As filed with the Securities and Exchange Commission on April 4, 2016

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

□ REGISTRATION STATEMENT PURSUANT TO SECTION 12(B) OR (G) OF THE SECURITIES EXCHANGE ACT OF 1934,
OR

ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 31, 2015

OR

□ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

OR

□ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of the event requiring this shell company report_____

000-29374

(Commission file number)

EDAP TMS S.A.

(Exact name of registrant as specified in its charter)

France

(Jurisdiction of incorporation or organization)

Parc d'Activites la Poudrette-Lamartine
4/6, rue du Dauphiné
69120 Vaulx-en-Velin, France

(Address of principal executive offices)

Mrs. Blandine Confort
Tel. +33 4 72 15 31 50, E-mail: bconfort@edap-tms.com
Parc d'Activites la Poudrette-Lamartine, 4/6, rue du Dauphiné, 69120 Vaulx-en-Velin, France
(Name, Telephone, E-mail and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
American Depositary Shares, each representing One Ordinary Share	**NASDAQ Global Market**
Ordinary Shares, nominal value €0.13 per share	**NASDAQ Global Market**

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

Outstanding shares of each of the issuer's classes of capital or common stock as of December 31, 2015: 25,383,461 Ordinary Shares

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ____ No __X__

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes ____ No __X__

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes __X__ No ____

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes __X__ No ____

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ____ Accelerated filer __X__ Non-accelerated filer ____

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP __X__ International Financial Reporting Standards as issued by the International Accounting Standards Board ____Other ____

If "Other" has been checked in response to the previous question indicate by check mark which financial statement item, the registrant has elected to follow.

Item 17 ____ Item 18 ____

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ____ No __X__

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Unless the context otherwise requires, references herein to “we,” “us,” “our” or “group” are to EDAP TMS S.A. and its consolidated subsidiaries and references herein to the “Company,” “EDAP” or “EDAP TMS” are to EDAP TMS S.A.

We prepare our consolidated financial statements in conformity with United States generally accepted accounting principles (‘‘U.S. GAAP’’). In this annual report, references to ‘‘euro’’ or ‘‘€’’ are to the legal currency of the countries of the European Monetary Union, including the Republic of France, and references to ‘‘dollars,’’ ‘‘U.S. dollars’’ or ‘‘$’’ are to the legal currency of the United States of America. Solely for the convenience of the reader, this annual report contains translations of certain euro amounts into dollars at specified rates. These translations should not be construed as representations that the euro amounts actually represent such dollar amounts or could be converted into dollars at those rates. See Item 3, ‘‘Key Information—Exchange Rates’’ for information regarding certain currency exchange rates and Item 11, ‘‘Quantitative and Qualitative Disclosures about Market Risk’’ for a discussion of the effects of fluctuations in currency exchange rates on the Company.

The following are registered trademarks of the Company in the United States: EDAP TMS® & associated logo, EDAP®, Technomed®, Ablatherm®, Ablasonic®, Ablapak®, Sonolith®, Sonolith i-sys®, Sonolith i-move®, @-REGISTRY®, Focal.One®. This annual report also makes references to trade names and trademarks of companies other than the Company.

CAUTIONARY STATEMENT ON FORWARD-LOOKING INFORMATION

This annual report includes certain forward-looking statements within the meaning of Section 27A of the U.S. Securities Act of 1933 (the “Securities Act”) or Section 21E of the U.S. Securities Exchange Act of 1934 (the “Exchange Act”), which may be identified by words such as ‘‘believe,’’ ‘‘plan,’’ ‘‘intend,’’ “should,” ‘‘estimate,’’ ‘‘expect’’ and ‘‘anticipate’’ or similar expressions, which reflect our views about future events and financial performance. Forward-looking statements involve inherent known and unknown risks and uncertainties including matters not yet known to us or not currently considered material by us. Actual events or results may differ materially from those expressed or implied in such forward-looking statements as a result of various factors that may be beyond our control. Factors that could affect future results or cause actual events or results to differ materially from those expressed or implied in forward-looking statements include, but are not limited to:

- the success of our HIFU technology;
- the clinical and regulatory status of our HIFU devices;
- the uncertainty of market acceptance for our HIFU devices;
- the uncertainty in the U.S. FDA review and approval process for any of our devices and changes in FDA recommendations and guidance;
- effects of intense competition in the markets in which we operate;
- the uncertainty of reimbursement status of procedures performed with our products;
- the market potential for our Sonolith i-move and our Focal One devices;
- the impact of government regulation, particularly relating to public healthcare systems and the commercial distribution of medical devices;
- dependence on our strategic suppliers;
- any event or other occurrence that would interrupt operations at our primary production facility;
- reliance on patents, licenses and key proprietary technologies;
- product liability risk;
- risk of exchange rate fluctuations, particularly between the euro and the U.S. dollar and between the euro and the Japanese yen;
- fluctuations in results of operations due to the seasonal nature of demand for medical devices;
- risks associated with the current uncertain worldwide economic, political and financial environment;
- risks associated with the March 2012 and May 2013 Warrants;
- risks relating to ownership of our securities; and
- risks relating to ongoing litigation, including securities litigation involving class actions.

You should also consider the information contained in Item 3, ‘‘Key Information—Risk Factors’’ and Item 5, ‘‘Operating and Financial Review and Prospects,’’ as well as the information contained in our periodic filings with the Securities and Exchange Commission (the “SEC”) (including our reports on Form 6-K) for further discussion of the risks and uncertainties that may cause such differences to occur. Forward-looking statements speak only as of the date they are made. Other than required by law, we do not undertake any obligation to update them in light of new information or future developments.

PART I

Item 1. Identity of Directors, Senior Management and Advisors

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

Selected Financial Data

The following table sets forth selected consolidated financial data for the periods indicated. This information is qualified by and should be read in conjunction with the consolidated financial statements and the Notes thereto included in Part III of this annual report, as well as Item 5, ‘‘Operating and Financial Review and Prospects.’’ The selected balance sheet data as of December 31, 2015, 2014 and 2013 and the selected income statement data for the years ended December 31, 2015, 2014 and 2013 set forth below have been derived from our consolidated financial statements included in this annual report. These financial statements, together with our consolidated financial statements have been prepared in accordance with U.S. GAAP. To date, we have not been required, and presently are not required under French law, to prepare consolidated financial statements under French GAAP or IFRS, nor have we done so.

	Year Ended and at December 31,				
In thousands of euro, except per share data in euro	**2015**	**2014**	**2013**	**2012**	**2011**
INCOME STATEMENT DATA					
Total revenues	32,253	26,785	24,080	26,065	22,292
Total net sales	32,218	26,252	24,065	26,018	22,272
Gross profit	13,785	11,201	9,319	10,433	8,857
Operating expenses	(13,298)	(12,937)	(12,074)	(12,463)	(11,353)
Income (loss from operations)	488	(1,736)	(2,755)	(2,030)	(2,497)
Income (loss) before income taxes	(907)	(396)	(4,886)	(7,358)	(543)
Income tax (expense) benefit	(759)	(116)	(135)	(118)	(395)
Net income (loss)	(1,667)	(512)	(5,021)	(7,475)	(938)
Basic earnings (loss) per share	(0.07)	(0.02)	(0.24)	(0.43)	(0.07)
Diluted earnings (loss) per share	(0.07)	(0.02)	(0.24)	(0.43)	(0.07)
Dividends per share[(1)]	—	—	—	—	—
Basic weighted average shares outstanding	25,021,966	23,601,428	20,593,720	17,556,395	13,345,004
Diluted weighted average shares outstanding	25,021,966	23,601,428	20,593,720	17,556,395	13,345,004
BALANCE SHEET DATA					
Total current assets	33,039	26,615	22,125	24,729	25,032
Property and equipment, net	2,123	2,122	1,655	2,035	2,534
Total current liabilities	16,271	12,158	11,589	13,124	19,717
Total assets	38,581	32,154	26,874	30,444	32,238
Long-term debt, less current portion	4,798	2,434	3,678	6,585	720
Total shareholders’ equity	14,430	15,141	9,284	8,161	8,714

(1) No dividends were paid with respect to fiscal years 2011 through 2014 and subject to approval of the annual shareholders’ meeting to be held in 2016 the Company does not anticipate paying any dividend with respect to fiscal year 2015. See Item 8, ‘‘Financial Information — Dividends and Dividend Policy.’’

EXCHANGE RATES

Fluctuations in the exchange rate between the euro and the dollar will affect the dollar amounts received by owners of American Depositary Shares (‘‘ADSs’’) representing ordinary shares of the Company (‘‘Shares’’) on conversion by the Depositary of dividends, if any, paid on the Shares in the form of ADSs. Moreover, such fluctuations may affect the dollar price of our ADSs on NASDAQ.

The following table sets forth, for each of the years indicated, the high, low, average and year-end Noon Buying Rates expressed in euro per $1.00. The rate is derived from the noon buying rate in The City of New York for cable transfers in euro as certified for customs purposes by the Federal Reserve Bank of New York (the ‘‘Noon Buying Rate’’).

Year ended December 31,	**High**	**Low**	**Average[(1)]**	**End of Year**
	€	**€**	**€**	**€**
2011	0.77	0.67	0.72	0.77
2012	0.83	0.74	0.78	0.76
2013	0.78	0.72	0.75	0.73
2014	0.83	0.72	0.75	0.83
2015	0.95	0.83	0.90	0.92

(1) The average of the Noon Buying Rates on the last business day of each month during the year indicated. See ‘‘Presentation of Financial and Other Information’’ elsewhere in this annual report.

The following table sets forth, for each of the previous six months, the high and low Noon Buying Rates expressed in euro per $1.00.

	High	**Low**	**Average[(1)]**	**End of Month**
	€	**€**	**€**	**€**
2015				
September	0.90	0.88	0.89	0.90
October	0.91	0.87	0.89	0.91
November	0.95	0.91	0.93	0.95
December	0.95	0.91	0.92	0.92
2016				
January	0.93	0.91	0.92	0.92
February	0.92	0.88	0.90	0.92
March, through March 18, 2016	0.92	0.88	0.90	0.89

(1) The average of the Noon Buying Rate on each business day of the month.

On March 18, 2016, the Noon Buying Rate was U.S.$1.00 = €0.89.

RISK FACTORS

In addition to the other information contained in this annual report, the following risk factors should be carefully considered in evaluating us and our business. These statements are intended to highlight the material risk factors that may cause actual financial, business, research or operating results to differ materially from expectations disclosed in this annual report. See also factors disclosed under "Cautionary statement on forward-looking information".

Risks Relating to Our Business

We have a history of operating losses and it is uncertain whether we can maintain profitability.

Although we achieved profitability in 2015, we have incurred operating losses in each previous fiscal year since 1998. We expect that our marketing, selling and research and development expenses will increase as we attempt to develop and commercialize our lithotripsy and particularly our High Intensity Focused Ultrasound ("HIFU") devices in the United States. We may not, however, generate a sufficient level of revenue to offset these expenses and may not be able to adjust spending in a timely manner to respond to any unanticipated decline in revenue. We cannot guarantee that we will realize sufficient revenue to remain profitable in the future. See Item 5, ''Operating and Financial Review and Prospects.''

Our future revenue growth and income depend, among other things, on the success of our HIFU technology.

Our Extracorporeal Shockwave Lithotripsy ("ESWL") line of products competes in a mature market that has experienced declining unit sales prices in recent years. However, we depend on the success of our HIFU technology for future revenue growth and net income. In particular, we are dependent on the successful development and commercialization of other product lines, such as medical devices based on HIFU, particularly the Ablatherm and the Focal One, to generate significant additional revenues and achieve and sustain profitability in the future. The Ablatherm is commercialized in the European Union, Canada, United States and other countries; the Focal One is commercialized in the European Union, Saudi Arabia, Canada, South Korea, Peru and Chile but is not approved for commercial distribution in the United States.

Further, even if we do receive the required approvals, we may not receive them on a timely basis and we may not be able to satisfy the conditions of such approval, if any. The failure to receive product approval by the FDA for our Focal One device, or any significant delay in receipt thereof, will have a material adverse effect on our business, financial condition or results of operations. See "—Our clinical trials for products using HIFU technology may not be successful" and Item 4, "Information on the Company—HIFU Division—HIFU Division Clinical and Regulatory Status."

We may not have sufficient funds to promote and market our Ablatherm device in the United States and for our ongoing operations.

We have been funding our clinical trials and panel preparation to support the FDA PMA submission for our Ablatherm device using the $17.4 million (€12.0 million) and $8.3 million (€6.1 million) net proceeds from financings we completed in October 2007 and June 2014, respectively. As of December 31, 2015, we had €14.6 million in cash and cash equivalents and short terms investments on hand. While we believe our working capital is, as of the date of this annual report, sufficient for our present working capital requirements, we may need to raise additional capital to fund our U.S. Ablatherm marketing roll-out strategy or to fund new development projects. If funding is not available on acceptable terms, or at all, we may need to decrease our operating expenses or to delay the launch of new products. See Item 5, "Operating and Financial Review and Prospect—Liquidity and Capital Resources."

Our clinical trials for products using HIFU technology may not be successful and we may not be able to obtain regulatory approvals necessary for commercialization of all of our HIFU products.

