Allocation of retained earnings		125,335			-2,917	-122,419	0		0
Impact of first application of IFRS 16 on 01/01/19			-3,167				-3,167		-3,167
Treasury shares				-107			107		107
Free share allocation		2,079					2,079		2,079
Impact of changes in scope - Cargo (1)		371,470					382,648		382,648
Income from disposal of treasury shares		62					62		62
Comprehensive income as at 31 December 2019					-1,324	215,036	213,712	-1	213,712
Shareholders' equity as at 31 December 2019	**44,424**	**990,584**	**-3,167**	**-74**	**-8,083**	**215,036**	**1,238,722**	**4**	**1,238,726**
Dividend	111	3,994				-42,280	-38,175		-38,175
Allocation of retained earnings		173,862			-1,106	-172,756	0		0
Impact of first application of IFRS 16 on 01/01/19		-3,167	3,167				0		0
Treasury shares				-96			-96		-96
Free share allocation		-272					-272		-272
Capital increase	83	-83					0		0
Income from disposal of treasury shares		10					10		10
Comprehensive income as at 30 June 2020					-793	49,611	48,819		48,819
Other changes		-23					-23		-23
Shareholders' equity as at 30 June 2020	**44,618**	**1,164,904**	**0**	**-170**	**-9,982**	**49,611**	**1,248,985**	**4**	**1,248,989**

(1) The impact of €382.6 million pertains to:

- The issue price of the securities (shares issued): €279.5 million
- The effect of the business combination in accordance with IFRS 3: €104 million
- Acquisition costs booked: -€0.9 million

VI – Notes to the consolidated financial statements
Period from 1 January to 30 June 2020

1. General information

ARGAN's business is the construction, acquisition and rental of logistics facilities and warehouses.

The company and its "Immo CBI" subsidiary have been covered by the tax regime for listed real estate investment companies (SIICs) since 1 July 2007.

The Group has held a 49.9% stake in SCCV Nantour since 9 September 2016.

On 15 May 2018, SCI Avilog was created. The Group holds 51% of the shares of this subsidiary.

ARGAN is listed on NYSE Euronext Paris, compartment B, since 25 June 2007.

2. Significant events

During the first semester of 2020, ARGAN has delivered two extensions to the logistics hubs of SYSCO located in Nantes and Tours for an aggregate additional area of more than 5,000 sqm.

Furthermore, regarding the ongoing restructuration project of a 24,000 sqm logistics hub located at Croissy-Beaubourg and which will be completed by the end of the year, ARGAN has already announced the rental of the first two units (for a total area of 9,000 sqm) to POLYFLAME EUROPE, lighter specialist and European market leader for smoking accessories.

The first semester of 2020 was also marked by the Covid-19 pandemic, an unprecedented global crisis. During this period, the Company has adopted appropriate health measures for the continuity of its operation while maintaining the safety of its employees. Construction works, whose activity was temporarily stopped in the second quarter, have resumed gradually and are now all in operation. This limits delays and their impact on revenues for 2020. The company has also supported its tenants most affected by the crisis by granting payment facilities, by monthly invoicing quarterly rents for the 2nd quarter. As at today, only one tenant, CELIO, is experiencing difficulties leading to its placement in the safeguard procedure on 22 June 2020 (see paragraph 14. Trade receivables). Finally, at the same time, the Company requested from its main bankers repayment deferrals of two quarterly installments, enabling it to consolidate its cash flow.

3. Background to the preparation of the consolidated financial statements

The consolidated half-year financial statements for the period from 1 January to 30 June 2020 were adopted by the Executive Board on 8 July 2020.

In accordance with Regulation (EC) No 1606/2002 of 19 July 2002 on the application of international accounting standards, the ARGAN Group's consolidated financial statements are prepared in accordance with IFRS as adopted in the European Union. The standards are available on the European Commission website (https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:32008R1126).

The standards and interpretations listed below have been applicable to the Group since 1 January 2020 and have no significant impact on its earnings and financial position:

- Amendments to IAS 1 and to IAS 8: amendment to the definition of « material » (published on 31 October 2018),
- Amendments to IAS 39, IFRS 7 and IFRS 9: Interest rate benchmark reform (published on 26 September 2019),
- Amendments to IFRS 16: Covid-19 related rent concessions (published on 28 May 2020),

The Group opted not to implement the standards, amendments to standards and interpretations adopted by the European Union that were eligible for early application from 2020.

The standards, amendments to standards and interpretations currently being adopted by the European Union have not been applied early.

4. General principles of measurement and preparation

The financial statements are presented in thousands of euros.

They are prepared according to the historical cost principle, except for investment property and financial derivative instruments, which are measured at fair value.

Application of IFRS 13 "Fair Value Measurement"

Since 1 January 2013, the ARGAN Group has applied IFRS 13, which defines fair value as " the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date". The standard establishes a three-level fair value hierarchy for the inputs used in the valuations:

- Level 1: Unadjusted quoted prices in an active market for identical assets and liabilities that the entity can access at the measurement date,
- Level 2: Valuation model using inputs that are directly or indirectly observable in an active market,
- Level 3: Valuation model using non-observable inputs in an active market.

The hierarchical fair value level is therefore determined with reference to the levels of the inputs in the valuation technique. If a valuation technique is used with inputs at different levels, the asset or liability is included in one of the three levels on the basis of the lowest-level input that is significant to its valuation.

5. Use of estimates

Preparing the consolidated financial statements in accordance with the principles established by IFRS requires Management to make a number of estimates and certain assumptions that affect the amounts included in assets and liabilities, and the amounts included in the income and expense accounts during the financial year. These estimates are based on the going concern assumption and are on the information available at the time they are prepared.

Management's key estimates in preparing the financial statements cover:

- the assumptions used in valuing investment property,
- asset impairment and provisions,
- current and non-current maturities of certain credit lines with outstanding drawdowns,
- assessment of lease agreements, rental costs, taxes and insurance when these amounts are not known on the balance sheet date.

Management regularly reviews its estimates and assessments to account for past experience and incorporate factors deemed relevant to economic conditions. However, since assumptions are by nature uncertain, actual figures may differ from the estimates.

6. Accounting principles, rules and methods

6.1. Consolidation methods

Companies controlled by the Group, i.e. those in which the Group has the power to govern the financial and operational policies so as to obtain benefits, are fully consolidated.

The list of consolidated companies is given in Note 7, “Scope of consolidation”.

6.2. Consolidation period

All companies included in the scope prepare financial statements or interim financial reports on the same date as the consolidated financial statements.

6.3. Intragroup transactions

Receivables, debts, income and expenses arising from transactions between consolidated companies are eliminated.

6.4. Business combinations

Business combinations are treated in accordance with IFRS 3. Under this method, when an entity over which the Group acquires sole control is consolidated for the first time, the assets and any liabilities acquired are recognised at fair value as at the acquisition date.

The difference between Goodwill and the acquirer’s interest in the fair value of the assets and liabilities acquired is recorded as Goodwill.

6.5. Intangible assets

6.5.1. Rights of use relating to lease agreements

Lease agreements are recognised in the balance sheet from inception of the lease agreement at the discounted present value of future lease payments. These agreements are recorded as “lease obligations” in liabilities with a corresponding entry for “rights of use relating to lease agreements” in assets.

The Group has adopted the simplified retrospective method by applying the simplifying measures provided for by the standard.

Exclusion of the following contracts:

- Tacit or less than one year leases ; and
- Contracts for assets with a value of less than EUR 5,000.

The group has chosen to exclude the initial direct costs in determining the right of use.

Leased assets relate only to leases on land under farm-out agreements (airports, ports, etc.).

They are depreciated over the term of the lease, which is generally the fixed term under the contract unless there is a known intention to renew or terminate the lease. Depreciation expense is recognised in the income statement in operating margin, while interest expense is recognised in financial income.

The discount rate used is based on the basis of the group's average debt rate on 1 January 2020, adjusted to take into account the average duration of all the contracts concerned, i.e. 40 years. The discount rate to assess the rental debt is 2.241% for all outstanding contracts on 1 January 2020.

The group has not identified any future cash outflow not taken into account in the valuation of rental obligations (variable rents, extension options, residual value guarantees, etc.).

6.5.2. Other intangible assets

Other intangible assets acquired are recorded in the balance sheet at their acquisition cost less accumulated depreciation and impairment losses. These are primarily licenses for the use of low unit cost software.

6.6. Investment properties (IAS 40)

Real estate assets held directly or under a finance lease agreement to generate rental income or for capital appreciation or both are classified as "Investment properties" in the balance sheet.

Real estate assets consist solely of buildings under construction and buildings let on operating leases which meet the definition of investment properties.

Argan has opted to value its investment property at fair value as defined by IFRS 13 (see Note 4). These buildings are therefore not subject to depreciation or impairment.

Buildings under construction or under development are recognised at fair value when this can be measured reliably. The Company's view is that fair value can be measured reliably when there are no further major uncertainties about the cost price for the building. The Group considers that it can value the building once it is more than 50% complete. If fair value cannot be reliably determined, the property is recognised at its last known value plus any fixed costs over the period.

The fair value is applied on the basis of valuations carried out by a reputable independent appraiser. The appraisals conform to the national professional standards of the February 2000 COB/AMF report (Barthes de Ruyter) and the *Charte de l'Expertise en Evaluation Immobilière* (Charter of real estate valuation) developed under the guidance of IFEI. They also conform to the TEGOVA European professional standards. Specifically, the portfolio was valued in accordance with the Charter of real estate valuation.

In his appraisal report as of 30 June 2020, the independent appraiser specifies that "the Covid-19 epidemic, declared by the World Health Organization as a global pandemic, has had an impact on global financial markets. In France, at the date of the appraisal, the real-estate market offers enough transparency allowing us to base our appraisals. However, given the still uncertain nature of the health crisis on the real-estate market, we recommend that the valuation of these assets be reviewed regularly." The portfolio valuation is carried out by the independent appraiser on a semi-annual basis, the valuation of assets will therefore be reviewed at the end of the fiscal year.

6.6.1. Methodology

The main methodology used is the net income capitalisation or discounted future cash flow methods. The latter method is preferred in view of the reduction in fixed terms for most assets and the complex change in cash flows provided for in the leases.

The values used exclude transfer taxes and fees. The difference in fair values from one period to the next is recognised in income.

The change in fair value of each building recorded in the income statement is calculated as follows:

Market value n – (market value n-1 + amount of work and expenditure capitalised in year n).

Capitalised expenses are the prices paid, transfer taxes and acquisition costs for buildings.

The gain on disposal of an investment property is the difference between:

- the net selling proceeds after deduction of related costs and rent guarantees granted; and,
- the most recent fair value recorded in the closing balance sheet for the previous financial year.

6.6.2.Fair Value

The fair value measurement must take into account the highest and best use of the asset. ARGAN Group has not identified any highest and best use of an asset that is different from the current use. As a result, the implementation of IFRS 13 did not change the assumptions used when valuing the assets.

Fair value measurement of investment property involves the use of different valuation methods using unobservable or observable inputs to which certain adjustments have been applied. As a result, the Group's assets are deemed to fall under Level 3 of the fair value hierarchy enacted by IFRS 13, notwithstanding the consideration of certain observable Level 2 inputs as set out below.

