

Half-year results 2022:

- Further increase of +5% of Net Recurring Income
 - NAV NTA per share up +12% to €103
- 2022 dividend expected to be €3.0 per share, up +15% vs 2021

Key figures for the first half of 2022:

Consolidated income statement	June 30, 2022	June 30, 2021	Change
Rental income	€81.7m	€76.2m	↗ +7%
Net Recurring Income – group share	€58.2m	€55.4m	↗ +5%
Net Recurring Income per share	€2.56	€2.47	↗ +4%

Valuation indicators	June 30, 2022	Dec. 31, 2021	Change
Value of the portfolio (excl. duties)	€4.03 Bn	€3.75 Bn	↗ + 8%
NAV EPRA NTA per share	€103.1 **	€91.8	↗ +12%
NAV EPRA NRV per share	€114.7 **	€102.5	↗ +12%

Debt indicators	June 30, 2022	Dec. 31, 2021	Change
LTV (excl. duties)	41%	43%	↘ -200 bps
LTV (incl. duties)	39%	41%	↘ -200 bps
Cost of debt	1.35%	1.50%	↘ -15 bps

* Calculated on the weighted average number of shares of 22,713,067

** Calculated on the number of shares at the end of June 2022 of 22,951,290

On 12 July 2022, the Executive Board of ARGAN approved the half-year consolidated financial statement at end-June 2022. The audit procedures performed by our statutory auditors on these consolidated financial statements have been completed. The certification report will be issued after finalization of the specific verifications.

Upgrade of the 2022 targets:

Given the exceptional half-year results and the ongoing acquisition of a warehouse of 153,000 sq.m, Argan has raised its 2022 targets.

Indicators	2022 targets updated	2022 targets initial	Change vs 2021
Rental income	€165m	€163m	↗ +5%
Net Recurring Income	€118m	€117m	↗ +5%
Dividend per share	3.0 €*	2.75 €	↗ +15%

* Subject to approval during the Shareholders Annual Meeting

KPI are increasing

Recurring net income up +5%

Recurring net income group share was up +5% to €58.2 million at end-June 2022, representing 71% of rental income. The exceptional net income, group share, of €321.7 million was mainly due to the very significant positive change in the fair value of the portfolio of €265 million in the first half of 2022.

Premium portfolio at €4.03 billion, up +8% in six months

The delivered portfolio (excluding properties under development) amounts to 3,300,000 sq.m at end-June 2022. Its valuation amounts to €4.03 billion excluding transfer duties (€4.24 billion including transfer duties), an increase of 8% compared to December 31, 2021.

The valuation of the assets delivered at €4.03 billion shows a capitalization rate of 4.10% excluding transfer duties (3.9% including transfer duties), down from 4.3% excluding transfer duties as at December 31, 2021.

The average remaining fixed length of leases remains stable at 5.8 years compared to 5.9 years as at December 31, 2021.

The weighted average age is 10 years old.

An occupancy rate back to 100% in 2023

The occupancy rate of the portfolio is 99%, stable compared to the end of December 2021. However, the ongoing letting of the Ferrières warehouse should enable the Group to return to an occupancy rate of 100% by early 2023.

Net LTV down to 41% and cost of debt down to 1.35%

Gross financial debt relating to the portfolio delivered amounted to €1.9 billion. After taking into account residual cash, the net LTV (net financial debt/appraised value excluding transfer duties) fell to 41% at end-June 2022.

The debt is composed of 33% fixed-rate bonds, 31% fixed-rate amortizing loans, 29% hedged variable-rate amortizing loans and 7% variable-rate amortizing loans. The average rate of the debt as at June 30, 2022 was down 15 bps to 1.35% and its maturity is 6.5 years.

+12% increase of the continuation EPRA NAV (NTA) to € 103.1 per share

The NRV (reconstitution NAV) was €114.7 per share as at June 30, 2022 (+12% over 6 months). The NTA (continuation NAV) was € 103.1 per share as at June 30, 2022 (+12% over 6 months). The NDV (liquidation NAV) was € 103.6 per share as at June 30, 2022 (+13% over 6 months).

