French public limited company (*Société Anonyme*)
with an Executive Board and Supervisory Board
with share capital of €46,159,394

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 2023

This document is a full free translation of the original French *Rapport Financier Semestriel*. It is not a binding document. In case of discrepancies, the French version shall prevail.

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ARGAN

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Half-Year Consolidated Financial Statements as at 30 June 2023

From 1st January to 30 June 2023

I – Consolidated balance sheet

ASSETS (in thousands of euros)	Notes	30.06.2023	31.12.2022
Non-current assets:			
Goodwill	8	55,648	55,648
Other intangible assets	9	2	2
Tangible fixed assets	10	11,390	11,445
Assets under construction	11.1	98,765	63,834
Investment properties	11.2	3,711,985	3,996,070
Investments in associates	17		
Financial derivative instruments	12	30,050	30,814
Other non-current assets	13	1,290	1,810
Total non-current assets		**3,909,130**	**4,159,623**
Current assets:			
Trade receivables	14	35,040	46,877
Other current assets	15	28,903	40,689
Other financial assets at fair value through income			
Cash and cash equivalents	16	206,607	169, 250
Total current assets		**270,550**	**256,817**
Assets held for sale	18		22,814
TOTAL ASSETS		**4,179,679**	**4,439,254**

LIABILITIES (in thousands of euros)	Notes	30.06.2023	31.12.2022
Shareholders' equity:			
Capital	19.1	46,159	45,903
Premiums	19.1	229,418	291,266
Reserves		1,850,594	1,774,554
Treasury shares	19.3	-1,425	-791
Revaluation of financial instruments	12	30,226	11,467
Income		-266,970	95,090
Total equity, share of owners of the parent company		**1,888,003**	**2,217,489**
Minority interests		35,074	37,623
Total consolidated shareholders' equity		**1,923,076**	**2,255,112**
Non-current liabilities:			
Long-term portion of financial liabilities	20	1,861,004	1,820,132
Financial derivative instruments	12		
Security deposits	22	11,970	11,172
Provisions	23		
Total non-current liabilities		**1,872,973**	**1,831,304**
Current liabilities:			
Short-term portion of financial liabilities	20	253,969	226,207
Financial derivative instruments	12		4
Short-term tax liabilities	24		5
Debts on fixed assets		26,865	18,388
Provisions	23	74	87
Other current liabilities	25	102,722	98,333
Total current liabilities		**383,629**	**343,023**
Liabilities classified as held for sale	21		**9,814**
TOTAL LIABILITIES		**4,179,679**	**4,439,254**

II – Consolidated income statement

Period from 1 January 2023 to 30 June 2023

In thousands of euros	Notes	30.06.2023	30.06.2022
Rental income		90,933	81,672
Rebilling of rental charges and taxes		28,258	24,194
Rental charges and taxes		-29,018	-25,514
Other property income (IFRS 16)		1,645	1,595
Other property expenses		-122	-257
Net income from buildings	26	**91,696**	**81,691**
Other income from operations			
Personnel expenses		-3,428	-4,262
External expenses		-2,403	-3,514
Taxes		-603	-741
Amortisation, depreciation and provisions		-134	-127
Other operating income and expenses		170	-80
Current operating income		**85,298**	**72,967**
Other income and operating expenses	11.5.1		-500
Income from disposals	11.5.2	-172	-113
Change in fair value of investment property	11	-332,613	264,772
Operating income		**-247,487**	**337,126**
Income from cash and cash equivalents	27	1,381	40
Cost of gross financial debt	27	-23,195	-22,784
Cost of net financial debt	27	**-21,814**	**-22,744**
Other financial income and expenses	28	-231	8,703
Tax expense or income	29		
Share of income from associates	17	13	-16
Net income		**-269,519**	**323,069**
Equity holders of the parent		-266,970	321,687
Non-controlling interests		-2,549	1,381
Earnings per share in euros		**-11.57**	**14.02**
Diluted earnings per share in euros	30	**-11.60**	**14.16**

III – Statement of income and expenses recognised

In thousands of euros	Notes	30.06.2023	30.06.2022
Earnings for the period		**-269,519**	**323,069**
Effective portion of gains and losses on hedging instruments	12	-342	6,518
Total gains and losses recognised directly in equity		**-342**	**6,518**
Earnings for the period and gains and losses recognised directly in equity		**-269,861**	**329,586**
- Of which Group share		-267,312	328,205
- Of which non-controlling interests		-2,549	1,381

IV – Consolidated cash flow statement

In thousands of euros	Notes	30.06.2023	30.06.2022
Consolidated net income (including minority interests)		**-269,519**	**323,069**
Net depreciation expense and provisions		134	127
Unrealised gains and losses related to changes in fair value of investment property	11	332,613	-264,772
Unrealised gains and losses related to changes in fair value of derivative instruments	12	231	-8,703
Calculated expenses		47	1,784
Other income and operating expenses	11.5.1		500
Income from disposals of assets, grants received	11.5.2	172	113
Share of income related to associates	17	-13	16
Cost of net financial debt	27	21,814	22,744
Tax expense (including deferred taxes)	29		
Cash from operations before cost of debt and tax (A)		**85,479**	**74,878**
Current taxes (B)		-22	-17
Change in operating WCR (C)		27,344	-9,059
Net cash flow from operations (D) = (A + B + C)		**112,801**	**65,802**
Acquisition of tangible assets	10	-101	-37
Acquisition of fixed assets investment properties	11	-78,974	-49,567
Change in fixed asset liabilities		8,477	-14,551
Disposals of fixed assets		12,851	13,776
Acquisitions of financial capital assets	13	519	-403
Decreases in financial capital assets			
Dividends received (equity-accounted companies)	17		
Business combination impact	32		
Other investing cash flow items	13		
Net investing cash flow (E)		**-57,228**	**-50,781**
Capital increase and reduction			
Purchase and resale of treasury shares	19.3	-672	-1,071
Investment grant received			
Dividend paid (shareholders of the parent company and minority interests)	19.2	-61,551	-21,752
Receipts from borrowing	20.1	127,328	200,361
Repayment of borrowings and financial debts	20.1	-67,168	-446,370
Net cash flow from financial income and expenses	27	-16,145	-20,269
Other financing cash flow items (lessee advances)			
Net financing cash flow (F)		**-18,207**	**-289,102**
Net cash flow (D + E + F)		**37,367**	**-274,082**
Opening cash position		169,088	523,039
Cash position on the balance sheet date	31	206,455	248,958

V – Statement of changes in consolidated equity

(in thousands of euros)	Capital	Premiums and Reserves	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 2021	**45,177**	**1,420,188**	**-90**	**-7,757**	**668,113**	**2,125,631**	**37,844**	**2,163,475**
Dividend	725	36,245			-58,723	-21,752		-21,752
Allocation of retained earnings		605,852		3,538	-609,390	0		0
Treasury shares			-701			-701		-701
Free share allocation		3,786				3,786		3,786
Capital increases						0		0
Income from disposal of treasury shares		-250				-250		-250
Comprehensive income as at 31 December 2022				15,685	95,090	110,775	-221	110,553
Impact of changes in the scope of consolidation						0		
Shareholders' equity as at 31 December 2022	**45,903**	**2,065,820**	**-791**	**11,467**	**95,090**	**2,217,489**	**37,623**	**2,255,112**
Dividend	197	7,160			-68,907	-61,550		-61,550
Allocation of retained earnings		7,084		19,100	-26,184	0		0
Treasury shares			-634			-634		-634
Free share allocation		47				47		47
Capital increase	60	-60				0		0
Income from disposal of treasury shares		-37				-37		-37
Comprehensive income as at 30 June 2023				-342	-266,970	-267,312	-2,549	-269,861
Other changes						0		0
Shareholders' equity as at 30 June 2023	**46,159**	**2,080,012**	**-1,425**	**30,226**	**-266,970**	**1,888,003**	**35,074**	**1,923,076**

VI – Notes to the consolidated financial statements
Period from 1 January to 30 June 2023

1. General information

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

The company has 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 100% of the shares of this subsidiary.

On 18 February 2021, SCI CARGAN-LOG was created. The Group holds 60% of the shares of this subsidiary.

On 16 September 2021, SCI NEPTUNE was created. The Group holds 99.90% of the shares of this subsidiary.

ARGAN is listed on NYSE Euronext Paris since 25 June 2007.It is part of compartment A.