Key inputs	**Level**
Warehouses and Offices	
- rate of return	3
- discount rate and terminal value of the DCF rate	3
- market rental value	3
- rent accrued	2

6.7. Finance leases on investment properties

Leases that transfer substantially all the risks and rewards of ownership incidental to the leased assets to the Group as lessee are classified as finance leases. The fair value of buildings covered by a finance lease agreement is recorded in assets. The principal owed to the lessor is recorded in current and non-current liabilities.

The buildings in question are recognised at period-end according to the fair value method (see paragraph 6.6).

Payments made under a lease agreement are broken down between financial expense and amortisation of the outstanding debt.

6.8. Tangible fixed assets

Tangible fixed assets other than investment properties are recorded at their cost less accumulated depreciation and impairment losses.

Depreciation is recognised as expenses on a straight-line basis over the estimated useful life of tangible capital assets. Components with shorter useful lives than the asset to which they pertain are depreciated over their individual service lives.

Useful lives are estimated as:

- Buildings: 10 to 60 years,
- Other tangible fixed assets: 3 to 10 years.

6.9. Investment property under construction

Sites for construction of a real estate complex intended for rent, as well as construction in progress, are recognised as investment property in progress using the valuation methods described in paragraph 6.6 "Investment properties (IAS 40)".

6.10. Impairment of goodwill and fixed assets

6.10.1. Impairment of goodwill

The Group is recognised as a single Cash-Generating Unit (CGU).

The single CGU to which goodwill has been assigned is tested for impairment each year, or more frequently if there is an indication that the unit may have lost value.

The value of goodwill in the balance sheet is compared with the recoverable value, which is the higher of the value in use and the fair value (less disposal costs). The recoverable value of fixed assets that do not generate a cash flow independently of other assets is calculated by combining them within the Cash-Generating Unit (CGU).

The value in use of the CGU is calculated using the discounted future cash flows (DCF) method over five years.

The recoverable value of the CGU calculated in this way is then compared with the contributory value in the consolidated balance sheet of the assets tested (including goodwill). An impairment loss is recognised, where applicable, if this value in the balance sheet is greater than the recoverable value of the CGU. It is charged first to goodwill and then to the other assets in the unit at the pro rata carrying amount of each of the assets in the unit. The impairment loss is first reduced by the carrying amount of any goodwill allocated to the unit.

This impairment loss is recognised in operating income. An impairment loss recognised for goodwill is not recovered in a subsequent period.

As at 30 June 2020, the Company's cash flow had been little impacted by the health situation related to Covid-19. The appraised value of the property portfolio remained stable. Finally, the ARGAN share price increased from €77.60 on 31 December 2019 to €81.40 on 30 June 2020, for a NAV excluding transfer taxes that increased from €55.80 to €56. As no indication of impairment has been identified, goodwill was not impaired as at 30 June 2020.

6.10.2. Impairment of fixed assets

Intangible fixed assets with indefinite useful lives are tested for impairment at each annual or semi-annual balance sheet date and whenever there is any indication that a decrease in value may have occurred. Other intangible and tangible fixed assets are also tested whenever there is an indication of an impairment loss.

Impairment loss is the difference between the net carrying amount and the recoverable value of the asset, which is its useful value or selling value, less disposal costs, if the selling value is greater than the useful value.

Investment property is measured at fair value and is therefore not subject to any impairment.

6.11. Trade and other receivables

Trade receivables are initially stated at fair value and, where the impact is material, they are subsequently measured at their amortised cost, less provisions for impairment, using the effective interest rate method. The impairment model requires the recognition of expected credit losses ("**ECLs**") on receivables resulting from lease agreements and commercial receivables. The aim of this new approach is earlier recognition of expected losses, while the provisioning model prior to IFRS 9 was conditional on the occurrence of an incurred loss event. The impairment amount represents the difference between the carrying amount of the asset and the value of estimated future cash flows, discounted at the original effective interest rate. The asset's carrying amount is reduced via an impairment account and the amount of the loss is recognised in the income statement. Non-recoverable receivables are derecognised and offset by reversal of the impairment to trade receivables. When a previously derecognised receivable is recovered the amount is credited to the income statement.

6.12. Financial assets

Financial assets include assets held to maturity, available-for-sale assets, loans and receivables, asset derivatives, assets at fair value through income, and cash and cash equivalents.

6.12.1. Held-to-maturity financial assets

Held-to-maturity financial assets are exclusively securities with fixed maturities and fixed or determinable income, other than loans and receivables, which the Group intends and has the ability to hold until maturity.

They are initially recognised at fair value and are subsequently measured and recognised at amortised cost using the effective interest rate method. Any potential impairment is recorded in the income statement under the heading of “Other financial income and expenses”.

The Group had no such investments outstanding as at 30 June 2020.

6.12.2. Available-for-sale financial assets

Available-for-sale assets chiefly include non-consolidated equity interests and securities that do not meet any of the other definitions of financial assets.

Available-for-sale financial assets are measured at fair value at each balance sheet date. Changes in the fair value of the securities are recognised in equity.

Fair value is the market price for listed securities or an estimate of the value in use for unlisted securities.

The Group had no such investments outstanding as at 30 June 2020.

6.12.3. Loans and receivables

These are financial assets with determined or determinable payments that are not listed on an active market. Loans and receivables are recognised at issue at fair value and are subsequently remeasured at amortised cost using the effective rate method. Any potential impairment recorded in the income statement under the heading of “Other financial income and expenses”.

The non-current “Loans and receivables” item includes deposits and guarantees paid with maturities of more than 12 months.

Other financial assets with a maturity of less than twelve months that are not designated as “financial assets at fair value through income” are recorded as “Other current assets” in balance sheet assets.

6.12.4. Financial instruments

IFRS 13 requires the credit risk of a counterparty (i.e. the risk that a counterparty may default on any of its obligations) to be taken into account when measuring the fair value of financial assets and liabilities.

IFRS 13 retains the IFRS 7 disclosure requirements about the three-level fair value hierarchy, whereby an entity is required to differentiate between the fair values of financial assets and financial liabilities on the basis of the observable nature of the inputs used to determine fair value.

As at 31 December 2013, the Group’s first application of IFRS 13 had not affected the fair value hierarchy for financial instruments, which had hitherto been Level 2 in accordance with IFRS 7 (valuation model based on observable market data) given that credit risk adjustment is considered to be an observable input.

Borrowings that are initially issued at a variable rate expose the Group to the risk of cash flows on interest rates. Borrowings that are initially issued at a fixed rate expose the Group to the risk of variations in the fair value of instruments associated with interest rate fluctuations.

The Group uses derivatives to hedge its variable-rate debt against interest rate risk (hedging of future cash flows) and applies hedge accounting when the documentation and effectiveness conditions are fulfilled:

- Derivatives that do not meet the eligibility criteria for hedge accounting are recorded in the balance sheet at fair value with changes in fair value stated in the income statement.
- A hedge is deemed to be effective if the changes in cash flow of the hedged item are offset by a change in the hedging instrument within a range of 80 to 125%. In this case, the effective portion of the change in fair value of the hedging instrument is recognised in equity, and the change in fair value of the hedged portion of the hedged item is not recorded in the balance sheet. The change in value of the ineffective portion is recorded immediately in income for the period. Accumulated gains or losses in equity are transferred to income under the same heading as the hedged item over the same periods during which the hedged cash flows impact on income.

The fair value of the derivatives is measured using generally accepted models (discounted future cash flow method, etc.) and based on market data. There was no material impact from counterparty credit risk in measuring the fair value of the Group's financial instruments as at 30 June 2020.

Derivatives are classified in the balance sheet depending on their maturity dates.

6.12.5. Financial assets at fair value through income

Financial assets measured at fair value through income are held for trading, i.e. purchased at the outset with the intention to sell in the short term. They may also be assets purposely recorded in this class because they are managed on the basis of a net asset value that represents fair value, with an original maturity of more than three months.

Financial assets at fair value carried through income are presented in the cash flow statement under "Change in working capital".

The fair value stated in assets is based on valuations reported by banks and changes in fair value are recognised in the income statement.

6.12.6. Cash and cash equivalents

This item includes cash in hand, short-term investments and other liquid and easily convertible instruments for which there is a negligible risk of impairment and which mature within three months of purchase at the latest. Investments held for over three months and frozen or pledged accounts are excluded from cash. Cash and cash equivalents are recognised at fair value and any changes in value are recorded in profit or loss.

6.12.7. Assets held for sale

Non-current assets or a group of assets and liabilities are held for sale if the carrying amount will be recovered primarily through a sale rather than ongoing use. For this to be the case, the asset must be available for immediate sale and its sale must be highly probable. The assets and liabilities concerned are reclassified as "Assets or liabilities held for sale" without the possibility of compensation and are valued at the lower of their carrying amount or their fair value net of disposal costs. The fair value of properties covered by an agreement to sell corresponds to the sale value stated in the agreement, net of disposal costs incurred by the Group.

6.13. Shareholders' equity

6.13.1. Treasury shares

Pursuant to IAS 32, treasury shares and directly associated transaction costs are recognised as a deduction from consolidated equity. Proceeds from the sale of treasury shares are recognised in equity.

6.13.2. Investment grants

Investment grants received are all related to investment property. They are deducted on receipt from the value of the relevant asset.

6.13.3. Free share allocation scheme

On 20 July 2016, the Executive Board set up a plan under which free shares would be awarded subject to certain performance criteria being exceeded in relation to the results for financial years 2016, 2017 and 2018. The free share allocation depends on the success of the three-year plan for 2016/2017/2018, which was measured on 31 December 2018, the end date for this three-year plan.

The Executive Board meeting of 15 January 2019 allocated 41,968 shares of the Company to the members of the Company's Executive Board. These free shares may only vest to the beneficiaries referred to above at the end of a period of one year from the said meeting of the Executive Board.

Pursuant to IFRS 2 "Share-based payments", the fair value of these free shares represents an expense that will be recorded on a straight-line basis over the one-year vesting period from the date of the allocation. The fair value of the free shares was determined using the price on the allocation date less known future dividends. These additional expenses are classified as staff costs.

6.14. Financial liabilities

Interest-bearing borrowings are initially recognised at fair value less attributable transaction costs and are measured subsequently at amortised cost using the effective interest rate method.

The long-term portion of borrowings with a maturity of more than 12 months from the balance sheet date is classified as non-current debts and the short-term portion is classified as current debts. Where no final maturity has been set as at the date the financial statements are prepared, the company makes an estimate.

Borrowing costs are reported as a deduction from the borrowing in order to recognise the actual cash proceeds from subscriptions for such borrowing.

However, borrowing costs related to the acquisition or production of a property asset are capitalised as part of the cost of the asset when it is likely that they will generate future economic benefits for the business and the costs can be reliably assessed.

6.15. Security deposits from lessees

Security deposits are not discounted since the impact of discounting would be immaterial.

6.16. Provisions

In accordance with IAS 37, a provision is booked if, at the balance sheet date, the Group has an obligation as result of a past event, when it is likely that an outflow of resources representing economic benefits will be required and the amount of the obligation can be reliably estimated. The amount of the provision is discounted at the risk-free rate if the time value of the money is material and if a reliable schedule can be determined. Increases in provisions to reflect the passage of time are recorded in financial expenses. Provisions maturing beyond one year or with no fixed maturity are classified as non-current liabilities.

Contingencies are not recognised.