Before obtaining regulatory approvals for the commercial sale of any of our devices under development, we must demonstrate through preclinical testing and clinical trials that the device is safe and effective for use in each indication. Product development, including pre-clinical studies and clinical trials is a long, expensive and uncertain process, and is subject to delays and failures at any stage. The results from preclinical testing and early clinical trials may not predict the results that will be obtained in large scale clinical trials. Companies can suffer significant setbacks in advanced clinical trials, even after promising results in earlier trials. Furthermore, data obtained from a trial can be insufficient to demonstrate that our products are safe, effective, and marketable. The commencement, continuation or completion of any of our clinical trials may be delayed or halted, or inadequate to support approval of an application to regulatory authorities for numerous reasons including, but not limited to:

- that regulatory authorities do not approve a clinical trial protocol or a clinical trial, or place a clinical trial on hold; See Item 4, ‘‘Information on the Company—HIFU Division Clinical and Regulatory Status.’’
- slower than expected rates of patient recruitment and enrolment;
- inability to adequately monitor patient during or after treatment;
- failure of patients to complete the clinical trial;
- prevalence and severity of adverse events and other unforeseen safety issues;
- third-party organizations not performing data collection and analysis in a timely and accurate manner;
- governmental and regulatory delays or changes in regulatory requirements, policies or guidelines;
- the interim or final results of a clinical trial are inconclusive or unfavorable as to safety or efficacy; and
- that regulatory authorities conclude that our trial design is inadequate to demonstrate safety and efficacy.

Additionally, certain regulatory authorities may disagree with our interpretation of the data from our pre-clinical studies and clinical trials, or may find the clinical trial design, conduct or results inadequate to prove safety or efficacy, and may require us to pursue additional pre-clinical studies or clinical trials, which would increase costs and could further delay the approval of our products. If we are unable to demonstrate the safety and efficacy of our products in our clinical trials, we will be unable to obtain regulatory approval to market our products. The data we collect from our current clinical trials, our pre-clinical studies and other clinical trials may not be sufficient to support requested regulatory approval. Discussions with regulatory authorities to improve our clinical protocols may prove difficult and lengthy. We or the relevant regulatory authorities may suspend or terminate clinical trials at any time and regulating agencies may even refuse to grant exemptions to pursue clinical trials.

We may also be required to abandon previous strategies for regulatory approval, despite having made significant financial and time investments, or refocus our efforts on alternative regulatory strategies, resulting in increased costs and efforts of management, without any guarantee of success, which could materially adversely affect our business, financial condition and results of operations.

Our HIFU devices that have not received regulatory approval may not prove to be effective or safe in clinical trials or may not be approved by the appropriate regulatory authorities. If our HIFU devices do not prove to be effective and safe in clinical trials to the satisfaction of the relevant regulatory authorities, our business, financial condition and results of operations could be materially adversely affected.

We operate in a highly regulated industry and our future success depends on obtaining and maintaining government regulatory approval of our products, which we may not receive or be able to maintain or which may be delayed for a significant period of time.

Government regulation significantly impacts the development and marketing of our products, particularly in the United States. We are regulated in each of our major markets with respect to preclinical and clinical testing, manufacturing, labeling, distribution, sale, marketing, advertising and promotion of our products. To market and sell products still in the clinical trial stage, we are required to obtain approval or clearance from the relevant regulatory agencies, including the FDA with respect to the United States. The process of applying for regulatory approval is unpredictable, often lengthy and requires the expenditure of substantial resources.

Further, there can be no assurance that we will receive the required approvals for our products from the required regulatory authorities or, if we do receive the required approvals, that we will receive them on a timely basis, on the conditions and for the indications we seek, or that we will otherwise be able to satisfy the conditions of such approval, if any.

Even if regulatory approval to market a product is granted, it may include limitations on the indicated uses for which the product may be marketed. Failure to comply with regulatory requirements can result in fines, suspension or withdrawal of regulatory approvals, product recalls, seizure of products, operating restrictions and criminal prosecutions. Regulatory policy may change and additional government regulations may be established that could prevent or delay regulatory approval of our products. Any delay, failure to receive regulatory approval or the loss of previously received approvals could have a material adverse effect on our business, financial condition and results of operations. For more information on the regulation of our business, see Item 4, ''Information on the Company—Government Regulation'' and "Information on the Company—HIFU Division—HIFU Division Clinical and Regulatory Status."

Furthermore, changes to regulatory policy or the adoption of additional statutes or regulations that affect our business could impose substantial additional costs or otherwise have a material adverse effect on our business, financial condition and results of operations.

HIFU technology may not be accepted and adopted by the medical community.

Our HIFU devices represent new therapies for the conditions that they are designed to treat. Notwithstanding any positive clinical results that our HIFU devices may have achieved or may achieve in the future in terms of safety and efficacy and any marketing approvals that we have obtained or may obtain in the future, there can be no assurance that such products will gain acceptance in the medical community. Physician acceptance depends, among other things, on evidence of the cost effectiveness of a therapy as compared to existing therapies and on adequate reimbursement from healthcare payers, which has not been provided for our HIFU products in any country, except for full public reimbursement in Germany and Italy, in France, under certain conditions and partial reimbursement from private insurers in the United Kingdom. On April 18, 2014, the French healthcare government authorities announced the reimbursement of prostate cancer treatment procedures using HIFU as part of an innovative process to further validate breakthrough therapies and to accelerate their related reimbursement process based on clinical trials and data registries. Under this innovative process, French healthcare government authorities will review the clinical data gathered within the next four years in view of granting definitive reimbursement for HIFU. However, we cannot guarantee that a definitive reimbursement code will be granted. Furthermore, acceptance by patients depends in part on physician recommendations, as well as other factors, including the degree of invasiveness, the rate and severity of complications and other side effects associated with the therapy as compared to other therapies.

If our HIFU devices do not achieve an adequate level of acceptance by physicians, patients, health care payers and the medical community, we may not generate or maintain positive cash flows and we may not become profitable or be able to sustain profitability. If we do achieve market acceptance of our products, we may not be able to sustain it or otherwise achieve it to a degree which would support the ongoing viability of our operations.

Our cash flow is highly dependent on demand for our products.

Our cash flow has historically been subject to significant fluctuations over the course of any given financial year due to cyclical demand for medical devices, and the resulting annual and quarterly fluctuations in trade and other receivables and inventories. This has in the past resulted in significant variations in working capital requirements and operating cash flows. Although in 2015, our operating cash flow was positive, in 2014 and 2013 our operating cash flow was negative due to the cash requirements of operating activities, working-capital cash requirements, cash requirements of investing activity to expand our mobile business model and to expand the leasing of our products as part of our revenue-per-procedure ("RPP") model, and sponsoring of the clinical trials in support of our PMA submission to the FDA of our Ablatherm solution for the treatment of prostate cancer in the United States and to expand our commercial lithotripsy activities in the United States, which we financed using cash and cash equivalents on hand. Since we anticipate relying on cash flow from operating activities to meet our liquidity requirements, a decrease in the demand for our products, or the inability of our customers to meet their financial obligations to us, would reduce the funds available to us. Our future cash flow may also be affected by the expected continued expansion of the leasing of our products, or the continued expansion of our mobile activity (which is invoiced on a RPP basis), since each of these activities generates smaller immediate revenues than device sales. In the future, our liquidity may be constrained and our cash flows may be uncertain, negative or significantly different from period to period. Our future cash flow will be affected by increased expenses in sales efforts as well as marketing campaigns and promotional tools, particularly to implement our expanded U.S. and global strategy following the FDA clearance of Ablatherm, while there is no assurance that this will result in the increase in the demand for our products and services.

Competition in the markets in which we operate is intense and is expected to increase in the future.

Competition in the markets in which we operate is intense and is expected to increase in the future. In each of our main businesses, we face competition both directly from other manufacturers of medical devices that apply the same technologies that we use, as well as indirectly from existing or emerging therapies for the treatment of urological disorders.

We believe that because ESWL has long been the standard treatment for urinary tract calculus disease, competition in that market comes principally from current manufacturers of lithotripters, including Siemens, Storz and Dornier. In the markets that we target for our HIFU products, competition comes from new market entrants and alternative therapies, as well as from current manufacturers of medical devices. In the HIFU market, our devices, in particular the Ablatherm and the Focal One, compete with all current treatments for localized tumors, including surgery, external beam radiotherapy, brachytherapy and cryotherapy. Other companies working with HIFU technology for the minimally invasive treatment of tumors include SonaCare Medical, a U.S. company which markets a device called the Sonablate for the ablation of prostatic tissue. Sonablate was approved by the FDA for commercialization in the U.S. in October 2015. Insightec, an Israeli company owned mainly by General Electric and Elbit Medical Imaging, has developed a device using HIFU technology to treat uterine fibroids, painful bone tumors and brain disorders. Theraclion, a French company licensed by EDAP to use of some of our HIFU patents, is currently marketing the Echopulse HIFU device to treat thyroid tumors and benign breast tumors. Haifu, a Chinese company, is developing HIFU products addressing various types of cancers. Philips Healthcare, a Dutch company, is also developing HIFU devices addressing uterine fibroids, breast tumors and drug delivery activated by HIFU. See Item 4, ''Information on the Company—HIFU Division— HIFU Competition'' and Item 4, ''Information on the Company—UDS Division.''

Many of our competitors have significantly greater financial, technical, research, marketing, sales, distribution and other resources than us and may have more experience in developing, manufacturing, marketing and supporting new medical devices. In addition, our future success will depend in large part on our ability to maintain a leading position in technological innovation, and we cannot assure investors that we will be able to develop new products or enhance our current ones to compete successfully with new or existing technologies. Rapid technological development by competitors may result in our products becoming obsolete before we recover a significant portion of the research, development and commercialization expenses incurred with respect to those products.

We also face competition for our maintenance and service contracts. Larger hospitals often utilize their in-house maintenance departments instead of contracting with equipment manufacturers like us to maintain and repair their medical equipment. In addition, third-party medical equipment maintenance companies increasingly compete with equipment manufacturers by offering broad repair and maintenance service contracts to hospitals and clinics. This increased competition for medical devices and maintenance and service contracts could have a material adverse effect on our business, financial condition and results of operations.

The success of our products depends on whether procedures performed by those products are eligible for reimbursement which depends on the decisions of national health authorities and third-party payers.

Our success depends, among other things, on the extent to which reimbursement can be obtained from healthcare payers in the United States and elsewhere for procedures performed with our products. In the United States, we are dependent upon favorable decisions by the Centers for Medicare & Medicaid Services (''CMS'') for Medicare reimbursement, individual managed care organizations, private insurers and other payers. These decisions may be revised from time to time, which could affect reimbursement for procedures performed using our devices. Outside the United States, and in particular in the European Union and Japan, third-party reimbursement is generally conditioned upon decisions by national health authorities. In the European Union, there is no harmonized procedure for obtaining reimbursement and, consequently, we must seek regulatory approval in each Member State. If we fail to establish reimbursement from healthcare payers or government and private healthcare payers' policies change, it could have a material adverse effect on our business, financial condition and results of operations.

Lithotripsy procedures currently are reimbursed by public healthcare systems in the European Union, in Japan and in the United States. However, a decision in any of those countries to modify reimbursement policies for these procedures could have a material adverse effect on our business, financial conditions and results of operations. In contrast, procedures performed with our HIFU devices are not reimbursed in the European Union with the exception of Italy, Germany, in France under certain conditions, and in the UK where procedures are partially reimbursed by either public healthcare systems or private insurers. We cannot assure investors that additional reimbursement approvals will be obtained in the near future. If reimbursement for our products is unavailable, limited in scope or amount or if pricing is set at unsatisfactory levels, our business could be materially harmed.

Our manufacturing operations are highly regulated and failure to comply with those regulations would harm our business.

Our manufacturing operations must comply with regulations established by regulatory agencies in the United States, the European Union and other countries, and in particular with the Current Good Manufacturing Practices (''CGMP'') mandated by the FDA and European Union standards for quality assurance and manufacturing process control. Since such standards may change, we may not, at all times, comply with all applicable standards and, as a result would be unable to manufacture our products for commercial sale. Our manufacturing facilities are subject to inspection by regulatory authorities at any time. If any inspection by the regulatory authorities reveals deficiencies in manufacturing, we could be required to take immediate remedial actions, suspend production or close the current and future production facilities, which would disrupt our manufacturing processes. Accordingly, failure to comply with these regulations could have a material adverse effect on our business, financial condition and results of operations.

We depend on a single site to manufacture our products, and any interruption of operations could have a material adverse effect on our business.

Most of our manufacturing currently takes place in a single facility located in Vaulx-en-Velin, on the outskirts of Lyon, France. In the event of a significant interruption in the operations of our sole facility for any reason, such as fire, flood or other natural disaster or a failure to obtain or maintain required regulatory approvals, we would have no other means of manufacturing our products until we were able to restore the manufacturing capabilities at our facility or develop alternative facilities, which could take considerable time and resources and have a material adverse effect on our business, financial condition and results of operations. If we are unable to manufacture a sufficient or consistent supply of our products or products we are developing, or if we cannot do so efficiently, our revenue, business and financial prospects would be adversely affected.

For certain components or services, we depend on a single supplier who, due to events beyond our control may fail to deliver sufficient supplies to us or increase the cost of items supplied, which would interrupt our production processes or negatively impact our results of operations.