2. Significant events

Since the beginning of the year, ARGAN pursued its development by delivering last March a logistics platform totaling 38,000 sq.m and located in Janneyrias (38) – Lyon area – by the A432 French highway. This platform, which is leased to BUT – France's leading furniture retailer – for a fixed term of 9.5 years, meets the highest standards for frugal energy choices.

Under intended conditions, ARGAN also finalized last March its sale of a logistics platform of 20,000 sq.m located in Bonneuil-sur-Marne (94).

Finally, ARGAN joined the EPRA Europe index on March 20, 2023.

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 2023 were adopted by the Executive Board on 12 July 2023.

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/EN/legal-content/summary/international-financial-reporting-standards-ifrss.html).

The new standards whose application is mandatory since 1 January 2023 are:

- IFRS 17- Insurance contracts
- IAS 8: Accounting policies, changes in accounting estimates and errors

The standards have no significant impact on the Group's earnings and financial position.

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 1 January, 2023.

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 the acquisition price and the acquirer’s interest in the fair value of the assets and liabilities acquired is recorded as Goodwill.

6.5. 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. In most cases, the Group considers that it is able to reliably determine the cost price of 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. This valuation is carried out by the independent appraiser on a semi-annual basis.

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. Operating leases for investment properties

Lease agreements are recognised in the balance sheet from inception of the lease agreement at the discounted present value of future lease payments.

In accordance with IFRS 16, when property or equipment is held under a lease, the lessee must recognise a right-of-use asset and a lease liability at amortised cost.

Assets recognised for rights of use are included in the line items where the related underlying assets would be presented if they were owned. The lessee depreciates the right of use on a straight-line basis over the term of the contract, except for rights relating to investment property which are measured at fair value.

The Group has adopted the simplified retrospective method by applying the simplifying measures provided for by the standard and has chosen to exclude the initial direct costs in determining the right of use.

As at 30 June 2023, the leases at ARGAN only concern leases relating to land under leasehold agreements (airports, ports, etc.). These are therefore measured at fair value and the difference between the fair values from one period to the next is recorded in the income statement.

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 no such contracts at the balance sheet date.

The discount rate used is based on the basis of the group's average debt rate on 1 January 2019, 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 2019. For contracts taken in 2022, the rate is 2.79%.

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.).

6.9. 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.

6.10. 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)”.

6.11. Impairment of goodwill and fixed assets

6.11.1. 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. An impairment test is performed annually.

As at 30 June 2023, as no loss of value was identified, the goodwill was not tested for depreciation.

6.11.2. 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.

6.12. 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.

6.13. 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.

6.13.1. 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.

6.13.2. 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 2023.

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

6.13.3. 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.

6.13.4. 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.

6.13.5. Assets and liabilities 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 under "Assets held for sale" and "Liabilities classified as held for sale" without the possibility of compensation. 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.

6.14. Shareholders' equity

6.14.1. 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.

6.14.2. Investment grants

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

6.14.3. Free share allocation scheme

On 9 July 2019, 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 2019, 2020 and 2021. The free share allocation depends on the increase in the Company's performance, measured on 31 December 2021, the end date for this three-year plan.

At its meeting of January 17, 2022, the Board of Directors granted a one-time allocation of 30,074 shares of the company to the members of the company's Board of Directors. These bonus shares were definitively acquired by the Board of Directors on 16 January 2023.

On March 28, 2022, the Board of Directors set up a free share allocation plan subject to certain performance criteria relating to the results for fiscal years 2022, 2023 and 2024. The grant of free shares is contingent on the Company's performance, as measured on December 31, 2024, the end of the plan, through two criteria:

- The developer's margin generated on developments and acquisitions, increased by income from disposals, and reduced by the loss of income due to vacancies in the portfolio, over the three years.
- The sum of the increase in recurring income generated during each of the three years.

For the three financial years 2019, 2020 and 2021, the maximum number of free shares that can be allocated is 55,000 shares for all seven beneficiaries (i.e. the four members of the Executive Board and the three members of the Executive Committee).

The free shares will be allocated in one go, at the end of the plan, in January 2022, depending on the performance of the three-year plan. This free share allocation plan provides for a vesting period and a holding period, each of one year.

As a result of its meeting on 16 January 2023, the Board of Directors allocated a first advance of 25% converted into 12,686 shares of the company for all employees of Argan. These free shares will only be acquired by above-mentioned beneficiaries after a one-year period following the meeting of the Board of Directors.

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.

6.15. 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.

6.16. Security deposits from lessees

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

6.17. 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.

6.18. 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.

6.19. Taxes

6.19.1. 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).

6.19.2. 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 25%. In accordance with IAS 12, the calculated amounts are not discounted.

6.19.3. SIIC regime

The Company has 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%.

6.20. 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.

6.21. 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.

6.22. 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.

6.23. 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, date of 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.

6.24. 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).

6.25. 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.

6.26. 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.

6.27. Risks management

6.27.1. Real Estate 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). Note that in 40% 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.

6.27.2. *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.

The economic slowdown could adversely affect our tenants' business and increase the Company's exposure to counterparty risk for the fiscal year 2023.

6.27.3. *Liquidity risk*

The Company's policy with regard to liquidity risks is to ensure that the amount of rental income is, at any time, greater than the Company's needs to cover its operating expenses, interest expenses and repayment of all financial debt that it may incur in the course of implementing its investment programme.

With regard to rents, the leases concluded with relatively long firm terms, the quality of the tenants and the fact that there has been no vacancy to date, provide good visibility on the collection of rents and the forecast level of cash flow.

With regard to debt, asset-backed financing with an obligation to respect the LTV ratio on the Company's assets (essentially an obligation to respect an LTV ratio of less than 70%) represents 51% of all financing contracted, to which can be added bonds, also subject to an LTV ratio of less than 65% without transfer taxes, which represent 31% of all financing contracted. The Company's LTV without transfer taxes stood at 49% at 30 June 2023, well below the level of its covenants.

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.

6.27.4. *Credit risk*

The Company's client portfolio is largely made up of leading companies, whose financial situation makes it possible to limit the credit risk.

Prior to the signing of leases, the situation, particularly the financial situation, of potential tenants is examined. The leases are accompanied by the following guarantees: a security deposit or bank guarantee equivalent to 3 months' minimum rent, which may, if necessary, be reinforced according to the potential risk profile of the user. Interest rate risk is managed by the Company in this regard and its residual exposure to variable rates is low, with around 12% of its debt being unhedged, variable-rate debt, as described in Note 12.

6.27.5. *Equity risk*

As the Company holds a certain number of its own shares as treasury stock, it is sensitive to changes in its own share price, which has an impact on the amount of its equity.

of its own shares, which impacts the amount of its equity. This risk is not significant

not significant, given the small number of treasury shares held (see note 19.3)

6.27.6. *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.

In a still disturbed economic and financial environment, some investors are now waiting for more favourable market signals. Rates of return are still increasing. The logistics asset class is however still resilient due to land scarcity, abundant money to invest on this segment, and the rise in rents that partially compensate for the increase of rates of return on market value.

6.27.7. *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 5 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 30/06/2023	% interest and control at 31/12/2022
SA	ARGAN	393 430 608	100%	100%
SCCV	NANTOUR	822 451 340	99.90%	99.90%
SCI	AVILOG	841 242 274	100%	99.90%
SCI	CARGAN-LOG	894 352 780	60.00%	60.00%

Companies in which ARGAN holds more than a 50% share are fully consolidated. SCCV Nantour is consolidated using the equity method.
Nantour and Avilog companies were not active during the half-year.

