

## 2023 first half-year results confirm ARGAN's operating excellence at the start of a new cycle

- **Net Recurring Income: €63 million, up +8%**
- **NAV EPRA NTA per share: €78.1**
- **2023 updated yearly targets<sup>1</sup>:**
  - Rental income revised upwards to €183m (+10% vs. 2022)
  - Recurring net income confirmed at €124m (+4% vs. 2022)
  - Dividend per share raised to €3.15€\* (+5% vs. 2022)
- **Strategic plan confirmed:**
  - Sustained growth over the 2023-2024 period
  - Structurally strong debt reduction

### Key figures for the first half of 2023:

Consolidated income statement	June 30, 2023	June 30, 2022	Change
Rental income	€90.9m	€81.7m	↗ +11%
Net Recurring Income – group share	€62.8m	€58.2m	↗ +8%
Net Recurring Income per share	€2.73**	€2.56	↗ +7%

Valuation indicators	June 30, 2023	Dec. 31, 2022	Change
Value of the portfolio (excl. duties)	€3.64Bn	€3,94Bn	↘ - 8%
NAV EPRA NTA per share	€78.1***	€92.9	↘ - 16%
NAV EPRA NRV per share	€89.3***	€104.8	↘ - 15%
NAV EPRA NDV per share	€85.3***	€94.2	↘ - 9%

Debt indicators	June 30, 2023	Dec. 31, 2022	Change
EPRA LTV	49%	45%	↗ +400 bps
EPRA LTV (incl. duties)	46%	43%	↗ +300 bps
Cost of debt	2.1%	1.5%	↗ +60 bps

\* Subject to approval during the Shareholders Annual Meeting of March 21, 2024

\*\* Calculated on the weighted average number of shares of 22,999,955

\*\*\* Calculated on the number of shares at the end of June 2023 of 23,079,697

On July 12, 2023, the Executive Board of ARGAN approved the half-year consolidated financial statement at end-June 2023.

## ***2023 yearly targets updated, thus illustrating Group confidence and the soundness of its business model:***

Based on the first half-year 2023 solid performance, and taking into account an occupancy rate standing at 100% in a rental market with very little availability, ARGAN is updating its targets for 2023 and is now aiming for:

<b>Indicators</b>	<b>2023 targets</b>	<b>Full-year 2022</b>	<b>Change vs 2022</b>
<b>Rental income</b> (revised upwards)	<b>€183m</b>	<b>€166m</b>	<b>↗ +10%</b>
Recurring net income (confirmed)	€124m	€119m	↗ +4%
<b>Dividend per share</b> (raised)	<b>€3.15</b>	<b>€3.0</b>	<b>↗ +5%</b>

## **Strong growth momentum**

### ***Significant rise in rental income: +11% in the first half-year of 2023***

In the first half-year, ARGAN pursued its growth with **rental income up a steep +11% to €90.9m**. This increase was mainly the result of the full-year effect of rents coming from the developments in 2022, rents of the warehouses delivered during the first half-year of 2023, as well as the indexation that took place on January 1, 2023 (+4% on average).

### ***A record development pipeline of over €300m***

For the 2023-2024 period, ARGAN is projecting to deliver 255,000 sq.m in total, with:

- **For 2023:** four new development projects and one extension, representing an investment volume of €135 million for 100,000 sq.m in new spaces. These include the 38,000 sq.m logistics warehouse delivered in March to BUT in Janneyrias (38), as well as the logistics warehouse extension in La Crèche (79) to be delivered in December to EURIAL (for two new negative cold cells for additional 12,400 sq.m). All these projects are already financed through amortizing mortgage loans that were taken out in 2022, before interest rates rose;
- **For 2024:** 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. These include the extension of the fulfilment hub in Bruguières (31) leased to GEODIS, which will increase the site's size to 13,400 sq.m. Half of investment amounts 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.

## **A solid financial performance driven by Premium assets and tight control over the debt**

### ***Ongoing increase of the recurring net income: up +8%***

The Group share recurring net income was up +8%, to €62.8 million as at June 30, 2023, i.e., 69% of rental income for the period.

