



## **EDAP TMS S.A. Reports 2006 Third Quarter Results**

### **EDAP and HealthTronics in Discussions Realigning US Market Entry; Ablatherm RPP Success Growing Europe; Lithotripsy Returns to Profitability - Solid Cash Position for Continued Growth**

LYON, France, Nov. 7 -- EDAP TMS S.A. (Nasdaq: EDAP), today reported results for the third quarter and first nine months ended September 30, 2006.

Hugues de Bantel announced, "We are reporting two very different kinds of news. In Europe, the major HIFU market today, EDAP continues to successfully lead the growth and adoption of HIFU. Centers, treatments and RPP activity are rising in response to our growth initiatives. Regarding additional markets for future years, we have recently been informed by HealthTronics that they intend to discontinue the partnership in the United States. This comes as a surprise to us and is disappointing to us and to our shareholders. The US is clearly an important future market in the coming years. EDAP will now aggressively take action to address this change."

The Company immediately implemented a US action plan to manage the transition process:

- The Company will hire a US consultant to review the US market entry program and provide recommendations.
- EDAP is currently in discussions with HealthTronics regarding the ongoing Ablatherm clinical trials in the United States and the position of the parties under the Distribution Agreement dated February 2004 between the Company and HealthTronics, including the Company's legal remedies under that Agreement.
- Should the collaboration contemplated by the Distribution Agreement terminate, EDAP intends to actively seek another partner to continue toward the goal of obtaining regulatory approval for the Ablatherm in the United States. Both EDAP and HealthTronics have expressed their wish to create a smooth transition and clinical trials are expected to progress in the interim. The trials are currently suspended for software updates and are expected to resume shortly.
- While this represents a disruption to the anticipated schedule, EDAP's business plan does not contemplate revenue from the marketing of the Ablatherm in the United States in the immediate future as the trials are a multiyear enterprise. EDAP remains firmly committed to entering the U.S. market. In the event of a termination of the Distribution Agreement, EDAP retains all rights, data and trial related property associated with the program.
- The Company intends no change in the use of the proceeds obtained through the PIPE transaction as they are dedicated to the development of our Ablatherm RPP business in Europe.

"Today, EDAP is more committed than ever to focus its efforts on confirming the growing RPP Ablatherm HIFU business in Europe," stated de Bantel. "We will address the US program to ensure we enter this important market. In the interim, we continue, as previously planned, to grow HIFU in markets where it is already approved, most notably Europe where EDAP is achieving success."

The company's HIFU division continued to expand treatments in its Revenue- Per-Procedure (RPP) business as well as grow the number of sites offering therapy. Confirming the company's success transitioning to recurring revenues from RPP treatments and services, total revenues in the first 9 months increased in the HIFU division in spite of decreased revenues from device sales. EDAP's marketing program showed early success driving increased HIFU awareness and demand in European markets. Additional treatment growth is expected and already visible as the company continues to transition to treatment sales in its revenue focus. The company's lithotripsy business grew and returned to operating profitability on strong sales.

The company added six new Ablatherm sites in the third quarter bringing the total trained centers to 123 as compared to 80 a year ago. Since September 30, already an additional six sites have launched or are launching with more scheduled throughout the rest of 2006. In what is traditionally the company's slowest quarter due to European procedure scheduling trends, the company reported approximately 700 treatments, level to the second quarter as opposed to the typical seasonal drop seen in prior years. Total Ablatherm treatments now approach 11,000 as compared to the 10,000 mark passed in the spring of this year.

"The third quarter demonstrates EDAP's marketing program is growing HIFU demand and sustainable RPP revenue trends," said Hugues de Bantel, CEO of EDAP. "The company has a number of initiatives still to launch, including the hiring of several additional key sales and support positions, but we clearly see success as we continue to address the growing market for HIFU in Europe. Treatments in the third quarter were strong compared to prior years. This is an acceleration from the success of our

marketing efforts -- patients are increasingly seeking Ablatherm-HIFU therapy. EDAP is the only major HIFU company with the clinical credibility, installation base, broad distribution networks and, most importantly, dedicated funds to rapidly build HIFU as a minimally invasive prostate cancer treatment, preserving quality of life, in Europe. We are taking full advantage of this opportunity as the market is ready for growth."

## **EDAP: EUROPEAN HIFU GROWTH ADVANCING UNDER EDAP; RPP ACTIVITY RISES**

For the first nine months of 2006, HIFU revenues increased 5% reflecting the shift from device sales to recurring service and RPP revenues as well as growth in total HIFU demand. Revenues related to RPP treatments were up 69% year to date to EUR 2.0 million. Services increased 72% to EUR 1.0 million due to a larger installed base of equipment, greater sales of disposable supplies at sold sites and upgrade sales. The revenue increase comes despite a 42% drop in equipment sales invoices, per the company's transition plan from equipment sales to RPP business that will ultimately reduce its dependence on straight device sales.