8. Goodwill

(in thousands of euros)	Total
Gross values	
Balance at 31.12.2022	55 648
Additional amounts recognised as a result of business combinations that occurred during the year	
Reclassified as held for sale	
Balance at 30.06.2023	**55 648**
Accumulated impairment losses	
Balance at 31.12.2022	
Impairment	
Balance at 30.06.2023	0
Net value	
Net value as at 31 December 2022	**55 648**
Net value as at 30 June 2023	**55 648**

9. Intangible assets

(in thousands of euros)	Gross value as at 31.12.2022	Increase	Decrease	Change in scope	Other changes	Gross value as at 30.06.2023
Other intangible assets (software)	80					80
Amortisation Other intangible assets	-78	-1				-79
Net value	**2**	**-1**	**0**	**0**	**0**	**2**

10. Tangible fixed assets

(in thousands of euros)	Gross value as at 31.12.2022	Increase	Decrease	Other changes	Gross value as at 30.06.2023
Land	8,651				8,651
Buildings	3,001				3,001
Depreciation of buildings	-616	-70			-687
Office fixtures and fittings and equipment	1,074	101	-91		1,084
Depreciation of office fixtures and fittings and equipment	-662	-64	67		-659
Net value	**11,445**	**-33**	**-24**	**0**	**11,390**

11. Investment properties

11.1. Assets under construction

(in thousands of euros)	Gross value as at 31.12.2022	Increase	Decrease(1)	Line item to line item transfer (2)	Change in fair value	Gross value as at 30.06.2023
Value of constructions in progress	63,834	79,657		-46,234	1,507	98,765

(1) Corresponds to development projects abandoned during the year.
(2) Corresponds to N-1 work in progress commissioned during the year and item to item transfers

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 2023, 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 2023.

11.2. Investment properties

The item "investment properties" on the assets side of the balance sheet consists of investment properties and IFRS 16 rights of use for investment properties.

(in thousands of euros)	Net value as at 31.12.2022	Increase	Decrease	Other changes (1)	Line item to line item transfer (2)	Fair value	Reclassification IFRS 5	Net value as at 30.06.2023
Rights of use IFRS 16	66 730	2 864				-1 179		68 415
Owned investment properties	3 455 710	93		1 235	75 955	-310 626		3 222 367
investment properties under finance lease	473 630	-305		-86	-29 721	-22 315		421 203
Total investment properties	**3 996 070**	**2 652**	**0**	**1 149**	**46 234**	**-334 120**	**0**	**3 711 985**

(1) For owned investment properties, the amount indicated corresponds to the deferral of rent-free periods.
(2) Corresponds to N-1 work in progress commissioned during the year and the reclassification of the fair value as at January 1, 2023 of properties that were subject to early option exercised for €29,721 thousand.

The average rate of return from the independent valuation of the Company's assets was up from 4.45% as at 31 December 2022 to 5% excluding transfer taxes as at 30 June 2023 (i.e., 4.75% including transfer taxes).

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 9.10% in the market value of the assets
- A decrease of 0.5% in the rate results in an increase of 11.10% in the market value of the assets

11.3. Fair value hierarchy

Asset classification	Fair value at 30.06.2023			Fair value at 31.12.2022		
	level 1	level 2	level 3	level 1	level 2	level 3
Warehouse buildings	0	0	3,643,570	0	0	3,929,340
Office buildings	0	0	0	0	0	0
Total	**0**	**0**	**3,643,570**	**0**	**0**	**3,929,340**

11.4. Summary of investment property and assets under construction

	Amount as at 30.06.2023	Amount as at 31.12.2022
Opening value (of which work in progress)	**4,059,904**	**3,846,115**
Change in fair value through operating income	-332,941	-33,315
Change in fair value ongoing operating fixed asset	1,507	1,537
Acquisition of investment properties		
Works and building of investment properties	-212	142,220
Works and building of ongoing fixed asset	79,657	111,052
Rent free period	1,149	1,044
Buildings held for sale		-13,000
Cost of disposal of properties held for sale		
Disposals of buildings		
Disposals of fixed asset in progress		-104
New contracts for rights od use IFRS 16		13,889
Annual indexation of rights of use IFRS 16	2,864	1,297
Other changes in IFRS 16 rights of use		-9,664
Change in fair value of the rights of use IFRS 16	-1,179	-1,164
Closing value	**3,810,750**	**4,059,904**
Of which assets under construction	**98,765**	**63,834**
Of which Investment properties	**3,711,985**	**3,996,070**

The various assumptions used by the independent appraiser in measuring fair values are as follows:

Value per geographical area Highest/Average/Lowest	Number of assets	Valuation excluding duties (in thousand euros)	Rent € / sq m/ year	Rental value € / sq m /year	Discount rate on firm flows	Discount rate on unsecured flows	Rate of return on sale	Rate including transfer taxes (including land value if land bank)
Ile de France / Oise	42	1 555 780	170 € / 61 € / 30 €	134 € / 60 € / 36 €	5,75% / 5,08% / 4,60%	6,40% / 5,46% / 4,25%	6,25% / 5,24% / 4,75%	6,56% / 4,70% / 3,09%
Rhône Alpes / Bourgogne / Auvergne	14	610 820	107 €/ 46 € / 31 €	100 € / 50 € / 38 €	6,35% / 5,55% / 4,60%	6,55% / 5,73% / 4,85%	5,90% / 5,23% / 4,75%	6,27% / 4,66% / 3,60%
Hauts de France	7	286 010	58 € / 48 € / 29 €	67 € / 49 € /37 €	5,91% / 5,53% / 5,15%	6,16% / 5,80% / 5,40%	5,80% / 5,36% / 5,05%	5,07% / 4,78% / 4,45%
Bretagne/Pays de la Loire	6	147 810	91 € / 45 €/ 26 €	87 € / 48 € / 36 €	6,45% / 6,20% / 5,50%	7,40% / 6,81% / 6,00%	6,30% / 6,08% / 5,50%	6,18% / 5,45% / 4,96%
Grand Est	8	445 460	99 € / 54 € / 37 €	93 € / 53 € / 38 €	6,38% / 5,34% / 4,35%	6,90% / 5,70% / 4,60%	6,50% / 5,50% / 4,75%	5,75% / 4,60% / 3,99%
Centre Val de Loire	6	290 090	96 € / 42 € / 32 €	94 € / 49 € / 39 €	5,96% / 5,22% / 4,83%	6,21% / 5,69% / 5,33%	6,06% / 5,42% / 5,00%	5,25% / 4,76% / 4,33%
Other regions	14	372 110	90 € / 50 € / 36 €	95 € / 73 € / 38 €	6,75% / 5,53% / 4,60%	7,30% / 5,93% / 4,85%	6,72% / 5,51% / 5,10%	6,81% / 4,66% / 3,52%

All the 97 assets that make up ARGAN's portfolio have been taken into account in this overview. These include standard logistics warehouses but also specific assets such as cold stores, standard and cold fulfilment centres, or also assets that are not fully owned but are built on Temporary Occupancy Permits.

11.5. Other operating income and expenses and income from the disposal of properties

11.5.1. Other Income and operating expenses

	Other Income and operating expenses 30.06.2023	Other Income and operating expenses 30.06.2022
Other operating income		
Other operating expenses	0	-500
Total des autres produits et charges opérationnels	**0**	**-500**

11.5.2. Income from disposal of buildings

	Income from disposal of investment properties 30.06.2023	Income from disposal of investment properties 30.06.2022
Disposal price of buildings sold	13,000	14,150
Disposal price of on-going fixes assets		
Fair value at opening of the properties sold	-13,000	-14,150
Fair value at opening of ongoing fixed assets sold		
Disposal costs and investments	-195	-120
Price adjustments on previous disposals		
Capital gains and losses on disposals of other fixed assets	24	8
Total income from disposals	**-172**	**-113**

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	186,503	534,919	315,689	1,037,112

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 30.06.2023	Fair value at 31.12.2022	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	11,152	11,629	-477	-477		232
Caps and collars	18,898	19,181	-283		-283	10
Amortising cash				135		-135
Total cash flow hedging instruments	**30,050**	**30,810**	**-760**	**-342**	**-283**	**108**
Of which against equity	30,226	11,467	18,759			
Of which against income	-283	19,101	-19,384			
Of which against debt (balancing payment)	108	242	-134			

	Amount as at 30.06.2023			**Amount as at 31.12.2022**		
(in thousands of euros)	**Fixed**	**Hedged variable**	**Unhedged variable**	**Fixed**	**Hedged variable**	**Unhedged variable**
Borrowings	1,181,123	441,534	316,633	1,177,412	451,455	253,350
Finance lease debt		51,825	31,709		56,636	42,596
Borrowings on RCF			20,010			1,010
Macroeconomic swap						
Collar macroeconomic swap		132,547	-132,547		147,377	-147,377
Financial liabilities	**1,181,123**	**625,906**	**235,805**	**1,177,412**	**655,468**	**149,579**
Total	**2,042,833**			**1,982,460**		

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 2023:

(in thousands of euros)	Amount originally hedged	Amount as at 30.06.2023	Type	Fixed rate/Collar	Variable rate	Period covered
Swap 17	22,000	9,900	Fixed- for variable-rate	0.561%	Euribor 3 months	2015-2030
Collar 24	9,037	3,097	Zero premium collar	-0.25% / + 1.5%	Euribor 3 months	2017-2024
Collar 25	16,357	6,906	Zero premium collar	-0.30% / + 1.5%	Euribor 3 months	2017-2024
Collar 27	8,482	3,648	Zero premium collar	-0.30% / + 1.5%	Euribor 3 months	2017-2024
Collar 28	4,590	2,492	Zero premium collar	-0.28% / + 1.5%	Euribor 3 months	2017-2024
Collar 29	26,009	14,036	Zero premium collar	-0.28% / + 1.5%	Euribor 3 months	2017-2024
Collar 30	5,364	580	Zero premium collar	-0.32% / + 1.5%	Euribor 3 months	2017-2024
Collar 35	41,282	64,674	Zero premium collar	-0.65% / + 1.5%	Euribor 3 months	2016-2023
Collar 36	160,599	67,871	Zero premium collar	-0.50% / + 1.5%	Euribor 3 months	2016-2023
Collar 38	17,431	11,629	Zero premium collar	-0.02% / +1.25%	Euribor 3 months	2017-2024
Collar 41	28,190	12,535	Zero premium collar	0% / + 1.5%	Euribor 3 months	2018-2025
Swap 42	2,505	1,603	Fixed- for variable-rate	0.630%	Euribor 3 months	2018-2026
Swap 43	43,000	34,017	Fixed- for variable-rate	1.010%	Euribor 3 months	2018-2030
Swap 44	10,900	8,772	Fixed- for variable-rate	0.530%	Euribor 3 months	2019-2029
Collar 43	109,058	93,388	Zero premium collar	-0.40%/+1.5%	Euribor 3 months	2020-2029
Collar 44	20,700	17,502	Zero premium collar	-0.64%/+2.5%	Euribor 3 months	2020-2028
Collar 45	3,080	2,695	Zero premium collar	-0.5%/+1.75%	Euribor 3 months	2020-2025
Collar 46	8,000	6,668	Zero premium collar	-0.54%/1.2%	Euribor 3 months	2020-2028
Collar 47	18,900	15,559	Zero premium collar	-0.54%/1.2%	Euribor 3 months	2020-2028
Collar 49	6,160	5,094	Cap with smooth premium 0.1675%	1%	Euribor 3 months	2020-2028
Collar 50	67,200	61,905	Zero premium collar	-0.745%/+1.5%	Euribor 3 months	2021-2026
Collar 51	7,200	6,633	Zero premium collar	-0.525%/1.5%	Euribor 3 months	2021-2026
Collar 52	83,760	78,196	Cap spread	1.5%/3.5%	Euribor 3 months	2021-2026
Collar 53	8,080	8,080	Cap spread	2%/4%	Euribor 3 months	2023-2029
Collar 54	90,000	88,425	Fixed- for variable-rate	1.870%	Euribor 3 months	2023-2029

List of hedging and trading instruments already taken out in 2023:

(in thousands of euros)	Amount originally hedged	Amount as at 30.06.2023	Type	Fixed rate/Collar	Variable rate	Period covered
None						

13. Other non-current financial assets

(in thousands of euros)	Amount as at 31.12.2022	Increase	Decrease	Reclassification maturing within 1 year	Amount as at 30.06.2023
Deposits and guarantees paid	496				496
Advances paid on fixed assets	1,314	226	-745		794
Total	**1,810**	**226**	**-745**	**0**	**1,290**

14. Trade receivables

(in thousands of euros)	Amount as at 30.06.2023	Amount as at 31.12.2022
Trade and other receivables	35,040	46,877
Doubtful receivables		
Total gross trade receivables	**35,040**	**46,877**
Impairment	0	0
Total net trade receivables	**35,040**	**46,877**

Receivables mainly correspond to invoices for rents for Q3 2023, which are produced before 30 June 2023.

15. Other current assets

(in thousands of euros)	Amount as at 30.06.2023	Amount as at 31.12.2022
Tax and social security receivables	9,408	10,945
Other operating receivables	16,592	26,603
Deferral of IFRS 16 rent free periods	789	1,002
Other prepaid expenses	2,114	2,140
Other current operating assets	**28,903**	**40,689**
Accrued interest on finance lease transactions		
Other current financial assets	**0**	**0**
Total other current assets	**28,903**	**40,689**

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 30.06.2023	Amount as at 31.12.2022
Risk-free, highly liquid investment securities	**1**	**115,036**
Cash in hand	206,606	54,214
Cash	**206,607**	**169,250**

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 01.01.2023	-87	87	0
Share of income 30.06.2023	13		13
Share of dividend distribution			0
Reclassification of provision on equity accounted investments		-13	-13
Balance at 30.06.2023	**-74**	**74**	**0**

The Group's share in the net fair value of the entity's identifiable assets and liabilities amounted €0 as at 30 June 2023.

18. Assets held for sale

(in thousands of euros)	Amount as at 31.12.2022	Increase	Decrease	Amount as at 30.06.2023
Investment properties	22 814		-22 814	0
Assets held for sale	**22 814**	**0**	**-22 814**	**0**

19. Consolidated shareholders' equity

19.1. 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 2023	22,951,290	2	45,903	291,266
Free shares	30,074	2	60	-60
Dividend in shares	98,333	2	197	7,140
Dividend				-68,928
Amount of capital as at 30 June 2023	**23,079,697**	**2**	**46,159**	**229,418**

19.2. Dividend paid

(in thousands of euros)	30.06.2023	31.12.2022
Net dividend per share (in euros)	3.00	2.60
Overall dividend paid	68,907	58,723
Impact of the option to pay the dividend in shares	-7,356	-36,971
Dividend paid	**61,551**	**21,752**

19.3. Treasury shares

(in thousands of euros)	Closing amount	Opening amount	Change	Income from disposal	Cash impact
Acquisition cost	1,425	791	634	-37	-671
Impairment	0	0	0		
Net value	1,425	791	634		
Number of treasury shares	20,303	10,363	9,940		

19.4. Free shares

(In Euros)	Plan 2019/2020/2021 25% down-payment	Plan 2019/2020/2021 (1)
Attribution date	16/01/2023	17/01/2022
Number of benefeciaries	24	7
Acquisition date	15/01/2024	16/01/2023
Number of free shares	12,686	30,074
Stock price at the acquisition date (in €)	80.7	112.64
Dividend / share expected Y+1 (in €)	3.00	2.60
Fair value of shares (in €)	77.7	110.04
Expenses accounted during (in €)	534,710	-487,788

(1) The expense booked for the period does not take into account the employer's contribution paid in an amount of €482 thousand that is under the line "personnel expenses".

20. Financial liabilities

20.1. Change in financial liabilities and guarantees given

(in thousands of euros)	Amount as at 31.12.2022	Change in consolidation	Increase	Decrease	Other changes (1)	Line item to line item transfers	Amount as at 30.06.2023
Borrowings	1,180,435		93,576			-40,883	1,233,128
Credit lines	0						0
Bond issues	500,000						500,000
Finance lease	82,242					-14,320	67,922
Issue costs	-13,055		-1,248			1,848	-12,455
Non-current IFRS 16 lease liabilities	70,510				3,301	-1,401	72,409
Non-current financial liabilities	**1,820,132**	**0**	**92,328**	**0**	**3,301**	**-54,756**	**1,861,004**
Borrowings	72,792			-37,481		40,883	76,195
Credit lines	0		35,000	-15,000			20,000
Bond issues	130,000						130,000
Finance lease	16,989			-15,698		14,320	15,612
Issue costs	-3,632			1,887		-1,848	-3,593
Accrued interest on loans	8,443				5,617		14,060
Bank loans	162				-9		152
Current IFRS 16 lease liabilities	1,450			-876	-10,249	11,215	1,542
Current financial liabilities	**226,207**	**0**	**35,000**	**-67,168**	**-4,642**	**64,570**	**253,967**
Borrowings on assets held for sale	9,814					-9,814	0
Total gross financial liabilities	**2,056,153**	**0**	**127,328**	**-67,168**	**-1,341**	**0**	**2,114,973**

(1) Includes the impact of the annual indexation of IFRS 16 rents, the sale of leasehold agreement and the reclassification of the cost of issuing new loans.