6.17. Suppliers

Trade payables are recognised initially at fair value and measured subsequently at amortised cost. When such liabilities have short maturities, the amounts obtained by applying this method are very close to the nominal value of the debts, which is therefore used.

6.18. Taxes

6.18.1. Current taxes

Some of the income earned by companies that have opted for the SIIC regime are still subject to corporate tax at the standard rate.

The operations of SCCV Nantour do not qualify for the tax regime for listed real estate investment companies (SIICs).

6.18.2. Deferred taxe

Deferred taxes are recognised for all temporary differences between the carrying amount of assets and liabilities and their tax bases and are recorded using the liability method. They are calculated according to the regulations and the tax rates that have been adopted or announced as at the balance sheet date and taking into account the company's tax status on the reporting date. Deferred taxes are calculated at a rate of 28%. In accordance with IAS 12, the calculated amounts are not discounted.

6.18.3. SIIC regime

The Company and its IMMO CBI subsidiary have been covered by the tax regime for listed real estate investment companies (SIICs) since 1 July 2007.

Companies that adopt the SIIC regime are exempt from corporate tax on rental income and capital gains on the sale of property or certain interests in real estate companies.

In consideration of this tax exemption, SIICs are required to make a distribution to their shareholders of at least 95% of their exempt profits from rental operations and 70% of the exempt profits from capital gains on the sale of buildings or interests in real estate companies. They must also distribute 100% of the dividends received from any subsidiary subject to corporate tax that has adopted the SIIC regime.

Adoption of the SIIC scheme, subject to compliance with the conditions provided for by law regarding its corporate purpose, the composition of its assets, the amount of its share capital and its listing on a French regulated market, led to payment of corporate tax at the rate of 16.5%, assessed on the difference between the market value of its real estate assets on the date the SIIC regime was adopted and their taxable value. This tax, also referred to as exit tax, was paid in four equal instalments. Since 1 January 2019, the rate has increased to 19%.

6.19. Post-employment benefits granted to employees

Post-employment benefits with defined benefits granted to Group employees comprise lump-sum payments made on the retirement date.

Group employee pensions are paid by 'pay as you go' national pension organisations. Since the Group considers that it has no obligation beyond the payment of contributions to these bodies, contributions are recorded as an expense in the periods in which they are called.

6.20. Rental income

Rental income is recognised on the invoicing date and income from a rental period that extends beyond the balance sheet date is included in prepaid income.

To account fully for the economic benefits provided by assets, inducements granted to tenants (rent-free periods, rent ceilings, etc.), for which the counterpart is the level of rent assessed for the whole of the tenant's commitment period, are spread over the probable term of the lease as estimated by the company without taking into account the impact of indexed rent increases, where this is material.

6.21. Property operating income and expenses

Property operating expenses and rates include all operating expenses and rates for rented or vacant premises, be they responsibility of the tenant or the owner.

Property operating expenses and rates are charged back to the tenant either euro for euro or at a flat rate.

6.22. Other property operating income and expenses

Other property operating income is income that cannot be classified as rent or rebilled rental expenses (professional fees and miscellaneous services, etc.).

Other property operating expenses correspond to legal fees, doubtful receivables and expenses for works that are not by nature rental expenses.

As they are included in the fair value of investment property, initial direct costs incurred in connection with the negotiation and drafting of operating leases are recognised as expenses at the time of signature of the leases to which they are attached and are therefore not expensed over the rental period.

In the particular case of leases entered into at the end of the year with rental income commencing only as from the following year, other property expenses are recorded as prepaid expenses.

With effect from 1 January 2019 and the first application of IFRS 16, rental payments for land under construction leases are no longer charged back with netting of these expenses. Instead, they are allocated to financial expense and depreciation expense.

6.23. Earnings per share

Net earnings per share (before dilution) is calculated as net income, Group share for the financial year divided by the weighted average number of shares outstanding during the financial year.

Diluted net earnings per share takes into account outstanding shares and dilutive financial instruments giving deferred access to the Group's capital. The dilutive effect is calculated using the "share buyback" method, whereby the theoretical number of shares that would be issued at market price (average price of the share) is then deducted from the total number of shares resulting from the exercise of the dilutive instruments.

Treasury shares are deducted from the weighted average number of outstanding shares used as the basis for calculating net earnings per share (before and after dilution).

6.24. Presentation of the financial statements

Assets and liabilities with maturities of less than 12 months are classified in the balance sheet as current assets and liabilities. If their maturity exceeds 12 months. they are classified as non-current assets or liabilities.

Expenses in the income statement are shown by type.

In the cash flow statement, the net cash flow from operations is determined using the indirect method, whereby this net cash flow is derived from net income adjusted for non-monetary transactions, factors associated with net cash flows from investment and financing activities and changes in the working capital requirement.

Finance lease investments are excluded from investment activities in the cash flow statement. The portion of charges corresponding to the payment of financial expenses is shown in financing cash flow items. The portion of the charge corresponding to capital repayment is shown in financing items.

6.25. Operating sectors

The company has not identified distinct operating sectors insofar as its chief business is property investment, specifically the operation of investment properties that generate rental income. The Group does not offer any other products or services that could be considered a distinct component of the entity.

The portfolio consists solely of logistics hubs on French territory.

6.26. Risks management

6.26.1. Market risk

Changes in the general economic environment are likely to influence demand for new warehouse space, as well as having a long-term impact on the occupancy rate and tenants' ability to pay their rents.

Economic developments also have an impact on changes in the INSEE (French National Institute of Statistics and Economic Studies) indices to which the Company's rents are indexed (ICC: Cost-of-Construction index or ILAT: Tertiaries Activities Rent Index). However, in 53% of its leases, the Company has implemented a collar indexation clause or pre-indexation of rents in order to limit the effects of indexation to INSEE indices.

In addition, the Company is exposed to changes in the logistics real estate market, which could adversely affect Argan's investment and trade-off policy, as well as its operations, financial position, performance and outlook.

6.26.2. Counterparty risk

The majority of tenants are companies that do not present a significant risk with regard to their solvency.

Lessees are subject to a prior financial check and changes in their business and their financial solvency are monitored throughout the term of the lease.

6.26.3. Liquidity and credit risks

The company's characteristics (leases concluded for relatively long fixed terms, a current zero vacancy rate, financing through largely fixed-rate medium/long-term debt) provide it with good visibility of its projected level of cash flow. Given the cash available to the Company and its confirmed credit lines, the Company believes it will have no difficulty meeting its loan repayments due within one year. The Company also believes it is able to finance its development operations via medium/long-term financing from financial institutions.

6.26.4. Interest rate risk

The Company's policy is to favour fixed-rate debt. For its variable-rate debt, the company limits the sensitivity of financial expenses to fluctuations in interest rates by setting up hedging instruments (fixed- for variable-rate swaps, CAPs and Collars). Interest rate risk is managed by the Company in this regard and its residual exposure to variable rates is low, with around 10% of its debt being unhedged, variable-rate debt, as described in Note 11.

6.26.5. Equity market risk

As the Company holds a number of treasury shares, it is sensitive to fluctuations in the market price of its own shares which impact its equity. This risk is not material, given the small number of treasury shares held (see Note 17.3).

6.26.6. *Asset valuation risk*

The Company has adopted the fair value method for recognising investment properties. This fair value corresponds to the market value determined by appraisal, as the Company uses an independent appraiser to measure its assets. The Company’s income statement may therefore be impacted by a negative change in the fair value of its buildings resulting from a fall in market values. On the other hand, the downward trend in market values may have an impact on obligations to comply with ratios or covenants vis-à-vis certain financial institutions under loan agreements.

The attractiveness of the logistics investment market was confirmed during the first quarter of 2020 with record trading volume. Transactions fell sharply in the 2nd quarter with the containment related to the Covid-19 pandemic. However, with demand remaining strong and the financial context still favourable, rental yields remained stable during the first half of the year, resulting in little change in the fair value of investment properties.

6.26.7. *Risk associated with the SIIC regime*

These risks relate to the requirements of the tax regime applicable to listed real estate investment companies and possible changes in or loss of this status. The Company is eligible for the SIIC tax regime and, as such, is exempt from corporate tax. Eligibility for this tax regime is conditional on compliance with the obligation to redistribute a significant share of profits and with conditions relating to the Company’s shareholder base. Should the Company fail to comply with these conditions, its status as an SIIC may be jeopardised, or there may be financial consequences. In addition, the obligation for the Company to hold the assets acquired that entitle it to taxation under Article 210 E of the French General Tax Code for a minimum of five years could be a constraint, but the Company points out that both the assets that qualified for this treatment were acquired more than five years ago. Finally, loss of SIIC tax status and the corresponding tax saving or any substantial changes to the provisions applicable to SIICs would be likely to affect the Company’s business, results and financial position.

7. Scope of consolidation

Form	Companies	Company registration N° (SIREN)	% interest and control at 30/06/2020	% interest and control at 31/12/2019
SA	ARGAN	393 430 608	100%	100%
SARL	IMMO CBI	498 135 920	100%	100%
SCCV	NANTOUR	822 451 340	49.90%	49.90%
SCI	AVILOG	841 242 274	51.00%	51.00%

Companies in which ARGAN holds more than a 50% share are fully consolidated. SCCV Nantour is consolidated using the equity method.

8. Goodwill

(in thousands of euros)	Total
Gross values	
Balance at 31.12.2019	55 648
Additional amounts recognised as a result of business combinations that occurred during the year	
Reclassified as held for sale	
Balance at 30.06.2020	**55 648**
Accumulated impairment losses	
Balance at 31.12.2019	
Impairment	
Balance at 30.06.2020	0
Net value	
Net value as at 31 December 2019	**55 648**
Net value as at 30 June 2020	**55 648**

9. Intangible assets

(in thousands of euros)	Gross value as at 31.12.2019	Change in scope	Increase (1)	Decrease	Other changes	Gross value as at 30.06.2020
IFRS 16 rights of use	76,078		1,946			78,024
Amortisation of IFRS 16 rights of use	-11,980			-1,050	-21	-13,051
Other intangible assets (software)	78					78
Amortisation Other intangible assets	-60			-5		-65
Net value	**64,116**	**0**	**1,946**	**-1,055**	**-21**	**64,985**

(1) Includes the impact of the annual indexation of IFRS 16 lease payments.

10. Tangible fixed assets

(in thousands of euros)	Gross value as at 31.12.2019	Increase	Decrease	Other changes	Gross value as at 30.06.2020
Land	8,651				8,651
Buildings	2,870				2,870
Depreciation of buildings	-219	-63			-282
Office fixtures and fittings and equipment	853	47	-26		874
Depreciation of office fixtures and fittings and equipment	-368	-68	25		-412
Net value	**11,787**	**-84**	**-1**	**0**	**11,701**

11. Investment properties

11.1. Assets under construction

(in thousands of euros)	Gross value as at 31.12.2019	Increase	Line item to line item transfer	Change in fair value	Gross value as at 30.06.2020
Value of constructions in progress	54,346	56,387	-3,311	9,243	116,665

Buildings under construction or under development are recognised at fair value when this can be measured reliably. If fair value cannot be reliably determined, the property is recognised at its last known value plus any fixed costs over the period. At each balance sheet date, an impairment test is used to confirm that the recognised value does not exceed the recoverable value of the building.