This significant increase of €11.3 in EPRA NTA NAV per share compared to December 31, 2021 comes from net earnings per share (+€2.2), the change in asset value (+€11.5), the payment of the dividend in cash (-€0.9) and in shares (-€1.5)

Further growth of group's rental income

An anticipated indexation of +4% in 2023

The period of high inflation will have a direct impact on rent increases through the ILAT, the index of rents for tertiary activities. For the record, this index is composed of 50% consumer price index, 25% construction cost index and 25% annual average French GDP. **Argan anticipates that its rental indexation will increase by c.4% in 2023. In this period of strong inflation, ILAT will support our rental growth in the coming years.**

A strong rental demand combined with a limited immediate supply will increase market rents

Market rents are expected to rise over the next few years due to an imbalance between sustained take-up (2.9 million square meters let in H1-2022, up +14% compared to the 10-year average) and an increasingly constrained immediate supply (down -25% over 1 year) and also, higher cost of construction. In France, the vacancy rate is now 3.6%, which is a historic low. In the most attractive regions, such as Paris region (Ile-de-France), the vacancy rate is now around 3%.

Embedded growth for 2022 and 2023

Argan has a pipeline of projects to be delivered by end-2023 of 170,000 sq.m, fully pre-let. In addition, **the acquisition in progress, with a 12-year firm lease, which is expected to take place in October 2022, will also support the growth of the group's rental income.**

Operational indicators	
Operating Portfolio at end-June 2022	3,300,000 sq.m
Projects to be delivered in H2-2022	50,000 sq.m
Acquisition under premises	150,000 sq.m
Portfolio at end-2022	3,500,000 sq.m
Projects to be delivered in 2023	120,000 sq.m

Future developments with a yield of 300 bps above borrowing costs

Construction cost inflation in the first half of the year is between 15 to 20%, but this only concerns the costs of new program. As a result, Argan target to maintain **at least 300 bps spread** between the rental yield and the cost of the mortgage debt backed by each program.

Rising rents will support portfolio's valuations

Rental growth from indexation, rising market rents and our developments will support the group's portfolio valuations, offsetting a potential increase in capitalization rates

A controlled impact of the rise in interest rates, thanks to a controlled level of the debt

Debt protected against rising interest rates

Interest rates have risen sharply during the second quarter of 2022. However, this increase has no significant impact because our debt is made up of:

- **62% fixed-rate debt**
- **31% of our debt is at variable rates**, hedged by instruments that are activated as soon as the Euribor reaches 1.5%.
- Only 7% variable rate debt

A cost of debt that cannot exceed 2%, even if Euribor reach 3%

Euribor \	2022	2023	2024
0.0%	1.40%	1.25%	1.25%
1.0%	1.70%	1.60%	1.55%
2.0%	1.95%	1.85%	1.80%
3.0%	2.10%	2.00%	1.95%

Assuming an Euribor of 3% for the whole year, the weighted average rate would be 2.0% in 2023 and 2024 vs. 1.25% if Euribor = 0%.

No need to refinance our debt by 2026

Our mortgage debt (67% of our debt in H1-2022) has the advantage of amortizing every year and does not need refinancing in the markets.

Only our bond debt issued in 2021 will need to be refinanced in 2026, as our €130 million bond debt issued in 2017 is already provisioned for **repayment in July 2023, without refinancing.**

Controlled debt, far from our covenants

Cap rate \	2022	2023	2024
4.1%	42.6%	42.5%	41.6%
4.5%	46.8%	46.6%	45.7%
5.0%	51.9%	51.7%	50.7%

Assuming a capitalization rate of 5% in 2024 and without considering the increase in future rents in the valuation, our LTV ratio would be 50%, far from **our covenant (bond) of 65%, and consequently without any consequence on our flows.**