We purchase the majority of the components used in our products from a number of suppliers, but rely on a single supplier for some key components. In addition, we rely on single suppliers for certain services. If the supply of these components or services were interrupted for any reason, our manufacturing and marketing of the affected products would be delayed. These delays could be extensive, especially in situations where a component substitution would require regulatory approval. In addition, such suppliers could decide unilaterally to increase the price of supplied items and therefore cause additional charges for the Company. We expect to continue to depend upon our suppliers for the foreseeable future. Failure to obtain adequate supplies of components or services in a timely manner and at the agreed price could have a material adverse effect on our business, financial condition and results of operations.

Intellectual property rights are essential to protect our medical devices, and any dispute with respect to these rights could be costly and have an uncertain outcome.

Our success depends in large part on our ability to develop proprietary products and technologies and to establish and protect the related intellectual property rights, without infringing the intellectual property rights of third parties. The validity and scope of claims covered in medical technology patents involve complex legal and factual questions and, therefore, the outcome of such claims may be highly uncertain. The medical device industry has been characterized by extensive patents and other intellectual property rights litigation. From time to time we receive letters from third parties drawing our attention to their patent rights. Our products, including our HIFU devices, may be subject to litigation involving claims of patent infringement or violation of other intellectual property rights of third parties. The defense and prosecution of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings are both costly and time consuming and may result in a significant diversion of effort and resources by our technical and management personnel. An adverse determination in any such litigation or proceeding to which we become a party could subject us to significant liability to third parties, require us to seek licenses from third parties and pay ongoing royalties, require us to redesign certain products or subject us to injunctions preventing the manufacture, use or sale of the affected products. In addition to being costly, drawn-out litigation to defend or prosecute intellectual property rights could cause our customers or potential customers to defer or limit their purchase or use of our products until the litigation is resolved. See Item 4, ‘‘Information on the Company—HIFU Division—HIFU Division Patents and Intellectual Property’’ and Item 4, ‘‘Information on the Company—UDS Division—UDS Division Patents and Intellectual Property.’’

We own patents covering several of our technologies and have additional patent applications pending in the United States, the European Union, Japan and elsewhere. The process of seeking patent protection can be long and expensive and there can be no assurance that our patent applications will result in the issuance of patents. We also cannot assure investors that our current or future patents are or will be sufficient to provide meaningful protection or commercial advantage to us. Our patents or patent applications could be challenged, invalidated or circumvented in the future. The failure to maintain or obtain necessary patents, licenses or other intellectual property rights from third parties on acceptable terms or the invalidation or cancellation of material patents could have a material adverse effect on our business, financial condition or results of operations. Litigation may be necessary to enforce patents issued to us or to determine the enforceability, scope and validity of the proprietary rights of others. Our competitors, many of which have substantial resources and have made substantial investments in competing technologies, may apply for and obtain patents that will interfere with our ability to make, use or sell certain products, including our HIFU devices, either in the United States or in foreign markets.

We also rely on trade secrets and proprietary know-how, which we seek to protect through non-disclosure agreements with employees, consultants and other parties. It is possible, however, that those non-disclosure agreements will be breached, that we will not have adequate remedies for any such breach, or that our trade secrets will become known to, or independently developed by, competitors. Litigation may be necessary to protect trade secrets or know-how owned by us. In addition, effective copyright and trade secret protection may be unavailable or limited in certain countries.

The occurrence of any of the foregoing could have a material adverse effect on our business, financial condition and result of operations.

We face a significant risk of exposure to product liability claims in the event that the use of our products results in personal injury or death.

Our products are designed to be used in the treatment of severe affections and conditions. Despite the use of our products, patients may suffer personal injury or death, and we may, as a result, face significant product liability claims. We maintain separate product liability insurance policies for the United States and Canada and for the other markets in which we sell our products. Product liability insurance is expensive and there can be no assurance that it will continue to be available on commercially reasonable terms or at all. In addition, our insurance may not cover certain product liability claims or our liability for any claims may exceed our coverage limits. A product liability claim or series of claims brought against us with respect to uninsured liabilities or in excess of our insurance coverage, or any claim or product recall that results in significant cost to or adverse publicity against us could have a material adverse effect on our business, financial condition and results of operations. Also, if any of our products prove to be defective, we may be required to recall or redesign the product which could result in costly corrective actions and harm to our business reputation, which could materially affect our business, financial condition and results of operations.

We are exposed to risks related to cybersecurity threats and incidents.

In the conduct of our business, we collect, use, transmit and store data on information technology systems. This data includes confidential information belonging to us, our customers and other business partners, as well as personally identifiable information of individuals. We also store data related to our clinical trials on our information technology systems. We have experienced no significant nor material cybersecurity threats and incidents. We also rely in part on the reliability of certain tested third parties' cybersecurity measures, including firewalls, virus solutions and backup solutions. Cybersecurity incidents may result in business disruption, the misappropriation, corruption or loss of confidential information and critical data (ours or that of third parties), reputational damage, litigation with third parties, diminution in the value of our investment in research and development, data privacy issues and increased cybersecurity protection and remediation costs. Moreover, we devote significant resources to network security, data encryption and other measures to protect our systems and data from unauthorized access or misuse, including meeting certain information security standards that may be required by our customers, all of which increases cybersecurity protection costs. As these threats, and government and regulatory oversight of associated risks, continue to evolve, we may be required to expend additional resources to enhance or expand upon the security measures we currently maintain. Future cybersecurity breaches or incidents or further increases in cybersecurity protection costs may have a material adverse effect on our business, financial condition or results of operations.

Our international operations expose us to additional costs and legal and regulatory risks, which could have a material adverse effect on our business, results of operations and financial condition.

We have significant international operations. We have direct distribution channels in over fifty countries outside of France, our country of incorporation, and through our foreign subsidiaries. Compliance with complex foreign and French laws and regulations that apply to our international operations increases our cost of doing business. These numerous and sometimes conflicting laws and regulations include, among others, data privacy requirements (particularly with respect to the recent invalidation of the U.S.-European Union safe harbor by the European Court of Justice), labor relations laws, tax laws, anti-competition regulations, import and trade restrictions, export requirements, U.S. laws such as the FCPA and other U.S. federal laws and regulations established by the Office of Foreign Asset Control, laws such as the UK Bribery Act 2010 or other local laws which prohibit corrupt payments to governmental officials or certain payments or remunerations to customers.

Given the high level of complexity of these laws, there is a risk that we may inadvertently breach some provisions, for example, through fraudulent or negligent behavior of individual employees, our failure to comply with certain formal documentation requirements, or otherwise. Our success depends, in part, on our ability to anticipate these risks and manage these challenges. We have a dispersed international sales organization, and this structure makes it more difficult for us to ensure that our international selling operations comply with our global policies and procedures.

Violations of these laws and regulations could result in fines, criminal sanctions against us, our officers or our employees, requirements to obtain export licenses, cessation of business activities in sanctioned countries, implementation of compliance programs, and prohibitions on the conduct of our business. Violations of laws and regulations also could result in prohibitions on our ability to offer our products in one or more countries and could materially damage our reputation, our brand, our international expansion efforts, our ability to attract and retain employees, or our business, results of operations and financial condition.

We have been and we may in the future be the target of securities class action or other litigation, which could be costly and time consuming to defend.

In the past, securities class action litigation has often been brought against companies following a decline in the market price of its securities. This risk is especially relevant for us because innovative life sciences and medical device companies have experienced significant stock price volatility in recent years.

On August 4, 2014, a purported class action lawsuit was filed in the United States District Court for the Southern District of New York asserting that the Company, Marc Oczachowski, and Eric Soyer (our former Chief Financial Officer) violated federal securities laws by issuing materially false and misleading statements that caused the price of our ADSs to be artificially inflated. An amended complaint alleges that the Company and Mr. Oczachowski breached their obligations under the Exchange Act in various ways, including by misrepresenting and failing to disclose allegedly material information about the safety and efficacy of treatment with Ablatherm-HIFU, and the Company's interactions with the FDA. The complaint sought unspecified damages, interest, costs, and fees, including attorneys' and experts' fees. In February 2015, the defendants, including the Company, filed a motion to dismiss and on November 11, 2015, we announced the dismissal of the class action lawsuit and that no notice of appeal was subsequently filed by the plaintiffs.

Any additional litigation, if instituted, could cause us to incur substantial costs and our management resources may be diverted to defending such litigation, which could adversely affect our financial condition or results of operations.

We sell our products in many parts of the world and, as a result, our business is affected by fluctuations in currency exchange rates.

We are exposed to foreign currency exchange rate risk because the mix of currencies in which our costs are denominated is different from the mix of currencies in which we earn our revenue. In 2015, approximately 83% of our total costs of sales and operating expenses were denominated in euro, while approximately 35% of our sales were denominated in currencies other than euro (primarily the U.S. dollar and the Japanese yen). Our operating profitability could be materially adversely affected by large fluctuations in the rate of exchange between the euro and other currencies. For instance, a decrease in the value of the U.S. dollar or the Japanese yen against the euro would have a negative effect on our revenues, which may not be offset by an equal reduction in operating expenses and would therefore negatively impact operating profitability. From time to time we enter into foreign exchange forward sale contracts to hedge against fluctuations in the exchange rates of the principal foreign currencies in which our receivables are denominated (in particular, the U.S. dollar and the Japanese yen), but there can be no assurance that such hedging activities will limit the effect of movements in exchange rates on our results of operations. As of December 31, 2015, we had no outstanding hedging instruments. In addition, since any dividends that we may declare will be denominated in euro, exchange rate fluctuations will affect the U.S. dollar equivalent of any dividends received by holders of ADSs. For more information concerning our exchange rate exposure, see Item 11. "Quantitative and Qualitative Disclosures about Market Risk."

Our results of operations have fluctuated significantly from quarter to quarter in the past and may continue to do so in the future.

Our results of operations have fluctuated in the past and are expected to continue to fluctuate significantly from quarter to quarter depending upon numerous factors, including, but not limited to, the timing and results of clinical trials, changes in healthcare reimbursement policies, seasonality of demand for our products, changes in pricing policies by us or our competitors, new product announcements by us or our competitors, customer order deferrals in anticipation of new or enhanced products offered by us or our competitors, product quality problems and exchange rate fluctuations. Furthermore, because our main products have relatively high unit prices, the amount and timing of individual orders can have a substantial effect on our results of operations in any given quarter.

Our results of operations and financial condition could be adversely affected by the adverse economic and financial developments.

The current economic and financial environment has affected the level of public and private spending in the healthcare sector generally. A cautious or negative business outlook may cause our customers to further delay or cancel investment in medical equipment, which would adversely affect our revenues.

In addition, we rely on the credit market to secure dedicated lease financings to fund the development of our RPP business model related to the sale of treatments' procedures. Due to the limited availability of lending in the current market environment, we may be unable to access sufficient lease financing. Without lease financing, we may be unable to continue the development of our RPP model or we may need to fund such activity out of our existing working capital. Similarly, some of our clients rely on lease financing to finance their purchases of equipment. Limited availability of lease financing facilities may also affect their purchasing decisions and may adversely impact our equipment sales.

While we believe our working capital is, as of the date of this annual report, sufficient for our present working capital requirements, we may need to raise additional capital to fund our U.S. Ablatherm marketing roll-out strategy or to fund new development projects. If funding is not available on acceptable terms, or at all, we may need to decrease our operating expenses or to delay the launch of new product developments.

The issuance of ADSs upon exercise of outstanding warrants will cause immediate and substantial dilution to our existing shareholders.

The issuance of ADSs upon exercise of the warrants issued in March 2012 (the "March 2012 Warrants") and in May 2013 (the "May 2013 Warrants") will result in dilution of other shareholders since the selling shareholders may ultimately sell the full amount of ADSs issuable on exercise. Based on the total number of outstanding warrants as of April 4, 2016, and on the total number outstanding options to subscribe to new shares, up to 3,447,213 ADSs are issuable upon exercise, representing approximately 13.6% of our issued and outstanding share capital. Although no single warrant holder may exercise its Warrants if such exercise would cause it to own more than 9.99% of our outstanding ordinary shares, this restriction does not prevent each holder from exercising a portion of its holdings and selling those securities. In this way, each holder could sell more than this limit while never holding more than such limit.

On April 22, 2014, we filed a Form F-3 registration statement with the SEC to register ordinary shares and warrants for a maximum amount of $50 million, hence providing for registration of any future new ordinary shares issued for the purpose of raising capital. This registration statement was declared effective by the SEC on May 5, 2014. We issued and registered shares under this registration statement on June 2, 2014, although we did not offer the maximum amount registered under this registration statement.

On June 30, 2015, our shareholders extended the validity of existing resolutions, including the June 30, 2014 authorization to issue a maximum of 10 million new shares.

The sale of ADSs issued upon exercise of outstanding warrants could encourage short sales by third parties which could further depress the price of our ADSs.

Any downward pressure on the price of ADSs caused by the sale of ADS issued upon the exercise of the outstanding warrants could encourage short sales by third parties. In a short sale, a prospective seller borrows shares from a shareholder or broker and sells the borrowed shares. The prospective seller hopes that the share price will decline, at which time the seller can purchase shares at a lower price for delivery back to the lender. The seller profits when the share price declines because it is purchasing shares at a price lower than the sale price of the borrowed shares. Such sales could place downward pressure on the price of our ADSs by increasing the number of ADSs being sold, which could further contribute to any decline in the market price of our ADSs.

Risks Relating to Ownership of Securities

Our securities may be affected by volume fluctuations, and may fluctuate significantly in price, causing you to lose some or all of your investment.