As at 30 June 2020, the balance of assets under construction is mainly composed of sites for construction and buildings for which delivery is planned for the second half of 2020.

11.2. Investment properties

(in thousands of euros)	Investment properties 30.06.2020	Investment properties 31.12.2019
Opening value	**2,670,452**	**1,385,640**
Acquisitions of owned buildings		
N-1 work in progress commissioned and line item to line item transfer	3,311	60,258
Works and construction on property owned	7,049	70,351
Change in consolidation - CARGO		942,938
Change in consolidation - PORTIMMO		17,730
Work financed under finance lease arrangements		
Work not refinanced under finance lease arrangements		
Acquisitions of property under finance lease arrangements		
Fair value of property sold	-150	-281
Reclassification as assets held for sale		0
Change in fair value	-3,561	193,816
Closing value	**2,677,100**	**2,670,452**

The average rate of return from the independent valuation excluding transfer taxes of the Company's assets was down from 5.30% as at 31 December 2019 to 5.30% as at 30 June 2020.

The sensitivity of the portfolio's market value to the change in this average capitalisation rate excluding transfer taxes is as follows:

- An increase of 0.5% in the rate results in a decrease of 8.38% in the market value of the assets

- A decrease of 0.5% in the rate results in an increase of 10.71% in the market value of the assets

(in thousands of euros)	Investment properties 31.12.2019	Investment properties 31.12.2019
Fair Value of owned investment properties	2,031,420	2,022,494
Fair Value of properties under finance lease arrangements	645,680	647,958
Total	**2,677,100**	**2,670,452**

11.3. Fair value hierarchy

Asset classification	Fair value at 30.06.2020			Fair value at 31.12.2019		
	level 1	level 2	level 3	level 1	level 2	level 3
Warehouse buildings	0	0	2,677,100	0	0	2,670,452
Office buildings	0	0	0	0	0	0
Total	**0**	**0**	**2,677,100**	**0**	**0**	**2,670,452**

11.4. Summary of investment property and assets under construction

	Amount as at 30.06.2020	**Amount as at 31.12.2019**
Opening value (of which work in progress)	**2,724,797**	**1,452,049**
Change in fair value through operating income	5,681	197,148
Acquisition of buildings and works	63,436	115,215
Buildings held for sale		
Change in consolidation - CARGO		942,938
Change in consolidation - PORTIMMO		17,730
Disposals of buildings	-150	-282
Disposals of work in progress		
Closing value	**2,793,765**	**2,724,797**
Of which assets under construction	**116,665**	**54,346**
Of which Investment properties	**2,677,100**	**2,670,452**

The various assumptions used by the independent appraiser in measuring fair values are as follows (of 88 assets in Argan's portfolio, 33 assets are not included in this overview due to their particular characteristics: cold stores and assets not held freehold but built on a temporary occupation permit):

Ile de France/Oise - 21 assets							
Values	Rent €/sq m /year	Rental value €/sq. m/year	Discount rate on firm flows	Discount rate on unsecured flows	Theoretical rate of return on sale	Net Initial Yield	Capitalisation rate
Highest	€57	€65	6.50%	7.25%	7.50%	6.88%	9.08%
Lowest	€40	€43	3.85%	4.10%	4.35%	3.79%	4.49%
Average	**€48**	**€50**	**5.27%**	**5.73%**	**6.01%**	**5.21%**	**5.47%**

Rhône Alpes/Bourgogne/Auvergne - 8 assets							
Values	Rent €/sq m /year	Rental value €/sq. m/year	Discount rate on firm flows	Discount rate on unsecured flows	Theoretical rate of return on sale	Net Initial Yield	Capitalisation rate
Highest	€54	€50	6.50%	7.00%	7.50%	7.02%	6.35%
Lowest	€37	€40	4.00%	4.25%	4.50%	4.45%	4.01%
Average	**€46**	**€45**	**5.07%**	**5.44%**	**5.74%**	**5.21%**	**5.16%**

Hauts de France - 3 assets							
Values	Rent €/sq m /year	Rental value €/sq. m/year	Discount rate on firm flows	Discount rate on unsecured flows	Theoretical rate of return on sale	Net Initial Yield	Capitalisation rate
Highest	€54	€46	4.90%	5.40%	6.15%	6.31%	5.30%
Lowest	€44	€42	4.45%	4.40%	4.95%	4.45%	4.10%
Average	**€48**	**€44**	**4.62%**	**4.95%**	**5.37%**	**5.22%**	**4.78%**

Bretagne/Pays de la Loire - 3 assets							
Values	Rent €/sq m /year	Rental value €/sq. m/year	Discount rate on firm flows	Discount rate on unsecured flows	Theoretical rate of return on sale	Net Initial Yield	Capitalisation rate
Highest	€38	€40	6.65%	7.40%	7.65%	6.73%	8.96%
Lowest	€25	€35	5.60%	5.85%	6.10%	5.51%	5.64%
Average	**€33**	**€38**	**6.18%**	**6.68%**	**6.93%**	**6.11%**	**7.02%**

The rest - 10 individual assets							
Values	Rent €/sq m /year	Rental value €/sq. m/year	Discount rate on firm flows	Discount rate on unsecured flows	Theoretical rate of return on sale	Net Initial Yield	Capitalisation rate
Highest	€70	€57	6.22%	6.72%	6.97%	6.24%	5.97%
Lowest	€35	€35	4.03%	4.28%	4.53%	4.04%	4.49%
Average	**€44**	**€42**	**5.22%**	**5.62%**	**5.92%**	**5.36%**	**5.42%**

Regional fulfilment centres in mainland France - 7 assets							
Values	Rent €/sq m /year	Rental value €/sq. m/year	Discount rate on firm flows	Discount rate on unsecured flows	Theoretical rate of return on sale	Net Initial Yield	Capitalisation rate
Highest	€87	€84	6.15%	6.65%	6.90%	6.59%	6.31%
Lowest	€52	€60	4.95%	5.45%	5.30%	4.92%	5.22%
Average	**€74**	**€73**	**5.57%**	**6.07%**	**6.32%**	**5.87%**	**5.84%**

Fulfilment centres in Ile de France - 7 assets							
Values	Rent €/sq m /year	Rental value €/sq. m/year	Discount rate on firm flows	Discount rate on unsecured flows	Theoretical rate of return on sale	Net Initial Yield	Capitalisation rate
Highest	€98	€99	5.605%	6.10%	6.35%	5.88%	5.48%
Lowest	€68	€68	4.60%	4.85%	5.07%	4.35%	4.68%
Average	**€87**	**€84**	**5.07%**	**5.40%**	**5.64%**	**5.22%**	**4.95%**

11.5. Income from disposal of buildings

	Income from disposal of investment properties 30.06.2020	**Income from disposal of investment properties 31.12.2019**
Disposal price of buildings sold	64	262

Fair value at opening of the properties sold	-150	-281
Disposal costs and investments		
Price adjustments on previous disposals		-291
Capital gains and losses on disposals of other fixed assets	3	4
Total income from disposals	**-83**	**-306**

11.6. Minimum rents receivable

(in thousands of euros)	Within less than one year	Within one to five years	Within more than five years	Total
Minimum rents receivable	140,663	429,808	193,557	764,028

This table shows rental commitments from tenants in the form of fixed periods of 3, 6, 9 or 12 years.

12. Financial derivative instruments and interest rate risk management

(in thousands of euros)	Fair value at 30.06.2020	Fair value at 31.12.2019	Change in fair value	Of which change in fair value through equity	Of which change in fair value through income	Of which cash equalisation payment
Fixed-payer interest rate swaps	-5,955	-4,389	-1,566	-1,566		2,393
Caps and collars	-3,340	-1,317	-2,023		-2,023	1,091
Amortising cash				773		-773
Total cash flow hedging instruments	**-9,295**	**-5,706**	**-3,589**	**-793**	**-2,023**	**2,711**
Of which against equity	-9,982	-8,083	-1,899			
Of which against income	-2,023	-1,107	-916			
Of which against debt (balancing payment)	2,711	3,484	-774			

	Amount as at 30.06.2020			Amount as at 31.12.2019		
(in thousands of euros)	**Fixed**	**Hedged variable**	**Unhedged variable**	**Fixed**	**Hedged variable**	**Unhedged variable**
Borrowings	829,391	290,061	211,993	927,255	181,063	171,584
Finance lease debt		85,966	141,258		90,540	147,082
Borrowings on RCF			31,020	6,514		30
Macroeconomic swap						
Collar macroeconomic swap		233,426	-233,426		241,209	-241,209
Financial liabilities	**829,391**	**609,453**	**150,845**	**933,769**	**512,812**	**77,487**
Total	**1,589,689**			**1,524,068**		

The Group uses derivative instruments to manage and reduce its net exposure to interest rate fluctuations.

The Group has entered into interest swaps and collars with a zero premium; these limit the impact of volatility of future cash flows from interest payments on variable-rate loans.

Under the terms of these swaps, the Group pays fixed interest rates as specified below and receives variable interest on the amounts of the hedged principal, calculated using 3-month Euribor.

Collars are derivative instruments used to regulate the change in a variable rate.

List of hedging and trading instruments already taken out as at 1 January 2020:

(in thousands of euros)	Amount originally hedged	Amount as at 30.06.2020	Type	Fixed rate/Collar	Variable rate	Period covered
Swap 17	22,000	14,300	Fixed- for variable-rate	0.561%	3-month Euribor	2015-2030
Collar 24	9,037	5,963	Zero premium collar	-0.25%/+1.5%	3-month Euribor	2017-2024
Collar 25	16,357	11,590	Zero premium collar	-0.30%/+1.5%	3-month Euribor	2017-2024
Collar 26	4,090	2,026	Zero premium collar	-0.32%/+1.5%	3-month Euribor	2017-2023
Collar 27	8,482	6,080	Zero premium collar	-0.30%/+1.5%	3-month Euribor	2017-2024
Collar 28	4,590	3,538	Zero premium collar	-0.28%/+1.5%	3-month Euribor	2017-2024
Collar 29	26,009	20,051	Zero premium collar	-0.28%/+1.5%	3-month Euribor	2017-2024
Collar 30	5,364	2,959	Zero premium collar	-0.32%/+1.5%	3-month Euribor	2017-2024
Collar 31	8,032	6,190	Zero premium collar	-0.18%/+1.5%	3-month Euribor	2017-2023
Collar 32	5,012	3,957	Zero premium collar	-0.26%/+1.5%	3-month Euribor	2017-2024
Collar 34	10,500	8,559	Zero premium collar	-0.55%/+1.75%	3-month Euribor	2016-2023
Collar 35	41,282	105,821	Zero premium collar	-0.65%/+1.5%	3-month Euribor	2016-2023
Collar 36	160,599	127,605	Zero premium collar	-0.50%/+1.5%	3-month Euribor	2016-2023
Collar 37	8,373	6,843	Zero premium collar	-0.01%/+1.4%	3-month Euribor	2017-2024
Collar 38	17,431	14,472	Zero premium collar	-0.02%/+1.25%	3-month Euribor	2017-2024
Collar 39	9,600	8,134	Zero premium collar	-0.125%/+1.5%	3-month Euribor	2017-2024
Collar 40	11,933	10,247	Zero premium collar	+0.12%/+2%	3-month Euribor	2018-2024
Collar 41	28,190	21,291	Zero premium collar	0%/+1.5%	3-month Euribor	2018-2025
Swap 42	2,505	2,153	Fixed- for variable-rate	0.630%	3-month Euribor	2018-2026
Swap 43	43,000	39,784	Fixed- for variable-rate	1.010%	3-month Euribor	2018-2030
Swap 44	10,900	10,380	Fixed- for variable-rate	0.530%	3-month Euribor	2019-2029
Swap 45	13,591	13,079	Fixed- for variable-rate	0.410%	3-month Euribor	2019-2029
Swap 46	11,700	11,274	Fixed- for variable-rate	0.410%	3-month Euribor	2019-2029