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 2023: €1,308,218 thousand
  - as at 31 December 2022: €1,250,432 thousand

- No guarantees made by ARGAN during the years ended June 30, 2023 and December 31, 2022.

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

(in thousands of euros)	30.06.2023	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)	760,518	64,996	206,103	489,418
Fixed rate borrowings	1,198,806	161,199	820,447	217,160
Variable rate capital lease obligations (a)	83,534	15,612	33,301	34,621
Fixed rate capital lease obligations				
IFRS 16 lease liabilities	73,951	1,542	6,587	65,822
Issue costs	-16,048	-3,593	-9,714	-2,741
Accrued interest on loans	14,060	14,060		
Bank loans	152	152		
Capital financial liabilities	**2,114,973**	**253,969**	**1,056,724**	**804,280**

(a) Original variable rate – the hedged portion of these borrowings is specified in Note 12

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 +€0.7m on the financial costs for the period.

20.3. Due dates for finance lease payments

(in thousands of euros)	Finance lease commitment as at 30.06.2023	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	92,299	18,630	38,690	4,458	30,520
Total future lease payments	**92,299**	**18,630**	**38,690**	**4,458**	**30,520**

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.

20.4. Net financial debt

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

(in thousands of euros)	Amount as at 30.06.2023	Amount as at 31.12.2022	Change
Gross financial liabilities	2,041,020	1,974,379	66,641
Cash and cash equivalents	-206,607	-169,250	-37,357
Net financial debt before IFRS 16	**1,834,413**	**1,805,129**	**29,284**
IFRS 16 lease liabilities	73,951	81,774	-7,823
Net financial debt	**1,908,364**	**1,886,904**	**21,461**

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

(in thousands of euros)	Amount as at 31.12.2022	Cash flow	Change in Consolidation	Fair values	Reclassification IFRS 5	Amount as at 30.06.2023
Cash and cash equivalents	**169,250**	**37,357**				**206,607**
Non-current financial liabilities	1,749,622	38,973				1,788,595
Current financial liabilities	224,757	27,669				252,426
Borrowing on assets held for sale						0
Gross debt before IFRS 16	**1,974,379**	**66,642**	**0**	**0**	**0**	**2,041,024**
Net financial debt before IFRS 16	**1,805,129**	**29,285**	**0**	**0**	**0**	**1,834,413**
IFRS 16 lease liabilities	71,960	-7,823			9,814	73,951
Borrowings on assets held for sale	9,814				-9,814	0
Gross debt	**2,056,153**	**58,819**	**0**	**0**	**0**	**2,114,973**
Net financial debt	**1,886,904**	**21,462**	**0**	**0**	**0**	**1,908,366**

21. Liabilities held for sale

(in thousand of euros)	Amount as at 30.06.2023	Amount ast at 31.12.2022	Change
Borrowings			0
Leased loans		9 814	-9 814
Accrued interest			0
Net financial debt	**0**	**9 814**	**-9 814**

22. Security deposits

(in thousands of euros)	Amount as at 30.06.2023	Amount as at 31.12.2022	Change
Tenant security deposits	11,970	11,172	798

23. Provisions

(in thousands of euros)	Amount as at 31.12.2022	Increase	Decrease	Changes in scope	Amount as at 30.06.2023
Provisions for current equity-accounted investments	87		-13		74
Provisions for non-current contingencies					0
Provisions for current contingencies					0
Provisions for liabilities and charges	**87**	**0**	**-13**	**0**	**74**
Of which provisions used			-13		
Of which unused provisions					

As the net position of SCCV NANTOUR was negative as at 30 June 2023, the equity-accounted securities were reclassified as provisions.

24. Tax liability

No tax liabilities were recorded as at 30 June 2023.

25. Other current liabilities

(in thousands of euros)	Amount as at 30.06.2023	Amount as at 31.12.2022
Trade and other payables	20,741	29,938
Tax liabilities	25,625	8,381
Social security liabilities	684	1,034
Other current liabilities	4,205	2,910
Prepaid income	51,466	56,069
Total other current liabilities	**102,722**	**98,333**

Tax liabilities relate primarily to VAT collected on receipts and accrued expenses, more particularly those relating to land tax.

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

26. Net income from buildings

(in thousands of euros)	Amount as at 30.06.2023	Amount as at 30.06.2022
Rental income	90,933	81,672
Rental expenses and rebilled rates	28,258	24,194
Other income from buildings	1,645	1,595
Total income from buildings	**120,836**	**107,461**
Rental expenses and rates	29,018	25,514
Other expenses on buildings	122	257
Total expenses on buildings	**29,140**	**25,771**
Net income from buildings	**91,696**	**81,691**

27. Cost of net financial debt

(in thousands of euros)	Amount as at 30.06.2023	Amount as at 30.06.2022
Income from money market investment securities < 3 months		
Income from cash and cash equivalents	1,381	40
Income from interest rate hedges		
Income from cash	**1,381**	**40**
Interest on loans and overdrafts	-20,191	-12,991
Interest on IFRS 16 lease liabilities	-930	-776
Derivatives	-187	-455
Borrowing costs	-1,887	-2,071
Early repayment penalties due to banks borrowings		-6,491
Cost of gross financial debt	**-23,195**	**-22,784**
Cost of net financial debt	**-21,814**	**-22,744**
Change in accrued interests	5,617	2 423
Spread early repayment swaps	53	53
Change in cash flow from financial income and expenses	**-16,145**	**-20,269**

28. Other financial income and expenses

(in thousands of euros)	Amount as at 30.06.2023	Amount as at 30.06.2022
Fair value financial income on trading instruments		8,703
Fair value financial expenses on trading instruments	-231	
Interest on current accounts of associates		
Other financial income and expenses	**-231**	**8,703**

29. Reconciliation of tax expense

(in thousands of euros)	Amount as at 30.06.2023	Amount as at 30.06.2022
Profit before tax	-269,532	323,085
Theoretical tax expense (income) at the prevailing rate in France	**67,383**	**-80,771**
Impact of the non-taxable sector	-67,383	80,771
Discounted exit tax		
Exceptional contribution of 3% on distribution		
Corporate tax on previous financial years		
Unused tax losses		
Actual tax expense	**0**	**0**

30. Earnings per share

Calculation of earnings per share	Amount as at 30.06.2023	Amount as at 30.06.2022
Net income, Group share (in thousands of €)	-266,970	321,704
Weighted average number of capital shares	23,014,913	22,718,813
Treasury shares (weighted)	-14,958	-5,746
Number of shares retained	22,999,955	22,713,067
Earnings per share (in euros)	**-11.60**	**14.16**

31. Details of the cash flow statement

Cash net of bank overdrafts is as follows:

(in thousands of euros)	Amount as at 30.06.2023	Amount as at 30.06.2022
Cash and cash equivalents	206,607	249,050
Bank loans, commercial paper and accrued interest	-152	-92
Cash in the cash flow statement	**206,455**	**248,958**

32. Impact of business combinations on cash flows

None.

33. Off-balance sheet commitments

(in thousands of euros)	Amount as at 30.06.2023	Amount as at 31.12.2022
Commitments received:		
Credit lines received and unused	223,490	234, 990
Signed loans not disbursed	20,423	79,799
Sureties received from tenants	82,891	84,565
Total commitments in assets	**326,804**	**399,354**
Commitments given:		
Sureties and guarantees given	522	3,002
Commitments to acquire investment properties		
Work undertaken head office		
Total commitments in liabilities	**522**	**3,002**
Reciprocal commitments:		
Commitments to build investment properties	53,496	53,753
Total commitments in assets and liabilities	**53,496**	**53,753**

34. 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		496				794		1,290	1,290
Cash in hand	206,606				1			206,607	206,607
Current and non-current financial instruments							30,050	30,050	30,050
Other assets						61,828		61,828	61,828
TOTAL FINANCIAL ASSETS	**206,606**	**496**	**0**	**0**	**1**	**62,623**	**30,050**	**299,776**	**299,776**
Non-current IFRS 16 financial liabilities and lease liabilities		1,361,004			500,000			1,861,004	1,861,004
Current and non-current financial instruments								0	0
Current IFRS 16 financial liabilities and lease liabilities					130,000	123,969		253,969	253,969
Financial liabilities on assets held for sale								0	0
Other liabilities						51,255		51,255	51,255
Security deposit						11,970		11,970	11,970
TOTAL FINANCIAL LIABILITIES	**0**	**1,361,004**	**0**	**0**	**630,000**	**187,194**	**0**	**2,178,198**	**2,178,198**

35. 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 30.06.2023	Amount as at 30.06.2022
Salaries	514	594
Attendance fees	56	65
Overall remuneration	**570**	**659**

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.