Our ADSs are currently traded on the NASDAQ Global Market. The average daily trading volume of our ADSs in 2015 was 220,088, the high and low bid price of our ADSs for the last two financial years ended on December 31, 2015 and December 31, 2014, was $6.57 and $2.26, and $6.05 and $1.15, respectively. Our ADSs have experienced, and are likely to experience in the future, significant price and volume fluctuations, which could adversely affect the market price of our ADSs without regard to our operating performance. For example, average daily trading volume of our ADSs in December 2014 was 144,032 as opposed to 131,317 for the same period of 2015. The price of our securities and our ADSs in particular, may fluctuate as a result of a variety of factors, including changes in our business, operations and prospects, and factors beyond our control, including regulatory considerations, results of clinical trials of our products or those of our competitors, developments in patents and other proprietary rights, and general market and economic conditions.

These broad market and industry factors may adversely affect the market price of our ADSs, regardless of our operating performance. If you invest in our ADSs, you could lose some or all of your investment.

In addition, following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted. We are currently the subject of such litigation, and such litigation, regardless of its outcome, and any additional litigation, if instituted, causes and could cause us to incur substantial costs and our management resources are and could be diverted to defending such litigation, which could adversely affect our financial condition or results of operations.

We may issue additional securities that may be dilutive to our existing shareholders.

As described above, on June 30, 2015, our shareholders adopted resolutions allowing the Board of Directors to issue new shares in an aggregate maximum amount of 10 million shares. On February 18, 2016, our shareholders adopted a resolution allowing the Board of Directors to issue 1 million new shares under the form of subscription options to motivate and reward teams dedicated to successfully implement our U.S. and worldwide expansion plans. As of April 4, 2016, the maximum number of shares available to be issued was 11 million.

The issuance of additional ordinary shares, including any additional ordinary shares issuable pursuant to the exercise of preferential subscription rights that may not be available to all of our shareholders, would reduce the proportionate ownership and voting power of the then-existing shareholders.

We are subject to different corporate disclosure standards that may limit the information available to holders of our ADSs.

As a foreign private issuer, we are not required to comply with the notice and disclosure requirements under the Exchange Act relating to the solicitation of proxies for shareholder meetings. Although we are subject to the periodic reporting requirements of the Exchange Act, the periodic disclosure required of foreign private issuers under the Exchange Act is more limited than the periodic disclosure required of U.S. issuers. Therefore, there may be less publicly available information about us than is regularly published by or about other public companies in the United States.

We currently do not intend to pay dividends, and cannot assure shareholders that we will make dividend payments in the future.

We have never paid any dividend on our shares and do not anticipate paying any dividends for the foreseeable future. Thereafter, declaration of dividends on our shares will depend upon, among other things, future earnings, if any, the operating and financial condition of our business, our capital requirements, general business conditions and such other factors as our Board of Directors deems relevant. See Item 8, “Financial Information—Dividends and Dividend Policy.”

Judgments of U.S. courts, including those predicated on the civil liability provisions of the federal securities laws of the United States, may not be enforceable in French courts.

An investor in the United States may find it difficult to:

- effect service of process upon or obtain jurisdiction over us or our non-U.S. resident directors and officers in the United States;
- enforce U.S. court judgments based upon the civil liability provisions of the U.S. federal securities laws against us and our non-U.S. resident directors and officers in France; or the United States; or
- bring an original action in a French court to enforce liabilities based upon the U.S. federal securities laws against us and our non-U.S. resident directors and officers.

Holders of ADSs have fewer rights than shareholders and must act through the Depositary to exercise those rights.

Holders of ADSs do not have the same rights as shareholders and accordingly, cannot exercise rights of shareholders against us. The Bank of New York Mellon, as Depositary (the "Depositary"), is the registered shareholder of the deposited shares underlying the ADSs, and therefore holders of ADSs will generally have to exercise the rights attached to those shares through the Depositary. We have used and will continue to use reasonable efforts to request that the Depositary notify the holders of ADSs of upcoming votes and ask for voting instructions from them. If a holder fails to return a voting instruction card to the Depositary by the date established by it for receipt of such voting instructions, or if the Depositary receives an improperly completed or blank voting instruction card, or if the voting instructions included in the voting instruction card are illegible or unclear, then such holder will be deemed to have instructed the Depositary to vote its shares and the Depositary shall vote such shares in favor of any resolution proposed or approved by our Board of Directors and against any resolution not so proposed or approved.

Preferential subscription rights may not be available for U.S. persons.

Under French law, shareholders have preferential rights to subscribe for cash issuances of new shares or other securities giving rights to acquire additional shares on a *pro rata* basis. U.S. holders of our securities may not be able to exercise preferential subscription rights for their shares unless a registration statement under the Securities Act is effective with respect to such rights or an exemption from the registration requirements imposed by the Securities Act is available. We may, from time to time, issue new shares or other securities giving rights to acquire additional shares (such as warrants) at a time when no registration statement is in effect and no Securities Act exemption is available. If so, U.S. holders of our securities will be unable to exercise their preferential rights and their interests will be diluted. We are under no obligation to file any registration statement in connection with any issuance of new shares or other securities.

For holders of ADSs, the Depositary may make these rights or other distributions available to holders after we instruct it to do so and provide it with evidence that it is legal to do so. If we fail to do this and the Depositary determines that it is impractical to sell the rights, it may allow these rights to lapse. In that case the holders of ADSs will receive no value for them.

Holders of our ADSs may be exposed to increased transaction costs as a result of proposed European financial transaction taxes.

On February 14, 2013, the EU Commission adopted a proposal for a Council Directive (the "Draft Directive") on a common financial transaction tax (the "FTT"). According to the Draft Directive, the FTT should have been implemented and should have entered into effect in 10 EU Member States (Austria, Belgium, France, Germany, Greece, Italy, Portugal, Spain, Slovakia, and Slovenia, the "Participating Member States") towards the middle of 2014. Pursuant to the Draft Directive, the FTT was to be payable on financial transactions provided at least one party to the financial transaction is established or deemed established in a Participating Member State and there is a financial institution established or deemed established in a Participating Member State which is a party to the financial transaction, or is acting in the name of a party to the transaction. The rates of the FTT were to be fixed by each Participating Member State but for transactions involving financial instruments other than derivatives would have amounted to at least 0.1% of the taxable amount. The taxable amount for such transactions was in general to be determined by reference to the consideration paid or owed in return for the transfer.

The Draft Directive has not been adopted. A proposal combining a broader scope and lower rates is currently being discussed between Participating Member States, with the objective to make the FTT applicable as from June 1, 2016.

Prospective holders should therefore note, in particular, that any sale, purchase, or exchange of the Shares or ADSs could become subject to the FTT. The holder may be liable to itself pay this charge or reimburse a financial institution for the charge, and / or may affect the value of the Shares or ADSs.

The Draft Directive is still subject to negotiation between the Participating Member States and therefore may be changed at any time. Moreover, once the Draft Directive has been adopted (the "FTT Directive"), it will need to be implemented into the respective domestic laws of the Participating Member States and the domestic provisions implementing the FTT Directive might deviate from the FTT Directive itself. See Item 10, "Certain Income Tax Considerations."

Item 4. Information on the Company

We develop and market the Ablatherm and Focal One devices, advanced choices for HIFU treatment of localized prostate cancer. HIFU treatment is shown to be a minimally invasive and effective treatment option for localized prostate cancer with a low occurrence of side effects. Ablatherm is generally recommended for patients with localized prostate cancer (stages T1-T2) who are not candidates for surgery or who prefer an alternative option. It is also used for patients who failed a radiotherapy treatment. Focal One is a robot assisted HIFU device dedicated to the focal treatment of prostate cancer. In addition, we are developing HIFU technology for the treatment of certain other types of tumors. We also produce and commercialize medical equipment for treatment of urinary tract stones using ESWL and distribute other types of urology devices in certain countries.

History and Development of the Company

Our legal name is EDAP TMS S.A. and our commercial name is EDAP TMS. EDAP TMS S.A. was incorporated on December 3, 1979 as a *société anonyme* organized under the laws of the Republic of France for a duration of 60 years from the date of incorporation. Our principal executive offices are located at Parc d'Activités la Poudrette- Lamartine, 4/6, rue du Dauphiné, 69120 Vaulx-en-Velin, France and our telephone number is +33 (0) 4 72 15 31 50. Corporation Service Company, 1090 Vermont Avenue, Suite 430, Washington, D.C. 20005, United States, is our agent for service of process in the United States.

Founded in 1979, we originally specialized in the manufacturing and distribution of lithotripters (devices which use shockwaves to disintegrate urinary calculi) and produced the first piezoelectric lithotripter (using electric shocks produced by a piezo-component) in 1985. In 1994, we acquired most of the assets of Technomed International S.A. (''Technomed'') out of liquidation, including the ownership of, and full distribution rights to, the Prostatron, the Sonolith series of lithotripters (Sonolith Praktis, Sonolith Vision) and the Ablatherm device.

In August 2011, we received marketing clearance from the U.S. Food and Drug Administration, or the FDA, for our Sonolith i-move device, a technologically advanced compact mobile lithotripter. The FDA has cleared our Sonolith i-move device for fragmentation of kidney stones, ESWL procedures and endourology applications.

On January 19, 2012, we entered into an Exchange Agreement with all of the holders of our outstanding 9% Senior Convertible Debentures due October 29, 2012 (the "October 2007 Convertible Debentures") and warrants, whereby all October 2007 Convertible Debentures and warrants were exchanged for New Debentures, 1,948,871 newly issued ordinary shares, new warrants (the "January 2012 Warrants") and $500,000 in cash, or a combination thereof.

On March 28, 2012, we issued 2,812,500 ordinary shares in the form of ADSs to certain institutional investors in a registered direct placement (the "March 2012 Placement"), at a price of $2.00 per share, with warrants attached that allow investors to purchase up to 1,406,250 shares in the form of ADSs, at an exercise price of $2.75 per share. We also issued warrants to purchase up to 168,750 shares to the placement agent, Rodman & Renshaw LLC, at an exercise price of $2.50 per share. On May 9, 2012, we used $2.0 million of the net proceeds from the March 2012 Placement to partially reimburse the New Debentures, thus reducing the amount outstanding under our New Debentures to $8.0 million.

On May 31, 2012, we aligned our management team to focus on the U.S. opportunities both in the lithotripsy market and the HIFU regulatory program and our CEO consequently relocated to the United States.

On January 31, 2013, we submitted our PMA application to the FDA for our Ablatherm HIFU device for treatment of low risk, localized prostate cancer. Our submission included data from the ENLIGHT U.S. Phase II/III clinical trial, as well as data from our extensive worldwide database of treatment information and follow-up data from patients who have undergone HIFU therapy for prostate cancer. On June 3, 2013 we held our 100-day meeting with the FDA to discuss our PMA file and address questions and requests from the FDA reviewing team.

On May 28, 2013, we issued 3,000,000 ordinary shares in the form of ADSs to certain institutional investors in a registered direct placement (the "May 2013 Placement"), at a price of $4.00 per share, with warrants attached that allow investors to purchase up to 1,500,000 shares in the form of ADSs, at an exercise price of $4.25 per share. We also issued warrants to purchase up to 180,000 shares to the placement agent, HC Wainwright and Co. LLC, at an exercise price of $5.00 per share. Following our May 2013 Placement, on June 14, 2013, we fully redeemed our $8.0 million outstanding long-term debt by using a portion of the net proceeds from the $12.0 million May 2013 Placement.

On June 2, 2014, we issued 3,000,000 ordinary shares in the form of ADSs to certain institutional investors in a registered direct placement (the "June 2014 Placement"), at a price of $3.11 per share.

On October 15, 2015, we announced the withdrawal of our de novo application and the submission of a 510(k) notice, in accordance with the FDA guidelines, following the FDA clearance of the Sonablate 450 for prostatic tissue ablation using HIFU.

On November 9, 2015, we announced the receipt of 510(k) clearance from the FDA to market Ablatherm Integrated Imaging HIFU in the U.S. for the ablation of prostate tissue.

Business Overview & Strategy

EDAP TMS S.A. is a holding company and is responsible for providing common services to its subsidiaries, including preparation and consolidation of the financial statements for the group, complying with the requirements of various regulatory agencies and maintaining the listing of its publicly held securities and, in conjunction with its Board of Directors, directing the overall strategy of our group.

Our activity is organized in two divisions: HIFU and UDS (including lithotripsy activities). Through these two divisions, we develop, produce and market minimally invasive medical devices, mainly for urological diseases. We believe that the creation of these two divisions has allowed us to expand our market share by optimizing worldwide distribution capabilities, all of which is coordinated through our subsidiaries.

Our HIFU and UDS divisions operate in Europe, the Americas, Asia and the rest of the world. Total net sales for the HIFU division (in net contributions to total consolidated sales) were €8.4 million, €8.2 million and €5.1 million for 2015, 2014 and 2013, respectively. Those sales are generated in Europe, in the United States and the rest of the world, excluding certain countries in Asia (including Japan) where our HIFU devices are not approved yet. Total net sales for the UDS division were €23.8 million (including €10.7 million in Asia and €13.0 million in Europe and the rest of the world), €18.1 million (including €7.5 million in Asia and €10.6 million in Europe and the rest of the world) and €19.0 million (including €8.2 million in Asia and €10.7 million in Europe and the rest of the world), each for 2015, 2014 and 2013, respectively.

See Note 26 to our consolidated financial statements for a breakdown of total sales and revenue during the past three fiscal years by operating division and Item 5, "Operating and Financial Review and Prospects."