List of hedging and trading instruments already taken out as at 1 January 2020:

(in thousands of euros)	Amount originally hedged	Amount as at 30.06.2020	Type	Fixed rate/Collar	Variable rate	Period covered
Collar 42	39,281	39,102	Zero premium collar	-1.04%/+1.5%	3-month Euribor	2020-2024
Swap 47	6,160	6,160	Fixed- for variable-rate	0.170%	3-month Euribor	2020-2028
Collar 43	109,058	107,893	Zero premium collar	-0.43%/+1.5%	3-month Euribor	2020-2029

13. Other non-current financial assets

(in thousands of euros)	Amount as at 31.12.2019	Increase	Decrease	Reclassification maturing within 1 year	Amount as at 30.06.2020
Deposits and guarantees paid	438	1			439
Advances paid on fixed assets	689	66	-77		679
Total	**1,127**	**68**	**-77**	**0**	**1,118**

14. Trade receivables

(in thousands of euros)	Amount as at 30.06.2020	Amount as at 31.12.2019
Trade and other receivables	49,891	40,643
Doubtful receivables	1,368	0
Total gross trade receivables	**51,260**	**40,643**
Impairment	0	0
Total net trade receivables	**51,260**	**40,643**

Receivables mainly correspond to invoices for rents for Q3 2020, which are produced before 30 June 2020.

Following its filing for safeguard proceedings on 22 June 2020, Celio has been accounted for as a Doubtful receivables. However, in view of Argan's limited experience at the balance sheet date, no impairment has been recorded to date.

15. Other current assets

(in thousands of euros)	Amount as at 30.06.2020	Amount as at 31.12.2019
Tax and social security receivables	11,287	15,986
Other operating receivables	20,441	14,526
Other prepaid expenses	956	23
Other current operating assets	**32,684**	**30,535**
Accrued interest on finance lease transactions		
Other current financial assets	**0**	**0**
Total other current assets	**32,684**	**30,535**

Tax receivables mainly relate to recoverable VAT. Other operating receivables register provisions on notarial costs and rent-free periods.

16. Cash and cash equivalents

(in thousands of euros)	Amount as at 30.06.2020	Amount as at 31.12.2019	Change
Risk-free, highly liquid investment securities	1	6,001	-6,000
Cash in hand	29,069	10,720	18,349
Cash	**29,070**	**16,721**	**12,349**

Investment securities consist primarily of term deposits and money market OEIC funds.

17. Investments in associates

(in thousands of euros)	Equity-accounted investments	Impairment of equity-accounted investments	Net
As at 01.01.2020	1,073	0	1,073
Share of income 30.06.2020	-155		-155
Share of dividend distribution			
Balance at 30.06.2020	**918**	**0**	**918**

The Group's share in the net fair value of the entity's identifiable assets and liabilities amounted €918 thousand as at 30 June 2020.

18. Consolidated shareholders' equity

18.1. Composition of share capital

(in thousands of euros)	Number of shares issued	Par value (in €)	Total capital after the transaction	Share premium after the transaction
Position as at 1 January 2020	22,211,969	2	44,424	330,692
Free shares	41,968	2	84	-1,210
Dividend in shares	55,290	2	111	3,983
Dividend				-37,732
Amount of capital as at 30 June 2020	**22,309,227**	**2**	**44,618**	**295,733**

18.2. Dividend paid

(in thousands of euros)	30.06.2020	31.12.2019
Net dividend per share (in euros)	1.90	1.35
Overall dividend paid	42,280	22,106
Impact of the option to pay the dividend in shares	-4,104	-11,909
Dividend paid	**38,175**	**10,197**

18.3. Treasury shares

(in thousands of euros)	Closing amount	Opening amount	Change	Income from disposal	Cash impact
Acquisition cost	170	74	96	9	-87
Impairment	0		0		
Net value	170	74	96		
Number of treasury shares	1,571	4,614	-3,043		

18.4. Free shares

(in euros)	Plan 2016/2017/2018
Allocation date	15/01/2019
Number of beneficiaries	4
Acquisition date	15/01/2020
Number of free shares	41,968
Price on the allocation date (in €)	44.4
Dividend/share expected year N+1 (in €)	1.35
Fair Value of shares (in €)	43.05
Expense recognised for the period (in €)	-272,246

19. Financial liabilities

19.1. Change in financial liabilities and guarantees given

(in thousands of euros)	Amount as at 31.12.2019	Change of method	Change in consolidation	Increase (1)	Decrease	Line item to line item transfers	Amount as at 30.06.2020
Borrowings	455,344			737,023		-62,998	1,129,369
Bond issues	155,000						155,000
Finance lease	210,070					-5,048	205,023
Issue costs	-2,074			-12,849		2,581	-12,343
Non-current financial liabilities	**818,341**	**0**	**0**	**724,174**	**0**	**-65,465**	**1,477,050**
Non-current IFRS 16 lease liabilities	**67,402**			**1,946**		**-814**	**68,534**
Borrowings	31,123				-16,025	62,998	78,098
Bond issues	0						0
Finance lease	27,552				-9,167	5,048	23,433
Issue costs	-3,431				3,810	-2,581	-2,202
Accrued interest on loans	5,394			9,472	-5,394		9,472
Bank loans	58			26	-58		26
Commercial paper	0						0
Short-term financing - Cargo	645,000				-645,000		0
Current financial liabilities	**705,696**	**0**	**0**	**9,498**	**-671,834**	**65,465**	**108,827**
Current IFRS 16 lease liabilities	**1,455**	**0**	**0**	**0**	**-744**	**814**	**1,525**
Borrowings on assets held for sale (Note 18.5)	0						0
Total gross financial liabilities	**1,592,894**	**0**	**0**	**735,618**	**-672,578**	**0**	**1,655,936**

(1) Includes the impact of the annual indexation of IFRS 16 lease payments.

Most of the borrowings were covered by the following guarantees to financial institutions when they were set up:

- mortgages and lenders' liens on the buildings concerned, amounting to:
  - as at 30 June 2020 : €1,170,287k
  - as at 31 December 2019: €1,118,432k

- guarantees made by ARGAN, amounting to:
  - as at 30 June 2020: €0k
  - as at 31 December 2019: €0k

19.2. Maturities of financial liabilities and fixed-rate/variable-rate breakdown

(in thousands of euros)	30.06.2020	Portion due in less than one year	Portion due in more than one year and less than 5 years	Portion due in more than 5 years
Variable rate borrowings (a)	533,074	50,251	216,941	265,882
Fixed rate borrowings	674,391	27,847	128,984	517,561
Variable rate capital lease obligations (a)	228,455	23,433	115,288	89,734
Fixed rate capital lease obligations	0	0	0	0
Issue costs	-14,546	-2,202	-7,009	-5,335
Capital financial liabilities	**1,421,374**	**99,329**	**454,204**	**867,842**
IFRS 16 lease liabilities	70,059	1,525	4,926	63,607
IFRS 16 capital lease liabilities	**70,059**	**1,525**	**4,926**	**63,607**

(a) Original variable rate – the hedged portion of these borrowings is specified in Note 11

The Company has estimated the maturities for its credit lines.

Taking into account the interest rate hedges put in place by the Group, a change of +50bp in the 3-month Euribor would have an impact of +€0.6 million on the financial costs for the period.

19.3. Due dates for finance lease payments

(in thousands of euros)	Finance lease commitment as at 30.06.2020	Portion due in less than one year	Portion due in more than one year and less than 5 years	Portion due in more than 5 years	Option exercise price
Fixed-rate lease payments					
Variable-rate lease payments	243,339	26,882	124,315	47,407	44,735
Total future lease payments	**243,339**	**26,882**	**124,315**	**47,407**	**44,735**

The maturities (capital and interest) of variable rate finance leases included in the commitment amount shown above under lease agreements were calculated using the interest rate applicable on the reporting date.

19.4. Net financial debt

Net financial debt consists of gross financial debt less net cash.

(in thousands of euros)	Amount as at 30.06.2020	Amount as at 31.12.2019	Change
Gross financial liabilities	1,585,873	1,523,998	61,875
Cash and cash equivalents	-29,070	-16,721	-12,349
Net financial debt before IFRS 16	**1,556,803**	**1,507,277**	**49,526**
IFRS 16 lease liabilities	70,098	68,896	1,202
Net financial debt	**1,626,901**	**1,576,173**	**50,728**

Changes in the liabilities included in the Group's financing activities result from:

(in thousands of euros)	Amount as at 31.12.2019	Cash flow	Change in Consolidation	Fair values	Change of standard	Amount as at 30.06.2020
Cash and cash equivalents	**16,721**	**12,349**				**29,070**
Non-current financial liabilities	818,341	658,705				1,477,046
Current financial liabilities	60,696	48,131	7			108,827
Cargo short-term financing liabilities	645,000	-645,000				0
Net financial instruments	0					0
Gross debt before IFRS 16	**1,524,037**	**61,836**	**0**	**0**	**0**	**1,585,873**
Net financial debt before IFRS 16	**1,507,316**	**49,487**	**0**	**0**	**0**	**1,556,803**
IFRS 16 lease liabilities	68,857	1,202				70,059
Gross debt	**1,592,894**	**63,038**	**0**	**0**	**0**	**1,655,932**

20. Security deposits

(in thousands of euros)	Amount as at 30.06.2020	Amount as at 31.12.2019	Change
Tenant security deposits	8,794	7,839	955

21. Provisions

(in thousands of euros)	Amount as at 31.12.2019	Increase	Decrease	Changes in scope	Amount as at 30.06.2020
Provisions for current expenses					0
Provisions for non-current contingencies	0				0
Provisions for liabilities and charges	**0**	**0**	**0**	**0**	**0**
Of which provisions used					
Of which unused provisions					

22. Tax liability

No tax liabilities were recorded as at 30 June 2020.

23. Other current liabilities

(in thousands of euros)	Amount as at 30.06.2020	Amount as at 31.12.2019
Trade and other payables	24,912	22,302
Tax liabilities	21,381	8,315
Social security liabilities	532	545
Other current liabilities	1,892	1,302
Deferral of rent-free periods under IFRS16	-998	-970
Prepaid income	40,946	43,207
Total other current liabilities	**88,665**	**74,701**

Tax liabilities relate primarily to VAT collected on receipts and accrued expenses.

Since rents are invoiced quarterly in advance, deferred income relates to rents for the quarter following the reporting date.

