

Bondoufle, august 1st 2017



2016 Annual Result

CYBERGUN, a global player in recreational shooting, publishes its results for 2016 ended 31 March 2017.

ACTIVITY ANALYSIS

The **turnover** of the CYBERGUN group for the fiscal year 2016 is 33.7 MEUR compared to 41.3 MEUR on a pro forma basis for the previous financial year.

At 17.6 million €, the **Euro zone (Europe + South America)** increased by € 0.6 million thanks to:

- The rise of direct Internet sales, particularly in connection with the vertical integration of the AD1 retail site in 2016;
- The start of the new SPARTAN MILITARY activity to market training systems for the police, gendarmerie and armed forces;
- Development of new distribution agreements in Asia driven from France.

In a context of a downturn in the Airsoft market, this increase illustrates the first benefits of the strategy of European reconquest launched two years ago.

South America, the continent with a future for the Group, generated a business volume of 1.3 million € (-0.6 million euros) after an exceptional 2015 financial year (from € 0.3 million to 2 million €). The Group suffered from a deteriorated economic environment and enhanced protectionist measures. A merger with a major local distributor is being formalized to create a distribution channel adapted to these new constraints.

In the **United States**, annual sales amounted to 15.2 million € (-7.7 million € over one year), directly impacted by the closure of the Airsoft department of the first customer (impact estimated at -5 million €) and The liquidation of other large chain stores (estimated impact of more than 3.5 million EUR). With the exception of these items, activity is increasing, notably thanks to the explosion of direct sales on the Internet and in spite of the disturbances linked to the profound logistical reorganization designed to optimize freight flows and fixed charges.

Lastly, the **Asia** zone generated revenues of 0.9 million EUR, down 0.6 million EUR due to the excessive historical dependence on a customer (impact estimated at -0.5 million EUR). The subsidiary of Hong Kong was placed under the management of a new Director General of the Asia Zone, a former officer of the French Army, with the dual objective of reducing fixed costs (mission accomplished) and favoring indirect sales via Of exclusive distributors (committed action). The Hong Kong subsidiary will also progressively strengthen its role of active support to the Group's other operating subsidiaries in terms of product development, procurement, quality control and logistics.

CYBERGUN also counts on CYBERGUN JAPAN, its new subsidiary created during the fiscal year in association with 2 other investors, including a Japanese one, to increase its influence in the Archipelago (Japan being the cradle of the Airsoft), notably on Products of higher range.

SPARTAN MILITARY DIVISION HIGHLIGHTS

The new SPARTAN MILITARY Division, although still not very contributory this year on a strictly financial level, is gaining in popularity with advanced contacts in many countries.

The aim of this new entity is to market replicas of weapons to pre-empt the huge training market for police / gendarmerie / armed forces and other organizations. Since August 1, 2016, this military division is headed by a former Army General, General (2S) Emmanuel MAURIN, former commander of the 2nd Foreign Paratrooper Regiment, former patron of the 11th Paratrooper Brigade, former Commandant of the Army Task Force Lafayette in Afghanistan and former head of the French Infantry as Commander of the Infantry School.

This activity necessitated an additional investment of 0.8 million € for the Group, which is fully recognized in current operating expenses (personnel costs, R & D, marketing and commercial development).

All of the serious avenues, which are currently subject to calls for tenders or final negotiations, represent a potential turnover of several million euros for the current financial year.

RESULTS ANALYSIS

The gross margin for the financial year 2016 amounted to 8.9 million EUR compared with 14.1 million EUR a year earlier. In addition to the mechanical impact of the change in turnover, the gross margin for the year is impacted by:

- A more acute competition on the civil market, leading to a price decline;
- A development of the Europe to Asia sales with very high margin tight to counter the counterfeiting market;
- A massive flow of low-rotation references through a policy of aggressive destocking.

Current EBITDA, excluding costs of restructuring actions and costs to which the CYBERGUN Group will no longer have to face in the future due to these shares, amounted to -3.7 MEUR versus -1.4 MEUR a year earlier. The impact of the decrease in gross margin (-5.2 MEUR) was partly offset by the new savings generated in Europe (including fees and travel expenses), in line with those already achieved in the last two years.

Restructuring costs include 4 million € directly related to the reorganization of the business in the United States. If the consolidation of all the zone's activities into a new Dallas site (previously 2 logistics sites in Minneapolis and Dallas) will result in substantial logistical savings (estimated at 800 KUSD / year) and the elimination of 10 jobs By optimizing the organization (commercial, logistical and financial), the transition costs weighed on the year.

Operating profit, including restructuring costs and depreciation (-2.5 million EUR), was -13.9 million EUR compared with -7.0 million EUR one year earlier.