HIFU Division

The HIFU division is engaged in the development, manufacturing and marketing of medical devices based on HIFU technology for the minimally invasive treatment of urological and other clinical indications. Our HIFU business is quite cyclical and generally linked to lengthy hospital decision and investment processes. Hence our quarterly revenues are often impacted and fluctuate according to these parameters, generally resulting in a higher purchasing activity in the last quarter of the year. The HIFU division contributed €8.4 million to our consolidated net sales during the fiscal year ended December 31, 2015.

HIFU Division Business Overview

The HIFU division currently develops, manufactures and markets devices for the minimally invasive destruction of certain types of localized tumors using HIFU technology. HIFU technology uses a high-intensity convergent ultrasound beam generated by high power transducers to produce heat. HIFU technology is intended to allow the surgeon to destroy a well-defined area of diseased tissue without damaging surrounding tissue and organs, thereby eliminating the need for incisions, transfusions and general anesthesia and associated complications. The HIFU Division markets two HIFU devices: the Ablatherm and the Focal One. The Ablatherm is dedicated to the treatment of organ-confined prostate cancer, referred to as T1-T2 stage. Ablatherm can be used for patients who are not candidates for surgery or who have failed a radiotherapy treatment. Ablatherm is approved for commercial distribution in the European Union, the United States, South Korea, Canada, Australia, Taiwan, South Africa, New Zealand, the Philippines, Argentina, Mexico, Brazil, Russia, Venezuela, Peru and Ecuador.

HIFU Division also produces and markets the Focal One device, a HIFU robotic device fully dedicated to the focal therapy of localized prostate cancer, thereby destroying targeted cancer cells only. Focal One is approved for commercial distribution in the European Union, Canada, Saudi Arabia, South Korea, Peru and Chile. As of December 31, 2015, the HIFU division had an installed base of 100 Ablatherm machines, 14 Focal One and 350 trained clinical sites worldwide were using this technology.

In addition to developing, manufacturing and marketing HIFU devices, the HIFU division also generates revenues from leasing equipment, as well as from the sale of disposables, spare parts and maintenance services. Our HIFU mobile treatment option provides access to the HIFU devices without requiring hospitals and clinics to make an up-front investment in the equipment. Instead, hospitals and clinics perform treatments using these devices and remunerate us on a RPP basis (i.e., on the basis of the number of individual treatments provided). With this model, once the treatment is established in the medical community, a permanent installation may become more attractive, leading to the sale of the device in some of the larger locations.

HIFU Division Business Strategy

The HIFU division's business strategy is to capitalize on its expertise in HIFU and its position in urology to achieve long-term growth as a leader in the development, manufacturing, marketing and distribution of minimally invasive medical devices for urological and other indications, using HIFU technology, while preserving patient quality of life. The HIFU division believes that minimally invasive treatments using HIFU could provide an alternative to current invasive therapies on the basis of reduced cost and reduced morbidity for a number of different indications. The key elements of the HIFU division's strategy to achieve that objective are:

- *Provide Minimally Invasive Solutions to Treat Localized Prostate Cancer using HIFU*. Building upon our established position in the ESWL market, our HIFU division is striving to become the leading provider of our minimally invasive treatment option for prostate cancer. We believe that there is a large market opportunity with an increase in incidence linked to the aging male population, an increase in screening and recent campaigns to increase awareness. We also believe that HIFU could represent a credible alternative to surgery, external beam radiotherapy, brachytherapy and cryotherapy for the treatment of organ-confined prostate cancer without the cost, in-patient hospitalization and adverse side effects associated with those therapies. With the growing demand for more focused treatments destroying the tumor only (focal therapy) while continuously controlling the disease, HIFU and its focused approach, is well positioned to address this new clinical approach. The HIFU division intends to achieve this through a direct sales network in key European countries and the United States and through selected distributors in other European countries and in Asia. The HIFU division has built a strong clinical credibility based on clinical articles published in peer-reviewed journals. We ensure effective patient and physician education through a focused communication program.
- *Achieve Long-Term Growth by Expanding HIFU Applications Beyond Prostate Cancer*. The HIFU division's long-term growth strategy is to apply our HIFU technology toward the minimally invasive treatment of other medical conditions beyond prostate cancer. We believe that HIFU could represent an alternative to surgery and radiotherapy for the treatment of many tumors without the cost, in-patient hospitalization and adverse side effects associated with those therapies. The HIFU division is working on various other applications where HIFU could provide an alternative to current invasive therapies. We entered into a multi-partner liver cancer development project organized by the HECAM (HEpatocellular CArcinoma Multi-technological) consortium. This project aims at developing innovative diagnostic, imaging and therapeutic technologies to address liver cancer. EDAP's focus within the HECAM consortium is on developing a novel HIFU treatment for liver cancer in cooperation with its long-term academic partner INSERM and leading cancer centers. To fund this development program, EDAP will receive a maximum of €2.4 million in non-dilutive financing from Bpifrance over the 5-year project period. In June 2015, EDAP received €736,000 from Bpifrance (€237,000 as a conditional subsidy and €499,000 as a grant) to advance on the HECAM project. In 2015, the HIFU division maintained expenses at levels similar to 2014 on research and development ("R&D") projects to develop HIFU applications beyond prostate cancer. The division is considering maintaining similar levels of R&D spending in 2016 and future years to strengthen its technological leadership in HIFU and expand its application beyond urology.

HIFU Products

Currently, the Company commercializes two products utilizing the HIFU technology. For both HIFU products, cell destruction by HIFU is accomplished by a combination of thermal and cavitation effects caused by focused application of piezoelectric-generated high-intensity ultrasound; HIFU procedures are performed under general or spinal anesthesia.

- The Ablatherm is an ultrasound guided HIFU device for the treatment of organ-confined prostate cancer. It consists of a treatment module, including a HIFU endorectal probe, a control table with a computer and a computer screen, and a diagnostic ultrasound device connected to the treatment module. After insertion of an endorectal probe, the physician visualizes the prostate using ultrasound imaging and defines the area to be treated. The computer automatically calculates the optimum treatment distribution of lesions. During the treatment, the probe automatically moves and fires HIFU beams at each predefined lesion until the entire targeted area has been treated. At the same time, the physician is able to control and visualize the treatment in real time due to the integrated imaging system.

The Ablatherm is cleared for distribution in the European Union, the United States, South Korea, Canada, Australia, South Africa, New Zealand, the Philippines Taiwan, Mexico, Argentina, Brazil, Russia, Venezuela, Peru, Costa Rica and Ecuador.

- The Focal One is a HIFU robotic device fully dedicated to the focal therapy of prostate cancer. Focal One combines the three essential components to efficiently perform a focal treatment of localized prostate cancer: (i) high-quality imaging to localize tumors with the use of magnetic resonance imaging (MRI) combined with real-time ultrasound, (ii) high precision of HIFU treatment focused on identified targeted cancer areas and (iii) immediate feedback on treatment efficacy utilizing Contrast-Enhanced Ultrasound Imaging. Focal One provides an effective and accurate ablative treatment of localized tumors with the capacities of being flexible and repeatable, while preserving patient quality of life. The Focal One device received CE Marking for European market clearance in June 2013 and is also approved in Canada, Russia, Saudi Arabia, South Korea, Peru and Chile. We are also working to obtain clearance in other parts of the world.

HIFU Division Patents and Intellectual Property

As of December 31, 2015, the HIFU division's patent portfolio contained 35 patents consisting of 12 patents in the United States, 20 patents in the European Union and Japan and three patents in both Israel and the rest of the world. They belong to 19 groups of patents covering key technologies related to therapeutic ultrasound principles, systems and associated software.

During 2015, three U.S. patents and two European patents covering technological solutions embedded in the very first generation of HIFU devices (Ablatherm Maxis) expired. Two additional new patents have been granted in the same period in Europe. One concerns the Focal One technology as the other one concerns imaging of HIFU lesions in liver tissue. One additional patent has been granted in China. This patent, relating to an original transducer shape dedicated to new applications in which a large volume of tissue necrosis is required in a short time has been already granted in Europe and Japan. Ten additional patents covering certain other aspects of our HIFU technology in the European Union and Japan (four), the United States (three), and the rest of the world (three) are also under review. Our ongoing research and development objectives are to maintain our leadership position in the treatment of prostate cancer and to extend the HIFU technology to new applications and minimally invasive systems. These research projects are conducted in cooperation with the French National Institute for Health and Medical Research ("INSERM") which give rise in some cases to the filing, followed by the grant of co-owned patents. We have entered into various license agreements with INSERM whereby we commit to pay a fixed amount of royalties to INSERM based on the net revenues generated from the sales of HIFU devices using co-owned patents. Under these agreements, which last for the life of each co-owned patents we have the exclusive right to the commercial use of the co-owned patents, including the right to out-license such commercial rights.

In August 2004, we licensed our HIFU technology for the specific treatment of the ''cervicofacial'' lesions, including the thyroid, to Theraclion, a French company created by our former director of research and development. On January 11, 2011, we extended the above license by granting Theraclion exclusivity for the treatment of benign breast tumors and by granting a non-exclusive license for the treatment of malignant breast tumors. This license agreement provides for the payment of certain royalties calculated on the basis of Theraclion's future sales of devices. We determined that we could not invest in these specific applications at that time and this license agreement therefore allows Theraclion to pursue the development of HIFU for these applications. We own no interest in Theraclion. In December 2012, Theraclion obtained CE Marking for their HIFU device dedicated to the treatment of benign breast tumors.

Although we believe that our HIFU patents are valid and should be enforceable against third parties and that our patent applications should, if successfully pursued, result in the issuance of additional enforceable patents, there can be no assurance that any or all of these patents or patent applications will provide effective protection for the HIFU division's proprietary rights in such technology. HIFU devices, as they are currently or may in the future be designed, may also be subject to claims of infringement of patents owned by third parties, which could result in an adverse effect on our ability to market HIFU systems. See Item 3, "Risk Factors – Risks relating to Intellectual Property Rights."

HIFU Division Clinical and Regulatory Status

Clinical and Regulatory Status in Europe

The HIFU division has conducted an extensive clinical trial for the Ablatherm in the European Union. This trial, the European Multicentric Study, involved a total of 652 patients diagnosed with localized prostate cancer and included six sites in France, Germany and The Netherlands. The primary goals of the trial were to assess the safety and effectiveness of the Ablatherm. An interim analysis performed on the first 559 patients included 402 patients treated with the Ablatherm device as a first-line therapy. Of these patients, 81.4% had a normal PSA and 87.2% had negative biopsies at the last follow-up and were considered cancer free. The trials also included 157 patients who underwent an Ablatherm treatment as a salvage therapy after a previous failed therapy (hormone therapy, radiation or prostatectomy). Of these patients, 80.7% and 67.9% had negative biopsies and normal PSA after treatment, respectively.

Based on these results, in May 1999, we obtained a CE Marking that allows us to market the Ablatherm in the European Union.

Clinical and Regulatory Status in France

In 2001, the French Urology Association (‘‘AFU’’) conducted an independent clinical trial to confirm the efficacy and safety results observed in the European Multicentric Study, and to evaluate the therapy-related costs. Patient recruitment was successfully performed at eight investigational sites. Patient enrollment was completed in an 11-month period with 117 patients included. Follow-up with these patients will continue to evaluate the long-term efficacy of the treatment.

In March 2004, we obtained CE Marking, which currently allows us to market Ablatherm for the treatment of patients who failed radiotherapy.

In 2005, a clinical trial was started in France to validate the efficacy and safety of Ablatherm as salvage treatment for patients who did not respond to brachytherapy. This clinical study was successfully completed in 2011 with satisfactory safety and efficacy results. Following the study, in January 2012, we submitted to the European certification body an application for an extension of Ablatherm CE marking addressing brachytherapy failures. Extension was granted in February 2012.

In 2007, a new clinical trial using Ablatherm and dedicated to the treatment of patients with high risk disease who are not candidates for radical surgery because of their age and/or co-morbidities was started in France. This clinical trial was terminated in March 2012 due to low patient enrollment.

Also in 2007, a clinical trial to evaluate the utility of Contrast-Enhanced UltraSound (“CEUS”) for the early diagnosis of local cancer recurrence after HIFU treatment was started in France. The preliminary results assessed that contrast-enhanced ultrasound is efficient in distinguishing residual viable prostate tissue from ablated tissue after HIFU prostate ablation. This study provides evidence that contrast ultrasound can diagnose early cancer recurrences. In May 2011, preliminary results related to good detection potential of CEUS after HIFU treatment were published by Edouard Herriot Hospital, Lyon, France, in the journal *Radiology*. Patient follow-up was completed in February 2012. CEUS technology was adopted for use in the new Focal One HIFU device.

In 2009, a new clinical trial was started in France to validate a new strategy of minimally invasive treatment of prostatic adenocarcinomas localized in a single lobe with HIFU. This concept of partial treatment is proposed as an intermediate option between active surveillance and whole prostate treatment. Partial treatment for this trial is hemiablation of the prostate in which a single prostatic lobe (or hemisphere) is ablated using HIFU in patients with prostate cancer that has a low risk of recurrence and for which the imaging and biopsy assessments show a unilateral cancer. The goal of hemiablation is to reduce the complications associated with standard treatments, notably the risks of incontinence and impotence. Final results were presented at the 109th Annual Meeting of the French Association of Urology in Paris France which was held in November 2015. A total of 110 patients were included at 10 centers. The survival rate without additional definitive treatment at 24 months was 89%. Urinary continence was preserved in 97% of patients and sexual function was preserved in 78%.