Including the **mechanical effect arising from portfolio fair value variation in an amount of -€332.6 million – on a backdrop of rising capitalisation rates – the Group share net income stood at -€267.0 million in the first six months of the year.**

### **Premium assets valued €3.64 billion at the end of June 2023 with a 5.0% capitalisation rate excluding duties**

The delivered portfolio (excluding properties under development) represented 3,520,000 sq.m as at June 30, 2023. Its valuation stood at €3.64 billion excluding transfer duties (€3.85 billion including duties). The decrease in valuation compared with December 31, 2022, was driven by the rise in capitalisation rates over the same period: these rose from 4.45% to 5.0% excluding transfer duties, i.e., 4.75% including transfer duties compared to Prime rates at 4.5% (Source: CBRE).

The average fixed-term residual lease remained stable at 5.5 years at June 30, 2023 with a portfolio weighted average age of 10.8 years.

### **Debt under tight control amid rising interest rates**

Gross financial debt was virtually stable compared with December 2022 and thus stood at €2.0 billion. At €1.8 billion, net debt recorded at the end of June 2023 leads to a **net LTV ratio** (net financial debt/appraised value excluding transfer duties) **that rose to 49%**, reflecting the decrease in assets valuation.

**At June 30, 2023, the average rate of the cost of debt remained low at 2.1%**, compared with 1.5% at December 31, 2022, **for a maturity of 5.9 years.**

ARGAN manages to contain the impact of rising interest rates on the cost of its debt thanks to the use of long term financing, with rates that are either fixed or hedged. As a matter of fact, the Group's debt is made of:

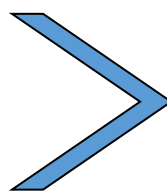
- **58% of fixed-rate loans;**
- **30% of hedged variable-rate loans**, with hedging instruments that, for the most part, are activated when the 3-month Euribor crosses 1.5%;
- **Only 12% of variable rates.**

Moreover, and as planned, ARGAN **repaid**, on July 4, 2023, **its bond in an amount of €130 million** that was issued in June 2017 at fixed rate of 3.25%. This repayment was made without refinancing needs. The **Group's debt is mainly made of mortgage loans (69% of our debt as at June 30, 2023), which means it is being amortized by around €100 million each year.**

As a consequence – and despite the current environment of strong rise in interest rates since the first half of 2022 – ARGAN is not expecting a significant rise in its cost of debt. This cost should indeed stand at around 2.4% for 2023 based on a 3-month Euribor rate of 3.5% for the full year. This scenario is included in the sensitivity table here below.

### **Cost of debt should stand at 2.4% for an average Euribor of 3.5% over 2023**

Euribor	2023	2024	2025
3.0%	2.2%	2.2%	2.1%
3.5%	2.4%	2.3%	2.3%
4.0%	2.5%	2.4%	2.4%
4.5%	2.7%	2.6%	2.5%

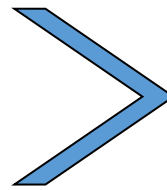


*The cost of debt remains under control under current rates assumptions*

### An LTV ratio well under Group's covenant

Additionally, even when assuming a capitalisation rate of 5.5% at the end of 2023, our LTV ratio should remain well under **our covenant (for bonds) of 65%**. This means the LTV ratio trajectory for 2030 would remain consistent with a level at or under 35%.

Capi rates (exc. duties)	2023	2024	2025
4.5%	45%	42%	38%
5.0%	50%	46%	42%
5.5%	55%	51%	46%
6.0%	59%	55%	50%



*Far from the bonds covenant limit of 65% in LTV ratio*

### NAV EPRA of continuation (NTA) at €78 per share

The NRV (reconstitution NAV) stood at €89.3 per share at June 30, 2023 (-15% over six months).

**The NTA (continuation NAV) stood at €78.1 per share at June 30, 2023 (-16% over six months).**

The NDV (liquidation NAV) stood at €85.3 per share at June 30, 2023 (-9% over six months).

Compared with December 31, 2022, **the significant decrease of €14.8 for the EPRA NTA NAV** per share mainly comes from the earnings per share (+€2,7), the change in value of the assets (-€14.3), the dividend cash payment (-€2.7) as well as in shares (-€0.4).