24. Net income from buildings

(in thousands of euros)	Amount as at 30.06.2020	Amount as at 30.06.2019
Rental income	69,505	45,122
Rental expenses and rebilled rates	22,326	17,675
Other income from buildings	1,383	1,198
Total income from buildings	**93,215**	**63,995**
Rental expenses and rates	23,498	17,668
Other expenses on buildings	243	
Total expenses on buildings	**23,740**	**17,668**
Net income from buildings	**69,475**	**46,327**

25. Cost of net financial debt

(in thousands of euros)	Amount as at 30.06.2020	Amount as at 30.06.2019
Income from money market investment securities < 3 months		
Income from cash and cash equivalents	-6	87
Income from interest rate hedges		
Income from cash	**-6**	**87**
Interest on loans and overdrafts	-12,447	-7,736
Interest on IFRS 16 lease liabilities	-791	-660
Exit penalties		
Derivatives	-773	-926
Borrowing costs	-1,037	-328
Interest on financing for the Cargo transaction	-3,021	0
Cost of gross financial debt	**-18,069**	**-9,650**
Cost of net financial debt	**-18,075**	**-9,563**

26. Other financial income and expenses

(in thousands of euros)	Amount as at 30.06.2020	Amount as at 30.06.2019
Fair value financial expenses on trading instruments	-2,027	-2,026
Interest on current accounts of associates	53	-34
Other financial income and expenses	**-1,971**	**-2,060**

27. Reconciliation of tax expense

(in thousands of euros)	Amount as at 30.06.2020	Amount as at 30.06.2019
Profit before tax	49,612	157,189
Theoretical tax expense (income) at the prevailing rate in France (31%)	**-13,891**	**-48,729**
Impact of the non-taxable sector	13,891	48,428
Discounted exit tax		
Exceptional contribution of 3% on distribution		
Corporate tax on previous financial years		
Unused tax losses		
Other timing differences		
Actual tax expense	**0**	**-301**

28. Earnings per share

Calculation of earnings per share	Amount as at 30.06.2020	Amount as at 30.06.2019
Net income, Group share (in thousands of €)	49,612	157,188
Weighted average number of capital shares	22,271,440	16,465,739
Treasury shares (weighted)	-1,571	-2,823
Number of shares retained	22,269,869	16,462,916
Earnings per share (in euros)	**2.23**	**9.55**

29. Details of certain items in the cash flow statement

Cash net of bank overdrafts is as follows:

(in thousands of euros)	Amount as at 30.06.2020	Amount as at 30.06.2019
Cash and cash equivalents	29,070	23,441
Bank loans, commercial paper and accrued interest	-27	-77
Cash in the cash flow statement	**29,043**	**23,364**

30. Impact of business combinations on cash flows

(in thousands of euros)	Amount as at 30.06.2020	Amount as at 30.06.2019
Acquisition of 100% of the shares of SAS Portimmo		-6,849
Acquisition of the cash of SAS Portimmo		408
Impact of Portimmo business combinations	**0**	**-6,441**

31. Off-balance sheet commitments

(in thousands of euros)	Amount as at 30.06.2020	Amount as at 30.06.2019
Commitments received:		
Credit lines received and unused		
Sureties received from tenants	147,569	21,132
Total commitments in assets	**147,569**	**21,132**
Commitments given:		
Sureties and guarantees given	2,840	3,040
Commitments to acquire investment properties		
Work undertaken head office		
Total commitments in liabilities	**2,840**	**3,040**
Reciprocal commitments:		
Commitments to build investment properties	106,202	67,230
Total commitments in assets and liabilities	**106,202**	**67,230**

32. Recognition of financial assets and liabilities

(in thousands of euros)	Assets / liabilities measured at fair value through income	Assets / liabilities held to maturity	Available -for-sale assets	Loans and receivables	Assets / Liabilities at amortised cost	Historical cost	Fair value through equity	Total	Fair Value
Financial assets		439				679		1,118	1,118
Cash in hand	29,069				1			29,070	29,070
Current and non-current financial instruments								0	0
Other assets						82,988		82,988	82,988
TOTAL FINANCIAL ASSETS	**29,069**	**439**	**0**	**0**	**1**	**83,667**	**0**	**113,176**	**113,176**
Non-current IFRS 16 financial liabilities and lease liabilities		1,390,580			155,000			1,545,580	1,545,580
Current and non-current financial instruments							9,295	9,295	9,295
Current IFRS 16 financial liabilities and lease liabilities						110,352		110,352	110,352
Financial liabilities on assets held for sale								0	0
Other liabilities						47,719		47,719	47,719
Security deposit						8,794		8,794	8,794
TOTAL FINANCIAL LIABILITIES	**0**	**1,390,580**	**0**	**0**	**155,000**	**166,865**	**9,295**	**1,721,740**	**1,721,740**

33. Related party relationships

The remuneration over the period of the members of the Executive Board and the members of the Supervisory Board is as follows:

(in thousands of euros)	Amount as at 30.06.2020	Amount as at 30.06.2019
Salaries	337	346
Attendance fees	25	45
Overall remuneration	**362**	**391**

The company has not made any special pension or severance arrangements in the event of termination of the duties of corporate officers. Other than senior managers, no other related parties have been identified.

34. Headcount

	Executives	Non-executives	Total
Average headcount as at 30 June 2019	22	2	24
Average headcount as at 30 June 2020	23	3	26

35. Statutory auditors' fees

(In thousands of euros)	Mazars		Exponens		Total	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019	30.06.2020	30.06.2019
Audit, statutory auditor, certification, review of individual and consolidated financial statements						
ARGAN	38	31	24	23	63	54
IMMOCBI	0	0	1	3	1	3
Sub-total	**38**	**31**	**25**	**26**	**64**	**57**
Services other than certifying the financial statements						
ARGAN	2	9	1	0	3	9
IMMOCBI	0	0	0	0	0	0
Sub-total	**2**	**9**	**1**	**0**	**3**	**9**
Grand total	**40**	**40**	**27**	**26**	**66**	**66**

36. Post-closing events

None.

ARGAN

A French public limited company (*Société Anonyme*) with share capital of €44,618,454

Registered office: 21 rue Beffroy 92200 NEUILLY SUR SEINE, France

Trade and Companies Register: RCS NANTERRE B 393 430 608

Statutory auditors' report
on the half-yearly financial information

Period from 1 January to 30 June 2020

EXPONENS MAZARS

EXPONENS

SIMPLIFIED JOINT STOCK COMPANY, MEMBER OF THE *COMPAGNIE REGIONALE DES COMMISSAIRES AUX COMPTES* OF PARIS

REGISTERED OFFICE: 20 RUE BRUNEL – 75017 PARIS

SHARE CAPITAL OF €5,600,000 - RCS PARIS 351 329 503

MAZARS

61, RUE HENRI REGNAULT – 92075 PARIS LA DÉFENSE CEDEX

TEL: +33 (0) 1 49 97 60 00 - FAX: +33 (0) 1 49 97 60 01

PUBLIC LIMITED COMPANY PROVIDING ACCOUNTING AND STATUTORY AUDITING SERVICES WITH AN EXECUTIVE BOARD AND SUPERVISORY BOARD

SHARE CAPITAL OF €8,320,000 - RCS NANTERRE 784 824 153

Statutory auditors' report on the half-yearly financial information

This is a free translation into English of the Statutory Auditors' review report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders,

In performance of the assignment entrusted to us by your General Shareholders' Meeting, and in accordance with Article L. 451-1-2 III of the French Monetary and Financial Code, we have carried out the following:

- a limited review of the interim consolidated financial statements of ARGAN, for the period from 1 January to 30 June 2020, as appended to this report ;
- we have verified the information given in the half-year activity report.

These interim consolidated financial statements were prepared under the responsibility of the Executive Board on 8 July 2020 on the basis of the information available at that date in the evolving context of the crisis related to COVID-19. It is our responsibility, on the basis of our limited review, to express our conclusion on these financial statements.

I – Accounting conclusion

We conducted our limited review in accordance with the professional standards applicable in France.

A limited review of the interim financial information consists mainly of discussions with persons responsible for financial and accounting matters and applying analytical procedures. The inquiries for a limited review are less extensive than for an audit conducted in accordance with professional standards applicable in France. Consequently, the assurance that the financial statements, taken as a whole, are free from material misstatement obtained from a limited review is a moderate assurance, lower than that obtained from an audit.

Based on our limited review, we did not identify any material misstatements that could call into question, in accordance with IFRS as adopted by the European Union, the accuracy and consistency of the consolidated interim financial statements, and that the accompanying interim consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position for the past semester as well as the income of the group of consolidated companies for the last six month-period.

II – Specific verification

We also performed the verification of the information given in the half-year activity report commenting on the consolidated interim financial statements subject to our limited review.

We have no matters to report regarding the fair presentation of this information and its consistency with the consolidated interim financial statements.

Paris, 17 July 2020

Statutory Auditors

E X P O N E N S

NATHALIE LUTZ

M A Z A R S

JEAN-MAURICE EL NOUCHI

Public limited company with an Executive Board and Supervisory Board
with share capital of €44,618,454
Registered office: 21 Rue Beffroy 92 200 Neuilly
Trade and Companies Register: RCS NANTERRE B 393 430 608

Executive Board's half-year activity report

Period from 1st January to 30 June 2020

1/ POSITION OF THE CONSOLIDATED GROUP OVER THE PAST SEMESTER

ARGAN is the only French real estate development and rental company listed on Euronext Paris specialised in PREMIUM warehouses.

The Company's property portfolio of built assets and land reserves is valued at **€2.69bn** excluding transfer taxes (**€2.81bn** including transfer taxes) as at 30 June 2020.

It comprises:

- the built portfolio (excluding current developments), with a total surface area of **2,865,000 sqm** and an appraisal value of **€2.68bn** excluding transfer taxes (**€2.80bn** including transfer taxes),
- Land reserves valued at **€12m** excluding transfer taxes.

Its property base consists of 85 buildings, mainly **category A logistics centres** (**74 hubs** and **11 fulfilment centres** as at 30 June 2020), with a weighted average age of **8.9 years**. The buildings are located throughout France, mainly on the vertical axis Lille, Paris, Lyon, Marseille.

The breakdown of surface area is largely as follows:

- Ile de France Region: 38%
- Hauts de France Region: 16%
- Auvergne / Rhône-Alpes Region: 10%
- Rest of France: 10%

ARGAN was listed on compartment C of Euronext Paris on 25 June 2007. ARGAN has integrated the compartment B of Euronext Paris in January 2012 and the compartment A in January 2020.

Its market capitalisation at 30 June 2020 was €1.82bn based on a price of €81.40/share.
ARGAN currently has three subsidiaries, IMMOCBI SARL, AVILOG SCI (fully consolidated) and

NANTOUR SCCV (consolidated using the equity method).

<u>SIIC regime:</u>

ARGAN and its subsidiary IMMOCBI have been placed under the SIIC (*société d'Investissement Immobilier Cotée* - listed real estate investment company) tax regime (the French REIT regime).

The exit tax amounts for ARGAN and its subsidiary IMMOCBI were paid in full.

2/ REPORT OF OPERATIONS

During the first half of the year 2020, ARGAN delivered two extensions to the logistics hubs of **Sysco** located in Nantes and Tours for an aggregate additional area of more than **5,000 sqm**.

In addition, the company carried out the following transactions:

- In May, launch of a new project in the Nancy region with the development of a logistics hub in **Gondreville**. This 14,200 sqm logistics hub (of which 1,500 sqm refrigerated) will be fully leased for a **fixed term of 9 years** to **Colruyt, the leading retail operator in Belgium.**
- In June, in the context of the ongoing restructuration project of a 24,000 sqm logistics hub located at Croissy-Beaubourg, rental of the first two units (**for a total area of 9,000 sqm**) to **Polyflame Europe, lighter specialist and European market leader for smoking accessories**.