In September 2010, a new clinical trial commenced in France and Norway to validate the new strategy of hemi-ablation treatment in radio-recurrent prostate cancer localized in a single lobe. This objective of focal treatment in patients with prostate cancer recurrence after radiotherapy is to reduce the risks of side effects in a very fragile population of patients. This clinical trial had been expanded to include a cohort of 100 patients and to confirm the published preliminary outcomes. Results from this study were published in the British Journal of Urology International in 2014. A total of 48 patients were enrolled. The study concluded that hemispherical salvage HIFU is a feasible therapeutic option in patients with unilateral radio-recurrent prostate cancer, which offers limited urinary and rectal morbidity, and preserves health-related quality of life.

In June 2011, a new clinical trial began in France and then extended to Belgium in 2012 to evaluate the new technical improvements in HIFU technology: the Dynamic Focusing technology. This technology gives the ability to target a more precise area within the prostate making the dynamic focusing technology the perfect tool for focal therapy. It also allows for the treatment of bigger prostates and for a more precise contouring of the gland providing a better control over sensitive areas responsible for continence and sexual functions. As a result, the Dynamic Focusing technology has been incorporated into the new Focal One HIFU device.

In January 2014, a new clinical trial on multifocal HIFU treatments with the Focal One device began in France in six investigational centers. The aim of this study is to evaluate the efficacy and safety results of different focal HIFU treatment strategies. Thanks to Focal One technical capacities (Dynamic Focusing technology, elastic fusion of MRI and ultrasound images and Contrast Enhanced Ultrasound treatment validation) many focal treatments approaches are possible allowing for treatment that is individually tailored to the patient's disease. In January 2015, the last patient was included in the above study, clinical results will be analyzed after 12 months' follow-up.

In February 2015, the reimbursement evaluation study of HIFU was initiated under the "Forfait Innovation". This process, piloted by French Association of Urology (AFU), compares primary whole-gland or sub-total HIFU and salvage whole-gland and focal HIFU results with those of radical prostatectomy in 42 French urological centers. The primary outcome is the salvage treatment free rate at two years.

Clinical and Regulatory Status in the United States

In 2005 EDAP started an Investigational Device Exemption ("IDE") study (G050103) to assess the safety and effectiveness of Ablatherm HIFU in the U.S. for the treatment of low risk, localized prostate cancer. This study was designed as a pivotal study to support PMA approval. This study was planned as a multicentric, prospective, non-randomized, concurrently controlled clinical trial comparing Ablatherm HIFU to cryotherapy in patients with low risk, localized prostate cancer.

Due to accrual difficulties, particularly in the cryosurgery arm, this planned study was not completed. Of the planned 205 patients per arm, 136 and five patients were recruited to the Ablatherm HIFU and cryosurgery arms, respectively.

We completed the treatment of 134 patients in June 2010, the required two years' follow-up phase was completed in June 2012. Clinical outcomes from these patients combined with our strong European long-term database formed the foundation of our PMA submission to the FDA on January 31, 2013.

On March 9, 2015, we announced that based on our collaborative discussions with the FDA, we planned to seek clearance of Ablatherm HIFU by way of a direct de novo 510(k) application as opposed to the PMA application amendment we had been considering. The FDA indicated that while PMA approval would be required for specific claims regarding treatment of prostate cancer, a prostate tissue ablation claim could be cleared via a direct de novo 510(k) application.

On October 15, 2015, we announced the withdrawal of our de novo application and the submission of a 510(k) notice, in accordance with the FDA guidelines, following the FDA clearance of the Sonablate 450 for prostatic tissue ablation using HIFU.

On November 9, 2015, we announced the receipt of 510(k) clearance from the FDA to market Ablatherm® Integrated Imaging HIFU in the U.S. for the ablation of prostate tissue.

Clinical and Regulatory Status in Japan

In June 2000, the HIFU division applied for approval by the Japanese Ministry of Health for the Ablatherm to be marketed in Japan. We retrieved the application in 2005 to update it and review the process. We are still assessing the opportunity to file a new application. The process of requesting approval to market the Ablatherm in Japan may be long and may never result in the approval to market the Ablatherm in Japan. See Item 3, ''Key Information—Risk Factors—Our future revenue growth and income depend, among other things, on the success of our HIFU technology.''

Clinical and Regulatory Status in China

On August 2, 2010, we entered into an exclusive distribution agreement with Shaw Han Biomedical Co. Ltd to distribute Ablatherm throughout China, once approved by Chinese authorities. This agreement involves a two-stage process: Shaw Han will first be responsible for processing the marketing clearance application with China's Food and Drug Administration for Ablatherm, then they will lead the marketing and distribution of the device in China for four years post approval. As of the date of this annual report on Form 20-F, the marketing clearance application was still is progress with the Chinese authorities.

See Item 3, "Risk Factors" – "We operate in a highly regulated industry and our future success depends on government regulatory approval of our products, which we may not receive or which may be delayed for a significant period of time."

HIFU Clinical Data

To date, our clinical Ablatherm results have been published in more than 85 renowned peer-reviewed journals. In 2010, the results of a major multicentric study on 803 patients were published showing a local control of the disease in 77.9% of the patients. In 2013, three long-term studies presenting results obtained over a period of more than 14 years on 538 patients, 704 patients and 1,002 patients were published, showing excellent cancer-specific and metastasis-free survival in primary patients (Ganzer et al. BJU 2013, Thuroff et al. Journal of Urology 2013 and Crouzet et al. European Urology 2013).

In 2014, the first clinical results of focal treatments with Ablatherm were published by Baco et al. in the British Journal of Urology International ("BJUInt") and Van Velthoven et al. in *Prostate Cancer* magazine. Baco et al. published promising results of hemi-salvage HIFU (treatment of one lobe of the prostate) after External Beam Radiation Therapy ("EBRT") and brachytherapy recurrences. In this fragile population of patients, the treatment of the infected lobe is reported to provide better functional outcomes and preserves quality of life. A similar approach of HIFU prostate hemi-ablation was presented by Van Velthoven et al. for primary care patients. With a maximum follow-up of 61 months the study showed a rate of 100% full continence and 75% erectile function preservation combined with only 11% of salvage treatment (re-HIFU in the contralateral lobe). Authors concluded primary zonal HIFU is a valid focal therapy strategy which is safe and feasible in a day-to-day practice showing good promising results. This study was updated in 2015 in Prostate Cancer and Prostatic Diseases journal with 50 patients treated with Hemi-HIFU strategy and provided 100% five-year cancer specific survival rate. The functional results included 94% pad free patients and 80% erectile function preservation at the end of follow-ups.

We have set up an extensive worldwide patient database called "@-registry." This on-line database is designed to compile treatment information and follow-up data for patients who have undergone HIFU for prostate cancer. The goal of the @-registry is to further demonstrate the safety, effectiveness and durability of Ablatherm. Information from the registry will be submitted to medical conferences for presentation and to peer-reviewed medical journals for publication. Based on more than 10,000 patients included into our @-registry database, we presented at the European Association of Urology (EAU) held in Paris in February 2012, an abstract presentation covering 5,662 primary patients, and an abstract covering 929 patients treated with Ablatherm after radiorecurrence with seven years follow-up that was elected "best poster" by the scientific committee. Thüroff et al presented a poster at the American Urology Association (AUA) 2014 on the long term HIFU retreatment rate, evaluating 2,632 patients. Thüroff et al concluded that technical development and adjuvant transurethral radical prostatectomy ("TURP") before HIFU resulted in higher local efficacy and lower HIFU retreatment rates.

The final results of the French hemiablation study were presented at the 109th Annual Meeting of the French Association of Urology in Paris France in November 2015. The study included a total of 110 patients at 10 centers. The survival rate without additional definitive treatment at 24 months was 89%. Urinary continence was preserved in 97% of patients and sexual function was preserved in 78%.

HIFU Division Market Potential

Prostate cancer is currently the first or second most common form of cancer among men in many populations. In the United States, the American Cancer Society estimates the number of new prostate cancers diagnosed every year to be approximately 180,890, of which approximately 70% are diagnosed with localized stage prostate cancer. Additionally, the HIFU division believes, based on figures provided by the World Health Organization that the worldwide incidence of localized prostate cancer is approximately twice this U.S. figure. A more effective diagnostic method for prostate cancer, the PSA test, has increased public awareness of the disease in developed countries since its introduction. PSA levels jump sharply when cancer is present. Prostate cancer is an age-related disease, and its incidence in developed countries is expected to increase as the population ages.

The HIFU division believes that HIFU therapy could be expanded to other medical conditions, such as certain localized thyroid, breast, gynecological, bladder, kidney, liver, brain, pancreatic and retroperitoneal tumors. For example, we entered into a multi-partner liver cancer development project organized by the HECAM (HEpatocellular CArcinoma Multi-technological) consortium. This project aims at developing innovative diagnostic, imaging and therapeutic technologies to address liver cancer. EDAP's focus within the HECAM consortium is on developing a novel HIFU treatment for liver cancer in cooperation with its long-term academic partner INSERM and leading cancer centers. To fund this development program, EDAP will receive a maximum of €2.4 million in non-dilutive financing from Bpifrance over the five-year project period of which we received the first instalment of €736,000 in June 2015. However, the expansion of the use of HIFU to other areas of treatment will require a significant investment in research and development, an investment we will undertake gradually while focusing on the acceptance of HIFU as a treatment for localized prostate cancer. For example, our licensee, Theraclion, obtained CE Marking for their HIFU device dedicated to the treatment of benign breast tumors. See Item 4, "Information on the Company—HIFU Division Patents and Intellectual Property."

HIFU Competition

The principal current therapies for prostate cancer carry side effects that can seriously affect a patient's quality of life. One of the current therapies is radical prostatectomy (surgery), which involves the ablation of the entire prostate gland. Radical prostatectomy requires several days of hospital stay and several weeks of recovery, usually with catheterization, and may result in partial and/or total urinary incontinence. In addition, it almost invariably renders patients impotent. A new surgical technique, nerve-sparing prostatectomy, has been developed to address that problem. However, the procedure can only be applied when the tumor is not located close to the surface of the prostate and requires a very skilled surgeon. Other therapies for localized prostate cancer include brachytherapy, a therapy that involves the implantation of radioisotopes into the prostate gland, EBRT and cryotherapy.

Our HIFU devices compete with all current treatments for localized tumors, which include surgery, brachytherapy, radiotherapy, cryotherapy and hormonotherapy. We believe that HIFU competes against those treatments on the basis of efficacy, limited side effects and cost-effectiveness.

We also believe that Focal One will be well positioned to address the growing demand for a "focal" approach of localized prostate cancer which cannot be answered by surgery or radiation therapy. "Focal" treatment (also known as "partial" or "zonal" treatment, as opposed to "radical" treatment) provides an effective and accurate ablative treatment of localized tumors with the capacities of being flexible and repeatable, while preserving patient quality of life.

Other companies are working with HIFU for the minimally invasive treatment of tumors. See Item 3, "Risk Factors – Risks Relating to Competition."

Certain existing and potential competitors of our HIFU division may have substantially greater financial, research and development, sales and marketing and personnel resources than us and may have more experience in developing, manufacturing, marketing and supporting new products. We believe that an important factor in the potential future market for HIFU treatments will be the ability to make the substantial investments in research and development in advancing the technology beyond the treatment of prostate cancer. This future investment is wholly dependent on the successful acceptance of the device for the treatment of prostate cancer.

HIFU Division Sales and Distribution of Products

The HIFU division markets and sells its products through our own direct marketing and sales organization as well as through selected third-party distributors and agents in several countries. Using our direct subsidiaries or representative offices network, the HIFU division maintains direct marketing and sales forces in France, United States, Germany, Russia and Italy, which currently represent its largest HIFU markets. Additionally, the HIFU division markets and sells its products through our distribution platform in the Middle East, South Korea and South East Asia.

The HIFU division's customers are located worldwide and have historically been principally public and private hospitals and urology clinics. The HIFU division believes that as it increases its customer base it will gain further access to the urological community, which will enable it to monitor the urological market, introduce new products and conduct trials under satisfactory conditions. No single customer of the HIFU division represents a significant portion of the division's installed base.

The HIFU division's marketing efforts include the organization of information and training programs for urologists, mainly in key European countries and in the United States where HIFU awareness is growing, comprehensive media and web programs to educate patients on the availability of HIFU technology to treat localized prostate cancer and strong participation in focused dedicated urological events. Our dedicated web site www.hifu-planet.com for patients and physicians is visited regularly. The information contained on that website is not incorporated by reference herein.

UDS Division

The UDS division is engaged in the development, marketing, manufacturing and servicing of medical devices for the minimally invasive diagnosis or treatment of urological disorders, mainly urinary stones, and other clinical indications. The UDS division contributed €23.8 million to our consolidated net sales during the fiscal year ended December 31, 2015.

Our UDS business is quite cyclical and generally linked to lengthy hospital decision and investment processes and their activities. Hence our quarterly revenues are often impacted and fluctuate according to these parameters, generally resulting in a higher selling activity in the last quarter of the year.