Net income for the year was -14.9 million EUR compared with -8.1 million EUR one year earlier, after taking into account 0.4 million EUR of net borrowing costs and 0.6 million EUR Deferred tax expense.

At the end of the financial year, CYBERGUN has 48 million € of losses carried forward in France over future years, resulting in substantial tax savings in the coming years.

IFRS Norms – in MEUR	2016	2015 proforma ¹	2015
Annual turnover	33,7	41,3	41,3
Brut Margin	8,9	14,1	12,4
<i>% of turnover</i>	<i>26,3%</i>	<i>34,1%</i>	<i>30,1%</i>
Current Ebitda²	-3,7	-1,4	-1,4
Regulation operational results	-5,4	-1,7	-5,2
Operational results	-13,9	-7,0	-7,0
Cost of net financial debt	-0,4	-0,7	-0,7
Taxes	-0,6	-0,5	-0,5
Net results for the time period	-14,9	-8,1	-8,1

ANALYSIS OF THE FINANCIAL SITUATION

At March 31, 2017, CYBERGUN Group's shareholders' equity amounted to 0.9 million €. In fiscal year 2017, the Group increased its cash position by 5.0 million € via:

- a private placement for 2.0 million €;
- a current account contribution of Claude SOLARZ, Chairman of the Board First shareholder, for 1.2 million €;
- the exercise of BSA for 0.3 million €;
- several drawings on the equity financing line (OCA) for 1.8 MEUR (of which 0.8 MEUR converted into shares at 31 March 2017) out of a total available of 6.5 MEUR.

CYBERGUN also significantly reduced its working capital requirement and specifically its trade receivables and inventories, which rose from 15.7 million € to 10.5 million € in the first year, a 33% 'business. This policy resulted in a significant reduction in cash-based cash flow, which amounted to -3.0 MEUR compared to -5.5 MEUR in the previous financial year.

Support from shareholders and financial partners, coupled with more stringent liquidity management, led to a slight reduction in net financial debt to 12.4 million EUR (12.7 million EUR at 31 March 2016), of which 10.6 million EUR Debts with a maturity of more than one year, including 1.0 million € of obligations to be converted (OCA).

CYBERGUN has also introduced a new US\$ 7.5 million financing line to replace the previous US\$ 5.0 million financing with favorable financing terms. This confirms the renewed credibility of CYBERGUN with its North American partners.

¹ Effective March 31, 2017, the expenses relating to the reorganization of the Group have been presented under "Other operating income and expenses". Pro forma 2015 accounts take into account this restatement with impacts on gross profit and recurring operating income

² Current EBITDA = profit before tax, financial income, equity method, non-current items, depreciation, impairment and impairment and before impact of other operating income and expenses

PERSPECTIVES

In **Europe**, the measures implemented and which have shown their first effects during the year (increase in activity and cost reduction) must produce their full profit in the coming months. The Group sets itself the objective of gradually improving its gross margin rate. Reflections are under way to optimize the economic model of traditional civil activities and make them more efficient.

Beyond that, the Group intends to benefit from the concretization of the numerous contacts and negotiations in progress concerning the military activity. The rollout of this promising new business, as well as the ongoing development of a new product for a major real-life weapon manufacturer (potentially generating a comfortable turnover and margin over a horizon of over 10 years), must ensure a strong growth relay to traditional civilian activities.

In the **United States**, during the year, the CYBERGUN Group was mainly penalized by the heavy restructuring work carried out, particularly in the second half of the year. Following completion of the actions on 31 March 2017, the logistics chain recovered a good level of efficiency, with exceptional expenses related to the reorganization and centralization of the Dallas activities not likely to occur again 2017/2018, the US zone should be able to gradually move towards positive EBITDA. The area will also benefit from the deployment of military activity, which has already been successfully launched in Europe in the coming weeks.

Hugo BRUGIERE, Vice President and General Manager of CYBERGUN, said: *"The 2016 financial year is clearly unsatisfactory with regard to the actions taken to restore the company in a sustainable way. But it could hardly have been any different when you successively lose your two biggest US customers on your historical activity while you are negotiating the opening of highly strategic military markets. We nevertheless managed to return to growth in Europe for the first time in seven years and especially to curb cash consumption. This allows us to work on a new strategic plan that will define the priority markets and the resources to be allocated to design the future CYBERGUN. This reflection is undertaken with the full support of the Board of Directors and our main shareholders. "*

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About Cybergun : www.cybergun.com

Cybergun is a worldwide leader in the leisure shooting area, referred as an « Innovative company » by Bpifrance. During its closed exercise of March 31st 2016, the company had a turnover of 41.3 Million Euros. The Cybergun titles are eligible at FCPI, PEA as well as PEA-PME.

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