### ***We confirm our strategic plan that fits the new economic cycle***

At the start of a new cycle characterized by higher interest rates, **ARGAN reiterates its full commitment to roll out its strategic plan to create lasting value.** Note that this plan has two pillars:

#### An ongoing sustained growth pace:

- **Growth in rental income will be strong in 2023 with a +10% increase to €183 million.** This comes from the indexation effect (+4% on average on our leases), the full year impact of our investments made in 2022 and our 2023 investments, as well as an occupancy rate back to 100%.
- **The growth in rental income will then stay at a sustained pace. Indeed, ARGAN is now more specifically anticipating an average annual growth rate in its rental income of close to +10% over the 2023-2024 period based on its current perimeter.**

### **A structurally strong debt reduction:**

- In an economic cycle with a high cost of debt, **ARGAN has decided to no longer issue debt to finance its development**, all while **repaying its amortizing mortgage loans for €100 million per year**.

**This policy allows us to target by 2030 an LTV ratio standing between 25% for a capitalisation rate (excluding duties) of 4.5%, and 35% for a capitalisation rate (excluding duties) of 6%. Moreover, the net debt on EBITDA ratio should stand at 7x.**

- **To finance our new developments with no new debt issuance, we have two options:**
  - **Self-financing, by selling targeted assets by the end of 2024 or early 2025 depending on market conditions.** This virtuous and value-creative policy will result in selling assets with moderate capitalisation rates to, in turn, develop warehouses with more favourable capitalisation rates and a low carbon footprint;
  - **Third party investments, by offering to a small pool of investors to provide funding in a dedicated financial vehicle, which will remain controlled by ARGAN.** This second option, currently under review, would help us both maintain a sustained pace of growth and decrease the debt of our real estate company.

### **Moreover, ARGAN is still pursuing an ambitious ESG policy**

- After we presented all actions that were rolled out from 2018 to 2021 in our ESG report released in September 2022, **we are now actively preparing a complete update of our ESG strategy for a release to take place next October in a dedicated report**. Our Group will more particularly present its **low carbon trajectory** and **detail the trends for specific indicators over several years**.
- **ARGAN is also still deploying its determined approach to a low carbon footprint by:**
  - **Rolling out AUTONOM<sup>®</sup>** – the warehouse that generates its own green energy **for all new projects**;
  - **Banning for existing warehouses, by 2030, all gas heating** (3.5 times more carbon intensive than electricity) **thanks to the deployment of heat pumps**;
  - **Systematically using Centralized Technical Management Systems** that help more particularly control **lighting and heating infrastructure, and thus reduce by 10% energy consumption**.

## Financial calendar 2023 *(Publication of the press release after closing of the stock exchange)*

- October 2: 2023 3<sup>rd</sup> quarter sales

## Financial calendar 2024

- January 3: 2023 Annual Sales
- January 18: Annual Results 2023
- March 21: Annual General Meeting

## About ARGAN

ARGAN is the only French real estate company specializing in the DEVELOPMENT & RENTAL OF PREMIUM WAREHOUSES listed on Euronext.

As at June 30, 2023, ARGAN's portfolio amounted to 3.5 million sq.m, comprising approximately 100 warehouses located exclusively in France, valued at €3.6 billion. ARGAN is a listed real estate investment company (French SIIC) on Compartment A of Euronext Paris (ISIN FR0010481960 - ARG) and is included in the Euronext CAC All-Share, EPRA Europe and IEIF SIIC France indices.

[www.argan.fr](http://www.argan.fr)

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### Consolidated income statement (IFRS)