36. Headcount

	Executives	Non-executives	Total
Average headcount as at 30 June 2022	23	3	26
Average headcount as at 30 June 2023	25	3	28

37. Statutory auditors' fees

(In thousands of euros)	Mazars		Exponens		Total	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022	30.06.2023	30.06.2022
Audit, statutory auditor, certification, review of individual and consolidated financial statements						
ARGAN	49	44	29	27	78	72
CARGAN-LOG	9	8	0	0	9	8
Sub-total	**58**	**52**	**29**	**27**	**87**	**80**
Services other than certifying the financial statements						
ARGAN					0	0
CARGAN-LOG			0	0	0	0
Sub-total	**0**	**0**	**0**	**0**	**0**	**0**
Grand total	**58**	**52**	**29**	**27**	**87**	**80**

38. Post-closing events

ARGAN repaid, on July 4, 2023, its bond in an amount of €130m.

mazars

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61, rue Henri Regnault
92075 Paris La Défense Cedex

exponens

Exponens Conseil & Expertise
20, rue Brunel
75017 Paris

Argan

Statutory auditors' report on the half-yearly financial information

Period from January 1 to June 30, 2023

Argan
Société anonyme
RCS Nanterre 393 430 608

Statutory auditors' report on the half-yearly financial information

Period from January 1 to June 30, 2023

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting and in accordance with the requirements of article L. 451-1-2 III of the French monetary and financial code (Code monétaire et financier), we hereby report to you on:

- the review of the accompanying interim consolidated financial statements of Argan for the period from January 1 to June 30, 2023
- the verification of the information given in the half-yearly activity report.

These interim consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express a conclusion on these financial statements based on our review.

Conclusion on the financial statements

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

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

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements are not prepared, in all material respects, in accordance with IFRS as adopted by the European Union, and that they give a true and fair view of the assets and liabilities and of the financial position of the Group as of June 30, 2023 and of the results of its operations for the six months then ended.

Specific verification

We have also verified the information given in the half-year management report on the consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the interim consolidated financial statements.

The auditors

Mazars

Paris La Défense, le 19 July 2023

Saïd Benhayoune

Exponens Conseil & Expertise

Paris, le 19 July 2023

Yvan Corbic

Public limited company with an Executive Board and Supervisory Board
with share capital of €46,159,394
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 2023

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 (excluding current developments) with a total surface area of **3,520,000 sqm**, is valued at **€3.64bn** excluding transfer taxes (**€3.85bn** including transfer taxes) as at 30 June 2023.

Its property base consists of 94 buildings, mainly **category A logistics centres** (**82 hubs** and **12 fulfilment centres** as at 30 June 2023), with a weighted average age of **10.8 years**. The buildings are located throughout France, mainly on the vertical axis of highways.

The breakdown of surface area is largely as follows:

- Ile de France Region: 31%
- Hauts de France Region: 14%
- Grand Est : 11%
- Centre / Val de Loire Region : 10%
- Auvergne / Rhône-Alpes Region: 10%
- Bourgogne / Franche Comté : 9%
- Occitanie : 5%
- Pays de la Loire : 4%
- Rest of France: 6%

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. The company is part of Euronext CAC All-Share, EPRA Europe and IEIF SIIC France indices.

Its market capitalisation at 30 June 2023 was **€1.569bn** based on a price of €68.0/share.
ARGAN currently has four subsidiaries, AVILOG SCI, CARGAN-LOG SCI and NEPTUNE SCI (fully consolidated) and NANTOUR SCCV (consolidated using the equity method).

SIIC regime:

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

The exit tax amount for ARGAN was paid in full.

2/ REPORT OF OPERATIONS

Since the beginning of the year, ARGAN pursued its development by delivering last March a logistics platform totaling 38,000 sq.m and located in Janneyrias (38) – Lyon area – by the A432 French highway. This platform, which is leased to BUT – France's leading furniture retailer – for a fixed term of 9.5 years, meets the highest standards for frugal energy choices.
Under intended conditions, ARGAN also finalized last March its sale of a logistics platform of 20,000 sq.m located in Bonneuil-sur-Marne (94).
Finally, ARGAN joined the EPRA Europe index on March 20, 2023.

ARGAN plans to deliver four new development projects and one extension in 2023, representing an investment volume of €135m for new spaces totalling 100,000 sq.m. All these projects are already financed through amortizing mortgage loans that were taken out in 2022, before interest rates rose.

After 2023, the very strong business momentum recorded in the first half of this year has already helped secure development projects representing a volume of over €175m for more than 155,000 sq.m of spaces to be delivered in 2024. Half of this amount is already financed through amortizing mortgage loans and the other half should come from the sale of warehouses at the end of 2024 or early 2025, depending on market conditions.

Among ongoing project developments, Argan has already announced works to extend two sites, with:

- The second phase for its logistics warehouse at La Crèche (79) leased to EURIAL, the milk division of the cooperative group AGRIAL, as part of a long-term lease covering a firm 12-year period. The two new negative cold cells represent a surface of 12,400 sq.m and will result in total spaces extended to 32,800 sq.m. This extension includes an improvement in the site's carbon footprint, as photovoltaic panels will also be installed with a total production capacity of over 1,700 Mwh/year, thus covering 30% of the site's energy needs. The project's delivery is expected in December 2023;

- The extension of the fulfillment hub in Bruguières (31) leased to GEODIS, which will increase the site's size to 13,400 sq.m. These works are also an opportunity to refurbish existing buildings and thus establish a long-term partnership with GEODIS through a new lease for a firm 12-year period. The project's delivery is expected in December 2024.

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

- **1st semester 2023: €90.9m in net rental income**
- 1st semester 2022: €81.7m in net rental income

This represents an increase of +**11%** in the 1st semester 2023 compared with the 1st semester 2022.

The occupancy rate for the portfolio was 100% as at 30 June 2023.

As at 30 June 2023, gross financial debt relating to assets delivered amounts to **€1.413bn**, of which it should be added bond issues of **€630m for a total gross debt of €2.043bn.**

Including residual cash, **net LTV** (net financial debt/value of the portfolio excluding transfer taxes) **increased to 49%** as of 30 June 2023. The computation of the net LTV does not include impacts coming from the implementation of IFRS16 norm.

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

- **31%** of fixed rate bonds, i.e. €630m at the fixed average rate of 1.47%
- **27%** of fixed rate amortising loans, i.e. €551m at an average rate of 1.37%
- **30%** of hedged variable rate amortising loans, i.e. €626m at an average rate of 2.63%
- **12%** of variable rate amortising loans, i.e. €236m at an average rate of 3-month Euribor + 1.00%

Taking into account a 3-month Euribor of +3.00% on average over the first semester of 2023, the ARGAN Group's average rate for total debt was **2.10%** as at 30 June 2023, compared with 1.35% as at 30 June 2022, with an average 3-month Euribor of -0.30%.

The amount of financing items that are individually hedged and the hedging instruments entered into as at 30 June 2023 are as follows:

- €14.0M: Collar -0.28% / + 1.5% until 10/01/24
- €11.6M: Collar -0.02% / + 1.25% until 10/01/24
- €6.9M: Collar -0.30% / + 1.5% until 10/01/24
- €3.1M: Collar -0.25% / + 1.5% until 10/01/24
- €2.5M: Collar -0.28% / + 1.5% until 10/01/24
- €0.6M: Collar -0.32% / + 1.5% until 10/01/24
- €3.6M: Collar -0.30% / + 1.5% until 10/07/24
- €12.5M: Collar 0% / + 1.5% until 01/01/25
- €2.7M: Collar -0.5% / + 1.75% until 10/07/25
- €1.6M: Fixed rate swap at 0.63% until 10/04/26
- €78.2M: Cap 1.5% / + 3.0% until 10/07/26
- €61.9M: Collar -0.745% / + 1.5% until 12/10/26
- €6.6M: Collar -0.525% / + 1.5% until 12/10/26
- €6.7M: Collar -0.54% / +1.2% until 10/04/28
- €5.1M: cap at 1.0% until 10/04/28
- €17.5M: Collar -0.64% / +2.5% until 10/07/28
- €15.6M: Collar -0.54% / +1.2% until 10/07/28
- €93.4M: Collar -0.40% / +1.5% until 23/01/29
- €8.8M: Fixed rate swap at 0.53% until 10/07/29
- €8.1M: Cap at 2.0% / + 4.0% until 10/07/29
- €88.4M: Fixed rate swap at 1.87% until 10/10/29
- €9.9M: Fixed rate swap at 0.561% until 10/01/30
- €34.0M: Fixed rate swap at 1.010% until 08/06/30

The Company has also entered into the following macro hedges:

- €67.9M: Collar -0.5% / +1.5% until 10/10/23
- €64.7M: Collar -0.65% / +1.5% until 10/10/23

3/ FORESEEABLE DEVELOPMENT OF THE SITUATION

For the financial year 2023, **ARGAN is anticipating an increase in its rental income of +10% to €183m,** after **the company revised its yearly target for rental income upwards** as part of the **release of first half-year 2023 rental income** (compared with €182m initially).