The change in rents received by the Group is as follows:

- **1st semester 2020: €69.5m in net rental income**
- 1st semester 2019: €45.1m in net rental income

An increase of +**54%** in the 1st semester 2020 compared with the 1st semester 2019.

The occupancy rate for the portfolio was 98% as at 30 June 2020, due to rental vacancy of two sites located in the Paris region, in Ferrières (vacant since April 1st) and in Wissous (lease currently being finalised).

As at 30 June 2020, gross financial debt relating to assets delivered amounts to **€1.53bn**, including bond issues of **€155m** (excluding debt related to ongoing developments valued at €60m).

Including residual cash, **net LTV** (net financial debt/value of the portfolio excluding transfer taxes) **remains at 56%** as of 30 June 2020.

The allocation of ARGAN's gross financial debt as a percentage of capital is as follows:

- **10%** of fixed rate bonds, i.e. €155m at the fixed average rate of 3.15 %
- **42%** of fixed rate amortising loans, i.e. €674m at an average rate of 1.44 %
- **38%** of hedged variable rate amortising loans, i.e. €610m at an average rate of 1.55 %
- **10%** of variable rate amortising loans, i.e. €152m at an average rate of 3-month Euribor + 1.54 %

Taking into account a 3-month Euribor of -0.36% on average over the first semester of 2020, the ARGAN Group's average rate for total debt was **1.65%** as at 30 June 2020, compared with 1.90% as at 30 June 2019, with an average 3-month Euribor of -0.31%.

The amount of financing items that are individually hedged and the hedging instruments entered into as at 30 June 2020 are as follows:

- €6.2M: Collar – 0.18% / + 1.5% until 10/01/23
- €8.6M: Collar – 0.55% / + 1.75% until 10/07/23
- €2.0M: Collar – 0.32% / + 1.5% until 10/10/23
- €4.0M: Collar – 0.26% / + 1.5% until 10/01/24
- €6.0M: Collar – 0.25% / + 1.5% until 10/01/24
- €11.6M: Collar – 0.30% / + 1.5% until 10/01/24
- €3.5M: Collar – 0.28% / + 1.5% until 10/01/24
- €14.5M: Collar – 0.02% / + 1.25% until 10/01/24
- €20.0M: Collar – 0.28% / + 1.5% until 10/01/24
- €3.0M: Collar – 0.32% / + 1.5% until 10/01/24
- €6.8M: Collar – 0.01% / + 1.4% until 10/04/24
- €39.1M: Collar – 1.04% / + 1.5% until 31/05/24
- €6.1M: Collar – 0.30% / + 1.5% until 10/07/24
- €8.1M: Collar – 0.0125% / + 1.5% until 10/10/24
- €10.3M: Collar + 0.12% / + 2% until 10/10/24
- €21.3M: Collar + 0% / +1.5% until 10/10/24
- €2.2M: Fixed rate swap at 0.63% until 10/04/26
- €6.2M: cap at 1% until 10/04/28
- €107.9M: Collar – 0.43% / +1.5% until 23/01/29
- €24.4M: Fixed rate swap at 0.41% until 10/07/29
- €10.4M: Fixed rate swap at 0.53% until 10/07/29
- €14.3M: Fixed rate swap at 0.561% until 10/01/30
- €39.8M: Fixed rate swap at 1.01% until 08/06/30

The Company has also entered into the following macro hedges:

- €105.8M: Collar -0.65% / +1.5% until 10/10/23
- €127.6M: Collar -0.50% / +1.5% until 10/10/23

3/ FORESEEABLE DEVELOPMENT OF THE SITUATION

For the financial year 2020, **ARGAN anticipates an increase in its rental income of approximately +40% to €140m**.

4/ SIGNIFICANT EVENTS POST-CLOSING 30 JUNE 2020

ARGAN carried on its construction programme in the second half of 2020.

5/ KEY RISKS ANALYSIS

Risks at the corporate level can be of different types:

Risks related to the Company's level of debt:

- **Interest rate risks:** With the Company using debt to finance its future developments, any change in interest rates would result in a change in the financial cost burden in respect of these loans. However, the Company has entered into various interest rate hedges to reduce its exposure to variable rates as at 30 June 2020 to approximately 10% of its total debt.

  In addition, the majority of financing contracts entered into at a variable rate include options for converting to a fixed rate.

- **Liquidity risks:** The Company's liquidity risk policy is to ensure that at all times, rental revenue exceeds what the company needs to cover its operating expenses, interest and repayment charges for any financial debt it may take on in implementing its investment programme.

  Opting for the SIIC regime requires the company to distribute a significant portion of its profits.

- **Financing risks:** As at 30 June 2020, total debt amounst to €1.53bn. To date, the Company does not anticipate significant changes in financing risk with the Covid-19 pandemic. Since the bank debt subscribed can be amortised, the Company does not need to refinance its debt in the short and medium term.

  As at 30 June 2020, financing with an obligation to comply with LTV ratios on the Company's assets (obligation to comply with an LTV ratio of less than 70% primarily) represents 49% of all financing agreed. Bond issuances also include the same LTV ratio compliance and represent 10% of all loans taken out.
  As a reminder, the Company's LTV ratio remains at 56% as of 30 June 2020.

***Market risks*:**

- **Risks related to the economic environment and the logistics property market:** Changes in the general economic environment are likely to influence demand for new warehouse space, as well as having a long-term impact on the occupancy rate and tenants' ability to pay their rents. The Company considers that its client portfolio is largely made up of leading companies whose financial position limits this risk.

  The current health crisis is resulting in a pronounced slowdown in activity and a significant decline in growth that could affect our tenant-clients. A prolonged, widespread downturn in their sales could impair their solvency and, by extension, the Company's ability to recover part of its rents. Uncertainties about the scale and duration of the pandemic do not allow us to accurately determine the impact of the crisis on business and the market in which the Company operates. We have proposed targeted support measures for certain clients such as monthly rent payments or postponed settlement. however, depending on the duration and effects of the crisis on the businesses of some of our tenants, this situation could have a negative impact on the collection of rents. To date, only one tenant, the company Célio, is experiencing difficulties which led to its being placed under safeguard proceedings on 22 June 2020.

  Developments in the economic situation have an impact on changes in the INSEE (French National Institute of Statistics and Economic Studies) indices to which the Company's rents are indexed (ICC: Cost-of-Construction index or ILAT: Tertiaries Activities Rent Index). However, in 54% of its leases,

the Company has implemented a collar indexation clause or pre-indexation of rents in order to limit the effects of indexation to INSEE indices.
In addition, the Company is exposed to changes in the real estate market, which could adversely affect its investment and trade-off policy, as well as its operations, financial position, performance and outlook.

- **Risks related to the availability of financings:** To finance its business, the company primarily uses long-term mortgages and lease loans as well as, to a lesser extent, bond loans.

In view of its substantial leveraging and in the event of a credit crunch by the major financial institutions or an increase in credit rates, the company might be unable to implement its development strategy as quickly as it would like due to a shortage of loans granted. However, it believes that the diversity of its financial partners allows it to arrange the financings it needs, bearing in mind that it may also, depending on market conditions, issue bonds.

- **Risks related to the competitive environment:** The company faces strong competition from many players.

In the context of its asset business, the company is competing with players who may have greater financial standing and/or a larger portfolio, or even their own development capability. This financial capacity and the ability to undertake major projects in their own right gives the largest market participants the option of responding to calls for tender for the procurement of assets with high profit potential, on pricing terms that do not necessarily meet the investment criteria and acquisition objectives the company has set for itself.

Against a backdrop of growth in the market in which it is positioned, and faced with this competition, the company may not be able to implement its development strategy as quickly as desired, which could adversely affect its growth, operations and future performance.

Operational risks:

- **Risks related to lease regulations and their non-renewal:** It remains possible that when a lease expires, some tenants may choose not to renew their lease agreement, and the company may not be able to renew the relevant property quickly and on the same terms. Given the laddering of current leases, however, the company believes it is in a position to deal with such eventualities. It should be noted that as at 30 June 2020, the occupancy rate was 98%, with an average remaining fixed lease term of 5.4 years.

- **Risks related to prefectoral authorisations for operations:** The majority of the company’s logistics hubs (where the quantity of combustible goods stored exceeds 500 tonnes) require a Prefectoral Authorisation to be able to operate. These authorisations, which include requirements relating to the configuration of the building concerned, apply to the operating tenants, except in the case of multi-tenant sites for which the company is the holder of the authorisation.

This authorisation is assigned to the site for its operating model (quantity and nature of products stored, method of storage, etc.), with no time limit. Only a development or a change in this operating model may require an update to the prefectoral authorisation for operations. The company oversees the application for the said update.

During the operational phase, the company contractually requires its tenants to comply with the authorisations for operations and ensures that they do so (duty to disclose correspondence with the DREAL, ban on terminating the order, warehouse inspections, etc.). ARGAN’s in-house property department is responsible for this oversight.

Although all of the Company’s assets are compliant with ICPE regulations, it cannot guarantee that additional authorisations will be obtained if its tenants make a change to the way they operate its warehouses. To date, the company has not had to deal with any significant delay in updating a prefectoral authorisation for operations.

➢ **Risks of dependency on certain tenants and counterparty risks:** The company's assets comprise 85 buildings, leased to a total of 45 different tenants. ARGAN's top 10 tenants were responsible for 73% of annualised rental income for 2020 across 50 sites.

The company's client portfolio is largely made up of leading companies whose financial position limits counterparty risk in principle.

Before a lease agreement is signed, the position of potential tenants, particularly their financial position, is examined. Leases include the following guarantees: security deposit or bank guarantee equivalent to 3 months' minimum rent which may, if applicable, be increased depending on the user's potential risk profile.

For the first half-year 2020, the annual rental revenue from the largest site represents 3.2% of the company's total annual rent roll. The company is confident that it can handle a default of this magnitude for as long as necessary to install a new tenant on such a site.

The slowdown in the economy related to the Covid-19 health crisis could adversely affect our tenants' business operations and increase the company's exposure to counterparty risk for 2020. During the general lockdown, essential businesses were allowed to continue their operations, including some ARGAN tenant brands. However, at present, we expect to see a slowdown in business for our tenants in economic sectors such as personal and household goods, representing around 15% of our tenants.

➢ **Risks associated with the sector-specific and geographical concentration of the company's assets:** The company's assets are essentially premium logistics hubs. In particular, the company could face a lack of availability of supply, or competition from other players in the sector.

In addition, certain property assets are located in the same region, including Ile-de-France, Hauts de France, Auvergne/Rhône-Alpes, Centre/Val de Loire, Occitanie and Pays de La Loire.

The return on property assets varies depending on the economic growth of the geographical region in which they are located. The decline in rental values in a given region as well as the availability of equivalent or higher quality supply at prices that may be lower could encourage some tenants to leave if they wish to obtain better value for money. This could also make it more difficult to re-let a real estate asset or make a trade under satisfactory conditions.

The company cannot guarantee that it will be able to reduce the potential effects on results of any deterioration in the conditions in these regional rental markets. However, it believes that the regions referred to above are recognised logistics areas that meet the needs of its tenants.