UDS Division Business Overview

The UDS division's primary business is producing and marketing devices, known as lithotripters, for the treatment of urinary tract stones by means of ESWL technology. ESWL uses extracorporeal shockwaves, which can be focused at urinary stones within the human body to fragment the stones, thereby permitting their natural elimination and preventing the need for incisions, transfusions, general anesthesia, and the resulting complications. The UDS division currently manufactures two models of lithotripters: the Sonolith i-move and the Sonolith i-sys. As of December 31, 2015, the UDS division has sold 827 ESWL lithotripters worldwide to this date and actively maintained or otherwise serviced 660 installed lithotripters.

In addition to its manufacturing and selling of lithotripters, the UDS division also generates revenues from the leasing of lithotripters, as well as from the sale of disposables, spare parts and maintenance services.

UDS Division Business Strategy

The business strategy for the UDS division is to capitalize on its expertise in ESWL and its position in urology to achieve long-term growth as a leader in the development, production, marketing and distribution of minimally invasive medical devices for urological and other clinical indications. The UDS division manufactures its own products as part of EDAP TMS France SAS ("EDAP TMS France"), our wholly owned subsidiary. The key elements of the UDS division's strategy are:

- *Capitalize on the Current ESWL Installed Base*. The UDS division's long-term growth strategy relies on its ability to capitalize on its extensive installed base of ESWL lithotripters to recognize ongoing revenue from sales of disposables, accessories, services and replacement machines. We believe that a combination of continued investment in lowering end-user costs and offering innovative units that are easily adaptable to various treatment environments, as well as a commitment to quality and service will allow the UDS division to achieve this goal. See ''Information on the Company—UDS Division Products''.
- *Capitalize on an Established Distribution Platform in Urology by Expanding Distribution Possibilities*. We believe that we can achieve additional long-term growth by offering our established distribution platform in urology to other developers of medical technologies and acting as a distributor for their devices. Our distribution platform in urology consists of a series of well-established subsidiaries in Europe and Asia as well as a network of third-party distributors worldwide.
- *Provide Manufacturing Solutions to Other Developers of Medical Technologies*. Building upon its established position in the high-tech medical devices market, we believe that the UDS division can become a provider of manufacturing alternatives to other developers of medical technologies that do not have or do not wish to invest in their own manufacturing facilities. We believe that our FDA-inspected, ISO 9001 (V:2008) certified and ISO 13485 (V:2003) certified facilities allow us to offer manufacturing services to a wide range of potential medical equipment developers.

UDS Division Products

The UDS division offers the Sonolith i-move (replacing Sonolith Praktis) to small and mid-size hospitals, while the Sonolith i-sys is offered to large hospitals that can afford a fully dedicated and integrated lithotripter. The UDS division also sells disposable parts for lithotripters, including the piezoelectric elements of the LT02, a machine we discontinued manufacturing in 2002) and the electrodes of the Sonolith line, which need to be replaced approximately every ten treatments, respectively. These parts incorporate key proprietary technologies, and the UDS division has retained sole marketing rights for these parts.

Product	Procedure	Development Stage	Clinical and Regulatory Status
Sonolith i-move	Electroconductive treatment of urinary stones	Commercial Production	Approved for distribution: European Union South Korea Malaysia Peru Colombia Venezuela Japan United States Taiwan Singapore Costa Rica Mexico Saudi Arabia Brazil
Sonolith i-sys	Electroconductive treatment of urinary stones	Commercial Production	Approved for distribution: European Union South Korea Canada United States Japan Australia Colombia Peru Malaysia Argentina Venezuela Taiwan Mexico Costa Rica Saudi Arabia Singapore

The Sonolith i-move and the Sonolith i-sys rely on the electroconductive technology for shockwave generation. The electroconductive technology, which is derived from the electrohydraulic technology on which the first ESWL lithotripters were based, permits improved focusing of the shockwave, reduces the variability in the shockwave pressure and allows a better transfer of energy to the calculus. These features result in a faster, more effective treatment as compared to electrohydraulic lithotripters.

The UDS division's ESWL customers are located worldwide and have historically been principally large hospitals, urology clinics and research institutions. To increase its penetration of the market segment of smaller hospitals and outpatient clinics, the UDS division developed the Sonolith i-move, an electroconductive lithotripter designed for smaller clinics. It is more compact than the Sonolith i-sys, which is more fully integrated and dedicated to larger hospitals and can be used as a urological workstation to perform endourological procedures. The Sonolith i-move, launched in 2010, brings a novel approach to the market by offering a wide range of configurations to suit various budgets and various local market needs. The Sonolith i-move has also been very successful thanks to its innovative *Visio-Track* ultrasound stone localization: a unique three dimensional virtual system that uses infrared stereovision technology to guide the treatment robotically.

UDS Division Patents and Intellectual Property

As of December 31, 2015, the UDS division's patent portfolio contained ten patents consisting of one patent in the United States, seven patents in the European Union and Japan and two patents in both Israel and the rest of the world. One additional patent covering means to move Xray C-Arms has been delivered in Europe in 2015. They belong to five groups of patents covering key technologies relating to ESWL systems and associated software capabilities.

Three patents, one in the United States, and two in the European Union and in Japan, are also in the examination process. These patents concern a stone localization system using ultrasound imaging on Sonolith i-sys and Sonolith i-move lithotripters. The UDS division's patents cover both piezoelectric and electroconductive technologies associated to ESWL generator, localization systems and device design. The UDS division's ongoing R&D objectives in ESWL are to further increase the clinical efficacy, the cost-effectiveness and the ease of use of its products to make them accessible to wider patient and user populations.

As with the development of our HIFU technology, we cooperate with INSERM to develop our ESWL technology. This cooperation gave rise to co-owned patents in some cases. We have entered into various license agreements with INSERM whereby we commit to pay a fixed amount of royalties to INSERM based on the net revenues generated from the sales of ESWL devices using co-owned patents. Under these agreements, we have the exclusive right to the commercial use of the co-owned patents, including the right to out-license such commercial rights.

UDS Division Regulatory Status

The Sonolith i-move is available for commercial distribution in the European Union, South Korea, Malaysia, Peru, Venezuela, Colombia, Costa Rica, Japan, United States, Taiwan, Singapore, Saudi Arabia, Mexico and Brazil. The Sonolith i-sys is available in the European Union, South Korea, Canada, United States, Peru, Colombia, Argentina, Venezuela, Mexico, Costa Rica, Japan, Australia, Malaysia, Singapore, Saudi Arabia and Taiwan. The UDS division continues to provide disposables, replacement parts and services for the current installed base of LT02 machines and Sonolith Praktis, even though we discontinued the manufacture of these machines.

UDS Division Market Potential

We estimate that roughly 2% to 3% of the world population suffers from kidney or ureteric stones during their lifetime and that urinary calculi are responsible for 10% of urological hospital admissions worldwide. Although urinary calculi may be eliminated naturally by the body, natural elimination is frequently accompanied by considerable pain and very often by serious complications, such as obstruction and infection of the urinary tract.

Since its introduction in clinical practice 30 years ago, ESWL has become the standard treatment for urinary calculi. ESWL consists of fragmenting calculi within the body using extracorporeal shockwaves without any surgery. We believe that the market for lithotripters includes both buyers looking for a sophisticated, higher-priced machine (generally hospitals and larger urology clinics) and buyers looking for simpler and less expensive machines (typically smaller clinics). We also believe that after a period of fast growth in the mid-1980s and early 1990s, the market for lithotripters is now mature and has become primarily a replacement and service and maintenance market in most of the world. Several geographical opportunities remain in under-equipped countries or in some countries where the national health system strategy is being reviewed for hospitals and clinics equipment.

We believe that companies with a large installed base of ESWL lithotripters will be most successful in the replacement market. Consequently, we intend to capitalize on our share of the installed base of ESWL lithotripters to gain a significant position in the replacement market for those machines. We expect the ESWL business to continue to contribute, at historically consistent levels, to the UDS division's financial results despite the mature nature of the market, due to revenues from maintenance contracts and demand for replacement machines. See Item 5, ''Operating and Financial Review and Prospects''.

UDS Division Competition

The ESWL market is characterized by severe price competition among manufacturers, with the result that, in recent years, the average unit price of ESWL lithotripters has declined The UDS division expects this trend to continue. See Item 5, ''Operating and Financial Review and Prospects.'' The UDS division's major competitors in developed countries are Siemens, Storz and Dornier.

UDS Division Sales and Distribution of Products

The UDS division markets, sells and services its products through our direct sales and service platform in France, Italy, Germany, United States, Japan, South Korea, Malaysia and, most recently, in the United Arab Emirates through our representative office in Dubai. The UDS division also markets its products through agents and third-party distributors in several other countries.

The UDS division's customers are located worldwide and have historically been mainly public and private hospitals and urology clinics. We believe that the division's customer base provides it with excellent access to the urological community and enables it to introduce new products and conduct trials under satisfactory conditions.

No single customer of the UDS division represents a significant portion of the division's installed base. The UDS division's marketing efforts include the organization of training programs for urologists worldwide.

UDS Division Services and Distribution

The UDS division is also pursuing various distribution options that use its strong network of worldwide subsidiaries and agents. The UDS division distributes urodynamics products on behalf of MMS (Medical Measurement Systems) and Andromeda in Japan, and laser urology solutions from Lumenis in France and from Quanta System in Asia. We believe that the UDS division can successfully market its worldwide distribution platform to a wide range of medical equipment development companies, thus allowing for quick, easy and economically sound entry for these companies into markets covering most of the world.

Manufacturing

Our current manufacturing operations consist of manufacturing medical products in our FDA-approved facility, which is certified under international standards ISO 9001 and ISO 13485. We believe that this facility can extend its outsourced services to provide device and disposable development and manufacturing services to a wide range of medical equipment development companies. Each division manufactures its own products through EDAP TMS France.

We manufacture the critical components for our devices and accessories, unless a subcontractor can manufacture the component more cost-effectively, perform final assembly and quality control processes and maintain our own set of production standards. We purchase the majority of the raw materials used in our products from a number of suppliers, but for several components of our products, rely on a single source. Furthermore, we conduct regular quality audits of suppliers' manufacturing facilities. Our principal suppliers are located in France, Germany, Denmark, South Korea and the United States. Management believes that the relationships with our suppliers are good.

Quality and Design Control

The manufacturing operations of EDAP TMS France must comply with the GMP regulations enacted by the FDA, which establish requirements for assuring quality by controlling components, processes and document traceability and retention, among other things. EDAP TMS France's facilities are also subject to scheduled inspections by the FDA. The FDA last visited our manufacturing site in June 2014 with no findings nor issuance of Form 483 observations. EDAP TMS France has obtained the ISO 9001 (V:2008) and ISO 13485 (V:2003) certifications, which indicate compliance by EDAP TMS France's manufacturing facilities with international standards for quality assurance, design and manufacturing process control. EDAP TMS France also complies with the applicable requirements that will allow it to affix the CE Marking to certain of its products. Our manufacturing site also complies with Taiwanese, Japanese and Canadian regulations, as well as with the U.S. Quality System Regulation. See ''Information on the Company—Government Regulation—Healthcare Regulation in the United States'' and ''—Government Regulation—Healthcare Regulation in the European Union.''

Property and Equipment

We have one principal facility, which is located in Vaulx-en-Velin, on the outskirts of Lyon, France. The premises comprise 4,150 square meters and are leased to us under a renewable ten-year commercial lease agreement signed on July 1, 2015. We use this facility to manufacture our device portofolio. We believe the terms of the lease reflect commercial practice and market rates. The manufacturing facility, and principal offices, which we utilize to manufacture and/or assemble all of our products, have ISO 9001 and ISO 13485 certifications. We are not aware of any environmental issues that could affect utilization of the facility.

In addition, we lease office and/or warehouse facilities in Kuala Lumpur (Malaysia), Rome (Italy), Flensburg (Germany), Austin (U.S.), Moscow (Russia), Seoul (South Korea), Fukuoka, Osaka, Sapporo and Tokyo (Japan), Dubai (United Arab Emirates).

Organizational Structure

The following table sets forth the fully consolidated subsidiaries of the Company as of the date of this annual report:

Name of the Company	Jurisdiction of Establishment	Percentage Owned[(1)]
EDAP TMS France SAS	France	100%
EDAP Technomed Inc.	United States	100%
EDAP Technomed Co. Ltd	Japan	100%
EDAP Technomed Sdn Bhd	Malaysia	100%
EDAP Technomed Srl	Italy	100%
EDAP TMS GmbH	Germany	100%

(1) Percentage of equity capital owned by EDAP TMS S.A. directly or indirectly through subsidiaries (percentage of capital owned and voting rights are the same).

Government Regulation

Government regulation in our major markets, in particular the United States, the European Union and Japan, is a significant factor in the development and marketing of our products and in our ongoing research and development activities. See Item 3, "Risk Factors –Risks Related to Government Regulations."