4/ SIGNIFICANT EVENTS POST-CLOSING 30 JUNE 2023

As planned, ARGAN repaid, on July 4, 2023, its bond in an amount of €130m, issued in June 2017 at a fixed rate of 3.25%, without refinancing needs.

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:** As the Company uses debt to finance its future developments, any change in interest rates would result in a change in the financial expenses due on these loans. This is particularly true in the current environment of rising interests. However, the Company has entered into various interest rate hedges enabling it to reduce its exposure to variable rates to 12% of its total debt at June 30, 2023.

In addition, the majority of financing contracts concluded at variable rates include the possibility of conversion to fixed rates.

On a backdrop of rising interest rates, ARGAN's financial strategy aims at strongly limiting the use of borrowings to reduce debt. This strategy, which was communicated early 2023, results in gradual and constant decrease in the amount of gross debt. This is linked to a double effect stemming from the natural amortization of mortgage loans (about €100m / year) and, selectively, from the proceeds of targeted sales of warehouses at the end of 2024 or early 2025, depending on market conditions.

➢ **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, as well as dividend payments part of the SIIC status.

To avoid any liquidity risk, treasury lines in an amount of €243M are in place.

➢ **Financing risks:** As at 30 June 2023, total debt relating to assets delivered amounted to €1,413M. Adding to this amount €630M in bonds, the total debt was €2,043M.

As at 30 June 2023, asset-backed financing with an obligation to comply with LTV ratios on the Company's assets (obligation to comply with an LTV ratio that excludes transfer taxes of less than 70% primarily) represented 51% of all financing agreed. Additionally, bond issuances also include an LTV ratio compliance of less than 65% without transfer taxes, representing 31% of all loans taken out.
As a reminder, the Company's LTV ratio stood at 49% as of 30 June 2023, far from its covenant's levels.

Note that the 2017 bond in an amount of €130M with fixed rate of 3.25% was repaid on 4 July, 2023, without refinancing needs.

***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.

In the first six months of 2023, Argan was not impacted in the collection of rents due. It was not solicitated either by clients following the implementation of the index on rent reviews since January 2023 (+4% in average).

Changes in the economic situation have an impact on changes in the INSEE indices (ICC: cost of construction index or ILAT: index of rents for tertiary activities) on which the Company's rents are indexed. Note that 40% of the company leases include a system of tunnel indexation or pre-indexation of rents, which limits the impacts of the indexation linked to INSEE indices.

In addition, the Company is exposed to fluctuations in the real estate market, which could have an adverse effect on its investment and arbitrage policy, as well as on its business, financial condition, results and prospects.

However, the demand for logistic real estate remains very sustained with national vacancy rate that stood at 3.7% at the end of June 2023, including 3% in the Ile-de-France region and 1.2% in the Rhône-Alpes area.

➢ **Risks related to the availability of financings:** To finance its business, the Company primarily uses long-term mortgages as well as, to a lesser extent, bond issues.

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.

On a backdrop of increasing interest rates, the debt reduction strategy initiated by Argan is moreover an answer to decrease financing applications.

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 outcomes. Note that as at 30 June 2023, the occupancy rate was 100%, with an average remaining fixed lease term of 5.5 years, as detailed hereafter:

Average residual firm lease	Pourcentages
More than 6 years	41%
Between 3 to 6 years	29%
Less than 3 years	30%

Also note that no lease customer exit is planned for the year 2023.

➢ **Risks related to authorisations and administrative remedies:** 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 (French ICPE). 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 the French ICPE regulations, it cannot guarantee that additional authorisations will be obtained if its tenants make a change to the way they operate its warehouses. Nor can Argan ensure that appeals will not be filed against prefectorial authorizations and construction permits delivered. 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 94 buildings, leased to a total of 62 different tenants. ARGAN's top 12 tenants were responsible for 73% of annualised rental income for 2023 across about 60 sites. The major tenants are: Carrefour (29%), FM logistic (8%), Casino (6%), Amazon (5%) and Auchan (5%).

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 2023, the annual rental revenue from the largest site represented 5% 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 could adversely affect our tenants' business operations and increase the Company's exposure to counterparty risk for 2023. Since the first half-year of 2022, inflation, a sluggish economic environment, the rise in interest rates and geopolitical tensions may weaken some tenants.

Additionally, please note that, at this stage, the difficulties experienced by our lease customer Casino have not had any impact on Argan's performance. At the date of the release of this half-year financial report, Argan's knowledge regarding the developments surrounding Casino are the same as those shared with the general public in the media – i.e., that there are currently different investors committing to further sustain Casino Group's business. Note that Casino Group represented 6% of our annualized rental income for 2023, through 3 warehouses that belong to Argan, of which 2 are located in active areas of the Paris region.

➢ **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 l'Ile-de-France (31%), les Hauts de France (14%), le Grand-Est (11%), le Centre / Val de Loire (10%) and l'Auvergne / Rhône-Alpes (10%).

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 (3.7% national vacancy rate at the end of June 2023).

➢ **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 2023, 51% of the Company's real estate stock (based on the surface under rents) is covered by a 10-year guarantee, i.e., 50 warehouses. Moreover, 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 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.

➢ **Risks related to the acquisition strategy:** For the purpose of its development and its new financial strategic roadmap, the Company intends to make selective disposals of property assets (the oldest assets). It cannot guarantee that such disposal opportunities will arise, nor that these disposals will be made at the expected price.

Such disposals involve a number of risks related to conditions in the property market; the presence of enough investors in this market; the effects on the Company's operating results, the involvement of executives and key personnel in such transactions; and the discovery of problems inherent to these disposals.

Failure to sell old assets would be likely to affect its strategy and its outlook. However, only one disposal was carried out in the first half-year of 2023 and no other disposal is planned before year-end 2024 or early 2025, depending on market conditions.

➢ **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.

As at 30 June, 2023, 82% of the financings taken out include an LTV covenant obligation on the Company's assets; failure to comply may constitute an event of default.

The current crisis - and the rise in capitalisation rates currently being observed - is likely to result in adverse fluctuations in the valuation of real estate assets that might negatively affect the valuation of the Company's assets. As at the filing date of release of this half-year report as at 30 June, 2023, there is uncertainty regarding the impact of the crisis and its consequences for asset value impairments, although default seems unlikely given that covenants on a part of the Company's debt primarily impose an LTV ratio of less than 65%.

For information, an increase of 0.5% in the Company's capitalisation rate (5.0% excluding transfer taxes as assessed by the appraisers as at 30 June, 2023) would result in a fall of 9.1% in the value of the Company's assets, i.e. an increase in LTV from 49% to 54%.

In its appraisal report as of 30 June, 2023, The independent expert states that "we draw your attention to the fact that the global inflationary situation, rising interest rates, geopolitical events in Ukraine have increased the volatility of the real estate markets in the short and medium term. Past experience has shown that user and investor behavior can change rapidly during these periods of increased volatility."

The assessment of the portfolio is carried out by an independent expert on a half-yearly basis, the assets' valuation will thus be reviewed on the occasion of the annual closing.

6/ SCOPE OF CONSOLIDATION

The scope of consolidation as at 30 June 2023 is as follows:

Social Form	Companies	company SIREN registration n°	% interest and control at 30.06.2023	% interest and control at 30.06.2022
SA	ARGAN	393 430 608	100.00%	100.00%
SCI	NEPTUNE	903 397 784	99.90%	99.90%
SCCV	NANTOUR	822 451 340	49.90%	49.90%
SCI	AVILOG	841 242 274	100.00%	99.90%
SCI	CARGAN-LOG	894 352 780	60.00%	60.00%

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

ARGAN and its subsidiaries Neptune, Nantour, Avilog and Cargan-Log form the Argan group (the «**Group**»).