The LTV ratio at end June-2022 is down by 200 bps to 41%, but it should be noted that this decline is transitory given the acquisition in progress. **Argan expects the LTV ratio at the end of 2022 to be close to the 43% LTV ratio, published at the end of 2021.**

About Argan

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

As at 30 June 2022, ARGAN's portfolio amounted to 3.3 million sq.m, comprising approximately 100 warehouses located exclusively in France, valued at €4.0 billion. ARGAN is listed on Compartment A of Euronext Paris (ISIN FR0010481960 - ARG) and is included in the CAC All-Share and IEIF SIIC France indices. The company opted for the listed real estate investment companies (SIICs) tax regime on 01 July 2007.

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Consolidated income statement (IFRS)

In €m	June 30, 2021 (6 months)	December 31, 2021 (12 months)	June 30, 2022 (6 months)
Rental income	76.2	156.8	81.7
Rebiling of rental charges and taxes	25.8	25.7	24.2
Rental charges and taxes	-26.9	-27.7	-25.5
Other property income (IFRS 16)	1,5	3,1	1,6
Other property expenses	-0,1	-0,3	-0,3
Net property income	76,5	157,7	81,7
EBITDA (Current Operating Income)	72.4	147.1	73.0
Including impact of IFRS 16	1.4	3.1	1.3
Change in fair value of the portfolio	286.2	544.6	265.9
Change in fair value IFRS 16	-1.0	-2.1	-1.1
Other operating expenses	-	-	-0.5
Income from disposals	-	18.5	-0.1
EBITDA. after value adjustments (FV)	357.6	708.2	337.1
Income from cash and equivalents	0.0	0.2	0.1
Cost of gross financial debt	-14.2	-29.5	-13.0
Interest on IFRS 16 lease liabilities	-0.8	-1.6	-0.8
Borrowing costs	-1.3	-2.8	-2.1
Change in fair value of hedging instruments	-0.5	-1.7	-0.5
Early repayment penalties	-	-	-6.5
Income before tax	340.7	672.7	314.4
Other financial expenses	2.0	3.6	8.7
Tax	-	-	-
Share of profit of equity-accounted companies	-	-	-
Consolidated net income	342.7	676.3	323.1
Net income - group share	338.3	668.1	321.7
Diluted earnings per share (€)	15.1	29.7	14.2

Recurring net income

In €m	June 30, 2021 (6 months)	December 31, 2021 (12 months)	June 30, 2022 (6 months)
Consolidated net income	342.7	676.3	323.1
Change in fair value of hedging instruments	0.5	1.7	0.5
Change in fair value of the portfolio	-286.2	-544.6	-265.9
Income from disposals	-	-18.5	0.1
Other financial expenses	-2.0	-3.6	-8.7
Tax	-	-	-
Share of profit of equity-accounted companies	-	-	-
Early repayment penalties	-	-	6.5
Allocation of free shares	-	-	1.8
Other operating expenses non-recurring	-	-	0.5
Impact of IFRS 16	0.4	0.6	0.5
Recurring net Income	55.4	111.9	58.4
Recurring net Income - group share	55.4	111.7	58.2
Recurring net income per share (€)	2.5	5.0	2.6

NAV EPRA

	Dec 31, 2021			June 30, 2022		
	NRV	NTA	NDV	NRV	NTA	NDV
Shareholders' equity (in €m)	2,125.6	2,125.6	2,125.6	2,432.8	2,432.8	2,432.8
Shareholders' equity (in €/share)	94.1	94.1	94.1	106.0	106.0	106.0
+ Fair value of financial instruments (in €m)	3.2	3.2	-	-11.6	-11.6	-
- Goodwill in the balance sheet (in €m)	-	-55.6	-55.6	-	-55.6	-55.6
+ Transfer taxes (in €m)	186.9	-	-	210.5	-	-
= NAV (in €m)	2,315.7	2,073.1	2,070.0	2,631.7	2,365.5	2,377.1
= NAV (in €/share)	102.5	91.8	91.6	114.7	103.1	103.6