➢ **Risks related to quality control of services provided by subcontractors:** The attractiveness of real estate portfolios, rental income and valuations may be affected by potential tenants' perception of the warehouses, i.e. the risk that these potential tenants may consider the quality, cleanliness and/or safety of the warehouses to be inadequate, or that they need to undertake restructuring, renovation or repair work.

As at 30 June 2020, 61% of the Company's real estate stock is covered by a 10-year guarantee, and tenants are responsible for upkeep of the buildings, other than what falls under Article 606 of the French Civil Code, which is covered by a 10-year guarantee.

In addition, for the purpose of its development operations, ARGAN entrusts the construction of its warehouses to general contractors. Supply of this type of construction company is abundant and there is full competition.

The Company is in no way dependent on this offer. ARGAN also has the option of having its warehouses built in separate lots by the different trades.

Asset-related risks:

- **Risks related to the estimation of asset values:** The Company's portfolio is valued on a semi-annual basis by independent experts. The valuation of the assets is based on a number of parameters and assumptions, which may change over the years. This valuation for the assets may not be equivalent to their realisable value in the event of a disposal, in particular in the event of a change in the asset valuation parameters between the date of the valuation report and the date of disposal.

  In its appraisal report as of 30 June 2020, the independent expert states that «the Covid-19 epidemic, declared by the World Health Organization as a global pandemic, had an impact on the world's financial markets. In France, at the date of the appraisal, the real estate market offers enough transparency to allow us to base our appraisals on. Nevertheless, given the still uncertain nature of the health crisis in the real estate market, we recommend that we regularly review the valuation of these assets». The valuation of the portfolio is carried out by the independent expert on a half-yearly basis; the valuation of the assets will therefore be reviewed at the time of the annual closing.

- **Risks related to the acquisition strategy:** For the purpose of its development, the company intends to make selective acquisitions of property assets. It cannot guarantee that such acquisition opportunities will arise, nor that acquisitions will achieve the expected profitability**.**

  Such acquisitions involve a number of risks related to (i) conditions in the property market, (ii) the presence of multiple investors in this market (iii) asset prices, (iv) the rental yield potential of such assets, (v) the effects on the Company's operating results, (vi) the involvement of executives and key personnel in such transactions, and (vii) the discovery of problems inherent in such acquisitions such as the presence of hazardous or toxic substances, or environmental or regulatory problems.

  Failure to make any acquisitions or making acquisitions of buildings that do not meet the company's criteria in full would be likely to affect its results and its outlook.

- **Risks related to the tax regime for SIICs:** A change in or loss of the SIIC tax regime could have a significant adverse effect on the company's results. The company is currently compliant with all the requirements linked to developments in this regime, known as SIIC 4, and in particular with the obligations around the maximum number of shares the majority shareholder may hold.

6/ SCOPE OF CONSOLIDATION

The scope of consolidation as at 30 June 2020 is as follows:

Social Form	Companies	company SIREN registration n°	% interest and control at 30.06.2020	% interest and control at 31.12.2019
SA	ARGAN	393 430 608	100.00%	100.00%
SARL	IMMO CBI	498 135 920	100.00%	100.00%
SCCV	NANTOUR	822 451 340	49.90%	49.90%
SCI	AVILOG	841 242 274	51%	51%

Companies in which ARGAN holds more than a 50% share are fully consolidated. SCCV Nantour is consolidated using the equity method.

7/ CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The consolidated interim financial statements for the period from 1 January to 30 June 2020 were approved by the Executive Board on 8 July 2020.

In accordance with Regulation (EC) No 1606/2002 of 19 July 2002 on the application of international accounting standards, the ARGAN Group's consolidated financial statements are prepared in accordance with IFRS as adopted in the European Union. The standards are available on the European Commission website (http://ec.europa.eu/internal_market/accounting/ias_fr.htm#adopted-commission).

The standards and interpretations listed below and which have been applicable to the Group since 1 January 2020, have no significant impact on its results and financial position:

- Amendments to IAS 1 and to IAS 8: amendment to the definition of « material » (published on 31 October 2018).
- Amendments to IAS 39, IFRS 7 and IFRS 9: Interest rate benchmark reform (published on 26 September 2019),
- Amendments to IFRS 16: Covid-19 related rent concessions (published on 28 May 2020),

The Group opted not to implement the standards, amendments to standards and interpretations adopted by the European Union that were eligible for early application from 2020.

The standards, amendments to standards and interpretations currently being adopted by the European Union have not been applied early

Simplified consolidated income statement:

(in thousands of €) **Consolidated financial statements, IFRS standards**	**From 01/01/20 to 30/06/20** (6 months)	**From 01/01/19 to 30/06/19** (6 months)
Rental income	69,505	45,122
Rental income and expenses	- 1,171	7
Other income and expenses	1,140	1,198
Current operating income	64,215	40,267
Operating income after value adjustments	69,813	167,685
Cost of net financial debt	- 18,075	- 9,563
EBIT	51,738	158,122
Net income, Group share	**49,611**	**157,188**
Number of shares as at 30 June	22,309,227	16,622,975
Diluted net income, Group share/weighted number of shares	**2.23 €**	**9.55 €**
Recurring net income	50,600	31,900

- ARGAN generated rental income of €69.5 million during the first semester of 2020, an increase of 54% compared with the first half of 2019. Rental charges correspond to the contractual non-re-invoicing of charges or are due to rental vacancy. Other income and expenses mainly correspond to the application of IFRS 16.
- EBITDA (current operating income) was €64.2 million as at 30 June 2020, up 59% compared with the first semester of 2019.
- The operating income after value adjustments was €69.8 million, down 58% due to a smaller positive change in the fair value of investment properties (+ €5.7 million compared with + €127.7 million in the first half of 2019).
- Net income, Group share is €49.6 millions, after deduction of €18.1 million from the cost of net financial debt (which includes €0.8 million in interest on IFRS 16 lease debts) and recognition of -€0.2 million in share of profit of associates and -€2 million in other financial expenses. This figure represents a decrease of 68%
- Net income per share was thus €2.23, compared with €9.55 for the first half of 2019 and calculated on the basis of a weighted number of 22,269,869 shares.
- Recurring net income, defined as net income excluding the change in fair value of assets and debt hedging instruments, excluding income from disposals was €50.6 million, an increase of 59% compared with the first half of 2019.

Statement of income and expenses recognised:

(in thousands of €)	From 01/01/20 to 30/06/20 (6 months)	From 01/01/19 to 30/06/19 (6 months)
Earnings for the period	49,611	157,188
Total gains and losses recognised directly in equity	- 793	- 2,154
Earnings for the period and gains and losses recognised directly in equity	**48,819**	**155,034**

- Gains and losses recognised directly in equity amount to a loss of -€793k (versus a loss of -€2,154k in the first semester of 2019). This corresponds to the change in fair value of hedging instruments (on the effective portion).

Simplified consolidated balance sheet:

(in thousands of €)	As at 30/06/20	As at 31/12/19
Non-current assets	2,928,137	2,858,551
Current assets	113,014	87,898
Assets held for sale	0	0
Total Assets	**3,041,151**	**2,946,449**
Shareholders' equity	1,248,989	1,238,725
Non-current liabilities	1,563,669	899,285
Current liabilities	228,493	808,439
Liabilities classified as held for sale	0	0
Total Liabilities	**3,041,151**	**2,946,449**

Balance sheet assets:

- Non-current assets amounted to €2,928.1 million, mainly comprising €2,677.1 million in investment properties at their value excluding transfer taxes, €116.7 million in assets under construction, €11.7 million in tangible fixed assets, €65.0 million in rights of use under IFRS 16, €0.9 million in investments in associates, €1.1 million in other non-current assets, and €55.6 million in goodwill resulting from the first-time consolidation of the "Cargo" portfolio.

  Valuation of the portfolio showed a capitalisation rate of 5.30% excluding transfer taxes (i.e. 5.10% including transfer taxes) as at 30 June 2019, stable rate compared to 31 December 2019.

- Current assets amounted to €113.0 million, comprising cash of €29.1 million, trade receivables of €51.3 million, and other current assets of €32.7 million.
- No assets were held for sale as at 30 June 2020.

Balance sheet liabilities:

- Shareholders' equity was €1,249.0 million as at 30 June 2020, up €10.3 million compared with 31 December 2019. This increase over the period is the result of:
  - Consolidated income for the period of + 49.6 M€,
  - A cash dividend distribution of – 38.2 M€,
  - The change in fair value of hedging instruments for – 0.8 M€,
  - The impact of the free share allocation for – 0.3 M€

- Non-current liabilities amounted to €1,563.7 million, consisting of €1,477.1 million in long-term debt, €68.5 million in liabilities related to the application of IFRS 16, €8.8 million in security deposits and €9.3 million in financial derivative instruments.
- Current liabilities amounted to €228.5 million, consisting of €108.8 million in short-term debt, €1.5 million in liabilities related to the application of IFRS 16, €29.5 million in debts on fixed assets and €88.7 million in other liabilities.
- There are no liabilities classified as held for sale.

<u>Calculation of the EPRA Triple Net Asset Value (NNNAV) as at 30 June 2020 :</u>

The Net Asset Value as at 30 June 2020 corresponds to consolidated shareholders' equity, as the company has chosen to include its investment properties at fair value.

The replacement NAV is calculated inclusive of transfer taxes.
The liquidation NAV is calculated excluding transfer taxes.

(in millions of €)	**As at 30/06/20**	**As at 31/12/19**	**As at 31/12/18**
Consolidated shareholders' equity	1,249.0	1,238.7	653.5
Deferred tax liabilities	0	0	0
Exit tax and tax on capital gains on disposals, SIIC status	0	0	0
Liquidation NAV	**1,249.0**	**1,238.7**	**653.5**
Registration fees	120.6	118.2	79.4
Replacement NAV	**1,369.6**	**1,356.9**	**732.9**

Number of shares	22,309,227	22,211,969	16,377,633
Liquidation NAV/ share	**56.0 €**	**55.8 €**	**39.9 €**
Replacement NAV /share	**61.4 €**	**61.1 €**	**44.8 €**

The liquidation NAV per share as at 30 June 2020 was therefore €56.0, compared with €55.8 as at 31 December 2019, an increase of 0.4%
This increase of €0.2 is attributable to:

- Net income (excluding change in fair value): + 2.1 €
- The change in the value of the portfolio: + 0.2 €
- The revaluation of debt hedging instruments: - 0.2 €
- Payment of the dividend in cash: - 1.7 €
  The dilutive impact of new shares issued under the share dividend option: - 0.2 €

<u>DECLARATION BY THE PERSON RESPONSIBLE FOR THE HALF-YEAR FINANCIAL REPORT</u>

I certify that, to the best of my knowledge,that the accounts and the consolidated financial statements of the ARGAN Group for the half-year ended have been drawn up in accordance with applicable accounting standards, and give a true and fair view of the assets and liabilities, financial position, and profits and losses of the company, and of all the companies included in its scope of consolidation, and that the half-year activity report on pages 43 to 53 presents a true and fair view of the major events that took place in the first half of the year, their impact on the financial statements, the main related-party transactions and describes the main risks and uncertainties for the remaining six months of the year.

Neuilly-sur-Seine, 17 July 2020

Ronan Le Lan

Chairman of the Executive Board