"We are pleased to report our RPP business is not only making up the difference in equipment sales, but could also in the mid-term provide for revenue growth according to the goals we shared in previous reports," said de Bantel. "We are also seeing a strong increase in services and disposables as many of our sold sites exit their initial warranty period. Together, this represents solid activity in HIFU as the market begins to grow in response to EDAP's marketing initiatives focused on Europe."

EDAP - HIFU Division: Euros 000's

Year	Revenues	Gross Margin %	Operating Income (Loss)
Q3 2006	1,351	54%	(326)
Q3 2005	1,432	51%	(146)
YTD 2006	5,262	55%	(540)
YTD 2005	5,033	49%	(333)

RPP activity increased for the quarterly comparison in Germany, France, Italy and treatments increased in the UK. The company launched its third German mobile Ablatherm in response to heightened market activity and demand. RPP treatments accounted for 188 sessions in the third quarter and 705 year to date compared to 128 and 437 respectively in the same periods of 2005. Gross margins improved to 55% compared to 49% for the year ago first nine months. The improvement included increased RPP and services revenues as well as ongoing cost efficiency gains.

Total HIFU revenues in the third quarter were down 4% compared to the prior year, related to the shift of selling one Ablatherm device as opposed to two, while revenues in RPP services and disposables grew substantially in the comparable periods as the company's mix shifted to favor these recurring revenue streams. Clinical expenses increased year over year as the company increased funding of clinical works and development programs to further establish HIFU as a primary treatment therapy for localized primary indication and post-radiation recurrent prostate cancers. This clearly correlates to increasing conversion of urologists to HIFU users based on its strong clinical results and appeal to patients concerned about lifestyle post treatment.

Year-to-date marketing expenses increased from EUR 432,000 to EUR 827,000 related to the company's dedicated marketing programs to drive doctor and patient awareness as well as increased activity related to medical congresses and marketing as HIFU visibility has grown significantly in the past year causing a corresponding increase in medical community interest at these events.

"The shift in our financial reports clearly demonstrates the commitment to rapidly accelerate our marketing and scientific activities using dedicated funds in advance of expected market gains, especially in growth of RPP revenues," said de Bantel. "We see signs of success in key markets where we first activated these programs and expect more growth ahead. These early indications show we are definitely making full use of our opportunities today to build markets for the future."

## **TMS: RETURNS TO OPERATING PROFITABILITY**

The UDS division reported strong sales returning the division to profitability for both the quarter and first nine month periods. Year to date the company sold 30 pieces of equipment; service revenues remain steady. Gross margin increased slightly to 32% in line with the company's normal range. The division results include a slight increase in expenses related to marketing and research programs to ongoing development programs. Backlog entering the fourth quarter stands at 4 lithotripters.

TMS - UDS Division : Euros 000's

Year	Revenues	Gross Margin %	Operating Income (Loss)
Q3 2006	4,335	35%	276
Q3 2005	3,964	30%	120
YTD 2006	12,178	32%	106
YTD 2005	11,686	30%	209

## **CORPORATE: CASH POSITION STRONG FOR CONTINUED GROWTH FUNDING**

Consolidated group revenue increased 5% year to date to EUR 15.4 million reflecting the increases in RPP and services revenues and improved lithotripsy sales. Consolidated gross margins increased to 42% versus 41% in the prior year nine month period. Group expenses increased 17%, primarily related to growth in marketing program activity for HIFU. Total company losses increased to EUR 2.3 million year to date compared to EUR 1.1 million in the prior year period. Of the EUR 1.2 million increase in the year to date loss, EUR 559,000 is primarily related to a potential exchange loss in currency changes and the difference of EUR 647,000 is primarily related to investment in marketing and operations. Marketing expenses were up to EUR 1.2 million compared to EUR 653,000 with the primary increase related to HIFU activity building larger recurring revenue streams based on increased treatment activity. Cash balances stood at EUR 10.5 million at September 30, 2006. Total cash used in operations for the third quarter was EUR 360,000. Working capital in accounts payable net of receivables increased by EUR 890,000. Corporate expenses were up 16% to EUR 1.3 million related to increases in regulatory, legal, audit including Sarbanes Oxley fees and other expenses.

The company also reports Olivier Missoffe resigned from his position on the Board for personal reasons. The Board will announce a replacement member at a future date. The Company thanks Mr. Missoffe for his service and support of EDAP-TMS since 2002.