7/ CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The consolidated interim financial statements for the period from 1 January to 30 June 2023 were approved by the Executive Board on 12 July 2023.

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/EN/legal-content/summary/international-financial-reporting-standards-ifrss.html).

The standards and interpretations listed below and which have been applicable to the Group since 1 January, 2023, have no significant impact on its results and financial position:

- IFRS 17- Insurance contracts
- IAS 8 : Accounting policies, changes in accounting estimates and errors

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 2023.

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 01/01/23 to 30/06/23 (6 months)	From 01/01/22 to 30/06/22 (6 months)
Rental income	90,933	81,672
Rebilled rental expenses and rental taxes	28,258	24,194
Rental expenses and rates	-29,018	-25,514
Other income from buildings	1,645	1,595
Other expenses from buildings	-122	-257
Net income from buildings	**91,696**	**81,691**
Current operating income	85,298	72,967
Operating income after value adjustments	-247,487	337,126
Cost of net financial debt	-21,814	-22,744
Of which interest on loans and overdrafts	-20,191	-12,991
EBIT	-269,301	314,382
Net income	**-269,519**	**323,069**
Net income Group share	**-266,970**	**321,687**
Diluted net income, Group share/weighted number of shares	**-€11.60**	**€14.16**
Average weighted number of shares at June 30	22,999,955	22,713,067

- ARGAN generated rental income of €90.9 million during the first semester of 2023, an increase of 11% compared with the first half of 2022. 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 €85.3 million as at 30 June 2023, up 17% compared with the first semester of 2022.

- The operating income after value adjustments was -€247.5 million, strongly impacted by a negative change in the fair value of investment properties that reached -€332.6 million due to the rise in capitalisation rates, on a backdrop of broad-based rise in interest rates.

- Net income was -€269.5 million, after deduction of -€21.8 million from the cost of net financial debt (which includes income from cash and cash equivalents for €1.4 million, interest on loans and overdrafts for -€20.2 million, interest related to IFRS 16 rental debts for -€0.9 million, derivative instruments for -€0.2 million and loan issue costs for -€1.9 million) and taking into account -€0.2 million of other financial income and expenses.

- Diluted earnings per share amounted to -€11.60, compared with €14.16 for the first half of 2022. This result is calculated on the basis of a weighted number of shares of 22,999,955.

- **Recurring net income amounted to €63.1 million, an increase of 8% compared with the first half of 2022.**

Statement of income and expenses recognised:

(in thousands of €)	From 01/01/23 to 30/06/23 (6 months)	From 01/01/22 to 30/06/22 (6 months)
Earnings for the period	-269,519	323,069
Total gains and losses recognised directly in equity	-342	6,518
Earnings for the period and gains and losses recognised directly in equity	**-269,861**	**329,586**
- Including group share	-267,312	328,205

- Gains and losses recognised directly in equity amount to a loss of -€342k (versus a gain of €6,518k in the first semester of 2022). This corresponds to the change in fair value of hedging instruments (on the effective portion).

Calculation of recurring net income:

(en k€)	From 01/01/23 to 30/06/23 (6 months)	From 01/01/22 to 30/06/22 (6 months)
Rental income	90,933	81,672
Current expenses	-7,110	-8,259
Income from cash	1,381	40
Interest on loans	-20,191	-12,990
Issue costs	- 1,887	- 2,071
Recurring net income	**63,126**	**58,392**
Recurring net income, Group share	**62,800**	**58,200**
Recurring net income/Rental income	**69%**	**71%**
Diluted recurring net income, Group share/share	**€2.73**	**€2.57**
Weighted number of shares	22,999,955	22,713,067

Recurring net income amounted to €63.1 million, up 8% compared to the previous year and now accounts for 69% of rental income (vs. 71% in the first semester of 2022).

Simplified consolidated balance sheet:

(in thousands of €)	As at 30/06/23	As at 31/12/22
Non-current assets	3,909,130	4,159,623
Current assets	270,550	256,817
Assets held for sale	0	22,814
Total Assets	**4,179,679**	**4,439,254**
Shareholders’ equity	1,888,003	2,217,489
Minorities	35,074	37,623
Non-current liabilities	1,872,973	1,831,304
Current liabilities	383,629	343,023
Liabilities classified as held for sale	0	9,814
Total Liabilities	**4,179,679**	**4,439,254**

Balance sheet assets:

- Non-current assets amounted to €3,909.1 million, mainly comprising €3,643.6 million in investment properties at their value excluding transfer taxes, €98.8 million in assets under construction, €11.4 million in tangible fixed assets, €68.4 million in rights of use under IFRS 16, €1.3 million in other non-current assets, €30.1 million in derivatives instruments 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 5.0% excluding transfer taxes (i.e. 4.75% including transfer taxes) as at 30 June 2023, up from 31 December 2022 (4.45% excluding transfer taxes).
- Current assets amounted to €270.6 million, comprising cash of €206.6 million, trade receivables of €35.0 million, and other current assets of €28.9 million.
- No asset is currently held for sale as at 30 June 2023.

Balance sheet liabilities:

- Shareholders’ equity, share of the parent company was €1,888.0 million as at 30 June 2023, down €329.5 million compared with 31 December 2022. This decrease over the period is the result of:
  - Consolidated income for the period of -€267.0 million,
  - A cash dividend distribution of -€61.6 million,
  - The change in fair value of hedging instruments for -€0.3 million,
  - Valuation impact & the selling of treasury shares for -€0.6 million.
- Non-current liabilities amounted to €1,873.0 million, consisting of €1,861.0 million in long-term debt, and €12.0 million in security deposits.
- Current liabilities amounted to €383.6 million, consisting of €252.4 million in short-term debt, €1.5 million in liabilities related to the application of IFRS 16, €26.9 million in debts on fixed assets, and €102.7 million in other liabilities.
- No liability is held for sale as at 30 June 2023.

Calculation of the Net Asset Value (NAV) EPRA as at 30 June 2023:

In accordance with the updated EPRA recommendations, ARGAN computes Net Asset Value (NAV) on the basis of the consolidated shareholders' equity.

NAV EPRA Net Reinstatement Value (NRV) amounts to €89.3 per share as at 30 June 2023 (-15% over 6 months).
NAV EPRA Net Tangible Asset (NTA) amounts to €78.1 per share as at 30 June 2023 (-16% over 6 months).
NAV EPRA Net Disposal Value (NDV) amounts to €85.3 per share as at 30 June 2023 (-9% over 6 months).

NAV EPRA (in millions of €)	**As at 30 June 2023**			**As at 31 December 2022**		
	NRV	**NTA**	**NDV**	**NRV**	**NRV**	**NRV**
Consolidated shareholders' equity	1,888.0	1,888.0	1,888.0	2,217.5	2,217.5	2,217.5
+ Fair value of financial instruments	-30.1	-30.1	-	-30.8	-30.8	-
- Goodwill in the balance sheet	-	-55.6	-55.6	-	-55.6	-55.6
+ Fair value of fixed-rate debt	-	-	+136.8	-	-	-
+ Transfer taxes	203.9	-	-	219.7	-	-
NAV EPRA	**2,061.9**	**1,802.3**	**1,969.1**	**2,406.4**	**2,131.1**	**2,161.9**

Number of shares	23,079,697			22,951,290		
NAV EPRA in €/share	**89.3**	**78.1**	**85.3**	**104.8**	**92.9**	**94.2**

The NAV EPRA NTA (net tangible asset) per share thus stood at €78.1 as at 30 June, 2023, compared with €92.9 as at December 31, 2022, i.e., a decrease of -16%.

This significant decrease of €14.8 per share of the NAV EPRA NTA per share compared to 31 December 2022 is attributable to:

- Net income (excluding change in fair value): +€2.7
- The change in the value of the portfolio: -€14.3
- Payment of the dividend in cash: -€2.7
- The dilutive impact of new shares issued under the share dividend option: -€0.4

DECLARATION BY THE PERSON RESPONSIBLE FOR THE HALF-YEAR FINANCIAL REPORT

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 45 to 57 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, 12 July 2023

Ronan Le Lan

Chairman of the Executive Board