In €m	June 30, 2022 (6 months)	December 31, 2022 (12 months)	June 30, 2023 (6 months)
<b>Rental income</b>	<b>81.7</b>	<b>166.1</b>	<b>90.9</b>
Rebiling of rental charges and taxes	24.2	28.6	28.3
Rental charges and taxes	-25.5	-30.4	-29.0
Other property income	1.6	3.2	1.6
Other property expenses	-0.3	-0.4	-0.1
<b>Net property income</b>	<b>81.7</b>	<b>167.1</b>	<b>91.7</b>
<b>EBITDA (Current Operating Income)</b>	<b>73.0</b>	<b>150.5</b>	<b>85.3</b>
<b>Including impact of IFRS 16</b>	<b>1.3</b>	<b>2.8</b>	<b>1.5</b>
Change in fair value of the portfolio	265.9	-31.8	-331.4
Change in fair value IFRS 16	-1.1	-1.2	-1.2
Other operating expenses	-0.5	-0.5	-
Income from disposals	-0.1	-0.2	-0.2
<b>EBITDA, after value adjustments (FV)</b>	<b>337.1</b>	<b>116.8</b>	<b>-247.5</b>
Income from cash and equivalents	0.1	0.6	1.4
Cost of gross financial debt	-13.0	-28.4	-20.2
Interest on IFRS 16 lease liabilities	-0.8	-1.7	-0.9
Borrowing costs	-2.1	-4.1	-1.9
Change in fair value of hedging instruments	-0.5	-0.9	-0.2
Early repayment penalties	-6.5	-6.5	-
<b>Income before tax</b>	<b>314.4</b>	<b>75.8</b>	<b>-269.3</b>
Other financial expenses	8.7	19.2	-0.2
Tax	-	-	-
Share of profit of equity-accounted companies	-	-	-
<b>Consolidated net income</b>	<b>323.1</b>	<b>94.9</b>	<b>-269.5</b>
<b>Net income - group share</b>	<b>321.7</b>	<b>95.1</b>	<b>-267.0</b>
Diluted earnings per share (€)	14.2	4.2	-11.6

### Recurring net income

In €m	June 30, 2022 (6 months)	December 31, 2022 (12 months)	June 30, 2023 (6 months)
<b>Consolidated net income</b>	<b>323.1</b>	<b>94.9</b>	<b>-269.5</b>
Change in fair value of hedging instruments	0.5	0.9	0.2
Change in fair value of the portfolio	-265.9	31.8	331.4
Income from disposals	0.1	0.2	0.2
Other financial expenses	-8.7	-19.2	0.2
Tax	-	-	-
Share of profit of equity-accounted companies	-	-	-
Early repayment penalties	6.5	6.5	-
Allocation of free shares	1.8	3.8	-
Other operating expenses non-recurring	0.5	0.5	-
Impact of IFRS 16	0.5	0.1	0.6
<b>Recurring net Income</b>	<b>58.4</b>	<b>119.5</b>	<b>63.1</b>
<b>Recurring net Income - group share</b>	<b>58.2</b>	<b>119.2</b>	<b>62.8</b>
Recurring net income per share (€)	2.6	5.2	2.7

### Simplified consolidated balance sheet

In €m	June 30, 2022 (6 months)	December 31, 2022 (12 months)	June 30, 2023 (6 months)
Non-current assets	4,243.4	4,159.6	3,909.1
Current assets	327.0	256.8	270.6
Assets held for sale	-	22.8	-
<b>Total Assets</b>	<b>4,570.5</b>	<b>4,439.3</b>	<b>4,179.7</b>
Shareholders' equity	2,432.8	2,217.5	1,888.0
Minorities	39.2	37.6	35.1
Non-current liabilities	1,895.6	1,831.3	1,873.0
Current liabilities	202.8	343.0	383.6
Liabilities classified as held for sale	-	9.8	-
<b>Total Liabilities</b>	<b>4,570.5</b>	<b>4,439.3</b>	<b>4,179.7</b>

### NAV EPRA

	December 31, 2022			June 30, 2023		
	NRV	NTA	NDV	NRV	NTA	NDV
Shareholders' equity (in €m)	2,217.5	2,217.5	2,217.5	1,888.0	1,888.0	1,888.0
Shareholders' equity (in €/share)	96.6	96.6	96.6	81.8	81.8	81.8
+ Fair value of financial instruments (in €m)	-30.8	-30.8	-	-30.1	-30.1	-
- Goodwill in the balance sheet (in €m)	-	-55.6	-55.6	-	-55.6	-55.6
+ Fair value of fixed-rate debt (in €m)	-	-	-	-	-	+136.8
+ Transfer taxes (in €m)	219.7	-	-	203.9	-	-
<b>= NAV (in €m)</b>	<b>2,406.4</b>	<b>2,131.1</b>	<b>2,161.9</b>	<b>2,061.9</b>	<b>1,802.3</b>	<b>1,969.1</b>
<b>= NAV (in €/share)</b>	<b>104.8</b>	<b>92.9</b>	<b>94.2</b>	<b>89.3</b>	<b>78.1</b>	<b>85.3</b>