## **OUTLOOK**

Hugues de Bantel, CEO of EDAP TMS, commented: "EDAP made significant progress in Europe during the third quarter and continues to announce advances as they occur. EDAP is well funded to take advantage of this market opportunity to recruit the best and most progressive centers in major European markets as they seek to offer patients additional options with fewer side effects in treating prostate cancer. Our efforts to date in building the most comprehensive clinical background on HIFU and accelerating our marketing programs are having a positive effect, much of which relates to recurring revenue lines in the RPP business. We are excited to see these markets unfold creating growth opportunities ahead.

"The latest developments in our relationship with HealthTronics will likely result in a delay in the Ablatherm approval process, and we intend to take the opportunity to reclaim the US market as well as evaluate all strategic and partnership opportunities as HIFU is today more broadly regarded as an important and innovative choice for primary and radiation failure treatment of prostate cancer and beyond.

"This year already demonstrates significant advances in major European markets such as France, Germany, Italy and the U.K., all of which have a major EDAP presence as the global leader. Additionally, the appeal of HIFU is driving advances for EDAP in new markets, especially European countries like Norway, Spain, Portugal and others in the process of launching services. EDAP and the Ablatherm continue to advance on proven scientific results using documented and repeatable techniques at centers in each country prior to the formal launch. Our dedication to clinical and education programs showing the highly repeatable outcomes rivaling standard therapies with low side effects has been well received and continues to open doors for EDAP in current and future markets."

## **Conference Call and Webcast**

The company will host a conference call to discuss the results and answer questions from investors on Wednesday, November 8, 2006, at 12:00 noon Eastern Time, 6:00 p.m. Paris Time. Investors may join the call live by dialing (866) 200-5830 from the United States or +1 (212) 659-4210 from international locations and entering PIN code 241092#. Investors may also listen to the live call online at <http://www.edap-tms.com>.

A replay will be available by telephone or online. To access the replay, dial (866) 206-0173 or +1 (646) 216-7204 and enter access code 190287# beginning one hour after the end of the call until November 18, 2006, or visit the company's Web site at <http://www.edap-tms.com>.

## **About EDAP TMS S.A.**

EDAP TMS S.A. develops and markets Ablatherm, the most advanced and clinically proven choice for High Intensity Focused Ultrasound (HIFU) treatment of localized prostate cancer. HIFU treatment is shown to be a minimally invasive and effective treatment option with a low occurrence of side effects. Ablatherm-HIFU is generally recommended for patients with localized prostate cancer (stages T1-T2) who are not candidates for surgery or who prefer an alternative option, or for patients who failed radiotherapy treatment. The company is also developing this technology for the potential treatment of certain other types of tumors. EDAP TMS S.A. also produces and commercializes medical equipment for treatment of urinary tract stones using Extra-corporeal Shockwave Lithotripsy (ESWL).

For more information on the Company, contact Halliburton Investor Relations at (972) 458-8000, the Corporate Investor Relations Dept at +33 (0)4 78 26 40 46 or see the Company's Web sites at <http://www.edap-tms.com> and <http://www.hifu-planet.com>.

EDAP TMS S.A.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(Amounts in thousands of Euros and U.S. Dollars, except per share data)

	Three Months Ended:		Three Months Ended:	
	September 30, 2006 Euros	September 30, 2005 Euros	September 30, 2006 \$US	September 30, 2005 \$US
Net sales of medical equipment	2,193	2,062	2,795	2,510
Net sales of RPP	597	355	761	432
Net sales of spare parts, supplies and Services	2,186	2,109	2,787	2,567
NET SALES	4,976	4,526	6,343	5,509
Other revenues	37	---	47	---
TOTAL REVENUES	5,013	4,526	6,390	5,509
Cost of sales	(2,978)	(2,681)	(3,795)	(3,263)
GROSS PROFIT	2,035	1,845	2,595	2,246
Research & development expenses	(646)	(255)	(823)	(510)
S, G & A expenses	(2,066)	(2,084)	(2,634)	(2,337)
Non recurring operating expenses	(72)		(92)	
Total operating expenses	(2,784)	(2,339)	(3,549)	(2,847)
OPERATING PROFIT (LOSS)	(749)	(494)	(954)	(601)
Interest (expense) income, net	53	8	67	9
Currency exchange gains (loss), net	(154)	(79)	(196)	(96)
Other income (loss), net	(8)	20	(11)	24
INCOME (LOSS) BEFORE TAXES AND MINORITY INTEREST	(858)	(545)	(1,094)	(664)
Income tax (expense) credit	15	(28)	19	(33)
NET INCOME (LOSS)	(843)	(573)	(1,075)	(697)
Earning per share - Basic	(0.10)	(0.07)	(0.12)	(0.09)
Average number of shares used in computation of EPS	8,802,507	7,781,731	8,802,507	7,781,731
Earning per share - Diluted	(0.10)	(0.07)	(0.12)	(0.09)
Average number of shares used in computation of EPS	9,525,669	8,344,368	9,525,669	8,344,368

NOTE: Translated for convenience of the reader to U.S. dollars at the 2006 average three months noon buying rate of 1 Euro = 1.2748 USD, and 2005 average three months noon buying rate of 1 Euro = 1.2172 USD.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(Amounts in thousands of Euros and U.S. Dollars, except per share data)

	Nine Months Ended:		Nine Months Ended:	
	September 30, September 30,		September 30, September 30,	
	2006	2005	2006	2005
	Euros	Euros	\$US	\$US
Net sales of medical equipment	6,651	6,997	8,329	8,795
Net sales of RPPs	2,022	1,197	2,532	1,505
Net sales of spare parts, supplies and Services	6,590	6,356	8,252	7,988
NET SALES	15,263	14,550	19,113	18,288
Other revenues	116	53	145	67
TOTAL REVENUES	15,379	14,603	19,258	18,355
Cost of sales	(8,846)	(8,688)	(11,077)	(10,920)
GROSS PROFIT	6,533	5,915	8,181	7,435
Research & development expenses	(1,869)	(788)	(2,340)	(1,696)
S, G & A expenses	(6,616)	(6,497)	(8,285)	(7,460)
Non recurring operating expenses	(72)	---	(91)	---
Total operating expenses	(8,557)	(7,285)	(10,716)	(9,156)
OPERATING PROFIT (LOSS)	(2,024)	(1,370)	(2,535)	(1,721)
Interest (expense) income, net	88	35	110	44
Currency exchange gains (loss), net	(330)	229	(414)	287
Other income (loss), net	(8)	22	(10)	28
INCOME (LOSS) BEFORE TAXES AND MINORITY INTEREST	(2,274)	(1,084)	(2,849)	(1,362)
Income tax (expense) credit	(42)	(27)	(52)	(34)
NET INCOME (LOSS)	(2,316)	(1,111)	(2,901)	(1,396)
Earning per share - Basic	(0.26)	(0.14)	(0.33)	(0.18)
Average number of shares used in computation of EPS	8,802,507	7,781,731	8,802,507	7,781,731
Earning per share - Diluted	(0.26)	(0.14)	(0.33)	(0.18)
Average number of shares used in computation of EPS	9,550,740	8,344,368	9,550,740	8,344,368

NOTE: Translated for convenience of the reader to U.S. dollars at the 2006 average nine months noon buying rate of 1 Euro = 1.2522 USD, and 2005 average nine months noon buying rate of 1 Euro = 1.2569 USD.

EDAP TMS S.A.

CONSOLIDATED BALANCE SHEETS HIGHLIGHTS (UNAUDITED)

(Amounts in thousands of Euros and U.S. Dollars)

	September 30,	June 30,	September 30,	June 30,
	2006	2006	2006	2006
	Euros	Euros	\$US	\$US

Cash, cash equivalents and short term investments	10,540	6,635	13,372	8,479
Total current assets	27,542	22,216	34,942	28,390
Total current liabilities	11,828	10,822	15,007	13,829
Shareholders' Equity	20,463	16,057	25,961	20,519

NOTE: Translated for convenience of the reader to U.S. dollars at the noon buying rate of 1 Euro = 1.2687 USD, on September 30, 2006 and at the noon buying rate of 1 Euro = 1.2779 USD, on June 30, 2006.

EDAP TMS S.A.  
CONDENSED STATEMENTS OF OPERATIONS BY DIVISION  
NINE MONTHS ENDED SEPTEMBER 30, 2006  
(Amounts in thousands of Euros)

	EDAP S.A. HIFU Division	TMS S.A. UDS Division	EDAP TMS HQ	Consolidation Impact	Total After Consolidation
Net sales of medical devices	1,506	6,246	---	(1,101)	6,651
Net sales of RPPs	2,022				2,022
Net sales of spare parts, supplies & services	1,679	5,871	---	(960)	6,590
Other revenues	55	61	---		116
TOTAL REVENUES	5,262	12,178	---	(2,061)	15,379
GROSS PROFIT	2,917 55%	3,866 32%	---	(250)	6,533 42%
Research & Development	(1,027)	(842)	---	---	(1,869)
Selling and Marketing	(1,905)	(1,628)			(3,533)
Total G&A plus depreciation	(525)	(1,290)	(1,268)	---	(3,083)
Non recurring op. expenses	---	---	(72)	---	(72)
OPERATING PROFIT (LOSS)	(540)	106	(1,340)	(250)	(2,024)