Regulation in the United States

We and our products are regulated in the United States by the FDA under a number of statutes including the Federal Food, Drug and Cosmetic Act (''FDC Act''). Pursuant to the FDC Act, the FDA regulates the preclinical and clinical testing, manufacturing, labeling, distribution, sale, marketing, advertising and promotion of medical devices in the United States. Medical devices are classified in the United States into one of three classes - Class I, II or III - on the basis of the controls reasonably necessary to ensure their safety and effectiveness. Class I devices are those whose safety and effectiveness can be ensured through general controls, such as establishment and registration, medical device listing, FDA-mandated CGMP, labeling, and pre-market notification (known as ''510(k)''). Most Class I devices are exempt from premarket notification and/or GMP regulations. Class II devices are those whose safety and effectiveness can reasonably be ensured through the use of general controls and ''special controls,'' such as special labeling requirements, mandatory performance standards, and post-market surveillance. The FDA may require the submission of clinical data as part of pre-market notifications for Class II devices. The FDA recently introduced the de novo 510(k) process for Class II devices for instances where a device is novel and there is therefore no suitable predicate device to support a standard 510(k) submission. To qualify for the de novo pathway, the new device must also present no more than moderate risk. Class III devices are those that must receive PMA by the FDA to ensure their safety and effectiveness. Before a new Class III device may be introduced on the market, the manufacturer generally must obtain FDA approval of a PMA. The PMA process is expensive and often lengthy, typically requiring several years, and may never result in approval. The manufacturer or the distributor of the device must obtain an IDE from the FDA before commencing human clinical trials in the United States in support of the PMA. Our lithotripsy range of products has been reclassified by the FDA as a Class II device. As far as our Ablatherm or Focal One HIFU devices are concerned, they also have been reclassified as Class II devices. Ablatherm has been cleared by FDA in November 2015, via a 510(k) application, based on a prostate tissue ablation claim, following the approval of another HIFU device via a de novo 510(k) process. Advertising and promotional activities in the United States are subject to regulation by the FDA and, in certain instances, by the U.S. Federal Trade Commission. The FDC Act also regulates our quality control and manufacturing procedures by requiring us to demonstrate and maintain compliance with current GMP regulations. Our manufacturing facilities are in compliance with GMP regulations. No major deficiencies have been observed during inspections carried out by FDA auditors (or its representative, the GMED, in France) in the past few years. In June 2014, the FDA conducted an inspection of our manufacturing processes and facility with no findings nor issuance of Form 483 observations.

Regulation in the European Union

In the European Union, we have received the ISO 9001 (V:2008) and ISO 13485 (V:2003) certifications, showing that we comply with standards for quality assurance and manufacturing and design process control. In the European Union, our products are also subject to legislation implementing the European Union Council Directive 93/42/EEC concerning medical devices (the ''Medical Device Directive''). The Medical Device Directive provides that medical devices that meet certain safety standards must bear a certification of conformity, the European Community approval ''CE Marking.'' Except in limited circumstances, member states of the European Union may not prohibit or restrict the sale, free movement or use for its intended purpose of a medical device bearing the CE Marking. Medical devices marketed throughout the European Union must comply with the requirement of the Medical Device Directive to bear a CE Marking (subject to certain exceptions). All of our products bear the CE Marking.

Pursuant to the Medical Device Directive, medical devices are classified into four classes, Class I, Class IIa, Class IIb and Class III, on the basis of their invasiveness and the duration of their use. The classification serves as a basis for determining the conformity assessment procedures that apply to medical devices to be eligible to receive a CE Marking. The conformity assessment procedures for Class I devices can be carried out, as a general rule, under the sole responsibility of the manufacturer, while for devices of other classes, the involvement of an authorized supervisory body is required. The extent of the involvement of such body in the development and manufacturing of a device varies according to the class under which it falls, with Class III devices being subject to the greatest degree of supervision. All of the devices currently marketed by us are Class IIb devices.

Regulation in Japan

The import and sales of medical devices in Japan is regulated by the Japanese Ministry of Health, Labor and Welfare (‘the “MHLW”) under the license “Marketing Authorization Holder.” Our Japanese subsidiary has obtained a general license as well as specific approvals to import our products that have been approved in Japan. The MHLW also administers various national health insurance programs to which each Japanese citizen is required to subscribe. These programs cover, among other things, the cost of medical devices used in operations. The MHLW establishes a price list of reimbursable prices applicable to certain medical devices under the national health insurance programs and until a new device is included in this list its costs are not covered by the programs. The LT02, the Sonolith Praktis, the Sonolith Vision, the Sonolith i-sys and the Sonolith i-move are all included on the MHLW’s list for reimbursement.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

The following discussion of our results of operations and liquidity and capital resources for the fiscal years ended December 31, 2015, 2014 and 2013 is based on, and should be read in conjunction with our consolidated financial statements and the notes thereto included in Item 18 of this annual report. The consolidated financial statements have been prepared in accordance with U.S. GAAP and refer to the new topic-based FASB Accounting Standards Codification (‘ASC’).

The following discussion contains certain forward-looking statements that involve risks and uncertainties. Actual results may differ materially from those contained in such forward-looking statements. See ‘‘Cautionary Statement on Forward-Looking Information’’ at the beginning of this annual report.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based upon the consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to revenue recognition, accounts receivable, bad debts, inventories, warranty obligations, litigation and deferred tax assets. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. These estimates and assumptions form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe our more significant judgments and estimates used in the preparation of our consolidated financial statements are made in connection with the following critical accounting policies.

Revenue Recognition

Sales of goods:

For medical device sales with no significant remaining vendor obligation, payments contingent upon customer financing or, acceptance criteria that can be subjectively interpreted by the customer or tied to the use of the device, revenue is recognized when evidence of an arrangement exists, title to the device passes (depending on terms, either upon shipment or delivery), and the customer has the intent and ability to pay in accordance with contract payment terms that are fixed or determinable. For sales in which payment is contingent upon customer financing, acceptance criteria that can be subjectively interpreted by the customer, or payment depends on use of the device, revenue is recognized when the contingency is resolved. We provide training and provide a minimum of one-year warranty upon installation. We accrue the estimated warranty costs at the time of sale. Revenues related to disposables are recognized when goods are delivered.

Sales of RPP treatments and leases:

Revenues related to the sale of HIFU treatments invoiced on a RPP basis are recognized when the treatment procedure has been completed. Revenues from devices leased to customers under operating leases are recognized on a straight-line basis.

Sales of spare parts and services:

Revenues related to spare parts are recognized when goods are delivered. Maintenance contracts rarely exceed one year and are recognized on a straight-line basis. Billings or cash receipts in advance of services due under maintenance contracts are recorded as deferred revenue.

Warrants

On March 28, 2012, pursuant to a securities purchase agreement dated March 22, 2012, as amended, the Company issued new ordinary shares in the form of ADSs to selected institutional investors in a registered direct placement (the "March 2012 Placement") with warrants attached (the "March 2012 Investor Warrants"). The Company also issued warrants to the placement agent, Rodman & Renshaw LLC (the "March 2012 Placement Agent Warrants" and together with the March 2012 Investor Warrants, the "March 2012 Warrants"). The Company has accounted for the March 2012 Warrants as a liability and reflected this analysis in the Company's financial statements filed for the year 2012.

The Company used the Black-Scholes pricing model to value the March 2012 Warrants at inception, with changes in fair value recorded as a financial expense or income.

On May 28, 2013, pursuant to a securities purchase agreement dated May 20, 2013, as amended, the Company issued new ordinary shares in the form of ADSs to selected institutional investors in a registered direct placement (the "May 2013 Placement") with warrants attached (the "May 2013 Investor Warrants"). The Company also issued warrants to the placement agent, H.C. Wainwright & Co., LLC (the "May 2013 Placement Agent Warrants" and together with the May 2013 Investor Warrants, the "May 2013 Warrants"). As the May 2013 Warrants comprised the same structure and provisions as the March 2012 Warrants, including an exercise price determined in U.S. dollars while the functional currency of the Company is the euro, the Company determined that the May 2013 Warrants should be accounted for as a liability.

The Company used the Black-Scholes pricing model to value the May 2013 Warrants at inception, with changes in fair value recorded as a financial expense or income.

Accounts Receivable

We generate most of our revenues and corresponding accounts receivable from sales of medical equipment, spare parts, maintenance and service to public and private hospitals and physicians worldwide. We perform initial credit evaluations of our customers and adjust credit terms based upon customers' creditworthiness as determined by such things as their payment history, credit ratings and our historical experiences.

Allowance for Doubtful Accounts

We evaluate the collectability of our accounts receivable based on the individual circumstances of each customer on a quarterly basis. In circumstances where we are aware of a specific customer's inability to meet its financial obligations to us (e.g., bankruptcy filings, substantial downgrading of credit scores), we record a specific reserve for bad debts against amounts due to reduce the net recognized receivable to the amount we reasonably believe we will collect. If circumstances change (i.e. higher than expected defaults or an unexpected material adverse change in a major customer's ability to meet its financial obligations to us), our estimates of the recoverability of amounts due to us could be reduced by a material amount.

Operating Results

Overview

Total revenues include sales of our medical devices and sales of disposables (“sales of goods”), sales of RPPs and leases, and sales of spare parts and services, all net of commissions, as well as other revenues.

Sales of goods have historically been comprised of net sales of medical devices (ESWL lithotripters and HIFU devices) and net sales of disposables (mostly Ablapaks and Focalpaks in the HIFU division and electrodes in the UDS division). The sale price of our medical devices is subject to variation based on a number of factors, including market competition, warranties and payment terms. Consequently, a particular sale of a medical device may, depending on its terms, result in significant fluctuations in the average unit sale price of the product for a given period, which may not be indicative of a market trend.

Sales of RPP and leases include the revenues from the sale of Ablatherm and Focal One treatment procedures and from the leasing of Ablatherm and Focal One machines. We provide Ablatherm and Focal One machines to clinics and hospitals for free for a limited period, rather than selling the devices. These hospitals and clinics perform treatments using the devices and pay us on the basis of the number of individual treatments provided. With this business model, the hospital or clinic does not make an initial investment until the increase in patient demand justifies the purchase of a HIFU machine. As a consequence, we are able to make Ablatherm treatments available to a larger number of hospitals and clinics, which we believe should serve to create more long-term interest in the product. Compared to the sale of devices, this business model initially generates a smaller, although more predictable stream of revenue and, if successful, should lead to more purchases of Ablatherm and Focal One machines by hospitals and clinics in the long term.

Sales of spare parts and services include revenues arising from maintenance services furnished by us for the installed base of ESWL lithotripters and HIFU devices.

We derive a significant portion of both net sales of medical devices and consumables and net sales of spare parts and services from our operations in Asia, through our wholly-owned subsidiaries or representative offices in Japan (Edap Technomed Co. Ltd), Malaysia (Edap Technomed Sdh Bhd) and South Korea (Edap Technomed Korea). Net sales derived from our operations in Asia represented approximately 34% of our total consolidated net sales in 2015. Net sales of goods in Asia represented approximately 39% of such sales in 2015 and consisted primarily of sales of ESWL lithotripters and consumables. Net sales of spare parts, supplies and services in Asia represented approximately 40% of such sales in 2015 and related primarily to ESWL lithotripters, reflecting the fact that approximately 49% of the installed base of our ESWL lithotripters that we actively maintain or otherwise serve is located in Asia.

We sell our products in many parts of the world and, as a result, our business is affected by fluctuations in currency exchange rates. We are exposed to foreign currency exchange rate risk because the mix of currencies in which our costs are denominated is different from the mix of currencies in which we earn revenues. In 2015, approximately 83% of our costs of sales and research and development, selling, marketing and general and administrative expenses were denominated in euro, while approximately 35% of our sales were denominated in currencies other than euro (primarily the U.S. Dollar and Japanese yen). Our operating profitability could be materially affected by large fluctuations in the rate of exchange between the euro and such other currencies. To minimize our exposure to exchange rate risks, we sometimes use certain financial instruments for hedging purposes. See Item 3, ‘‘Key Information—Risk Factors—We sell our products in many parts of the world and, as a result, our business is affected by fluctuations in currency exchange rates’’ and Item 11, ‘‘Quantitative and Qualitative Disclosures About Market Risk’’ for a description of the impact of foreign currency fluctuations on our business and results of operations.

Reserves for slow-moving and obsolete inventory are determined based upon quarterly reviews of all inventory items. Items which are not expected to be sold or used in production, based on management’s analysis, are written down to their net realizable value, which is their fair market value or zero in the case of spare parts or disposable parts for devices that are no longer in commercial production.

Consolidated research and development expenses include all costs related to the development of new technologies and products and the enhancement of existing products, including the costs of organizing clinical trials and of obtaining patents and regulatory approvals. We do not capitalize any of our research and development expenses, except for the expenses relating to the production of machines to be used in clinical trials and that have alternative future uses as equipment or components for future research projects.

Consolidated research and development expenses, as described above, amounted to €2.7 million, €2.9 million and €2.6 million in 2015, 2014 and 2013, respectively, representing approximately 8.4%, 10.9% and 10.8% of total revenues in 2015, 2014 and 2013, respectively. Consolidated research and development expenses included research and development government grants and tax credits of €0.6 million, €0.8 million and €1.1 million in 2015, 2014 and 2013, respectively. Research and development costs in 2014 and 2013 included clinical expenses for the Phase II/III PMA trials in the United States to expand our leadership in HIFU for prostate cancer. Beginning in 2016, management expects the budget for research and development expenses in Europe to level off at approximately 10% of total revenues, which we expect will allow us to maintain our strategy to launch new clinical studies (thus strengthening our clinical credibility), to continue to focus our efforts on obtaining regulatory approvals and reimbursement in key countries, to continue to develop our HIFU and ESWL product range and to fund projects to expand the use of HIFU beyond the treatment of prostate cancer.

Consolidated selling and marketing expenses amounted to €7.4 million in 2015, €6.7 million in 2014 and €6.3 million in 2013 Selling and marketing expenses included allowances for doubtful accounts of €0.02 million in 2015, €0.4 million in 2014 and €0.2 million in 2013. The €0.7 million or 11% increase in selling and marketing expenses from 2014 to 2015 was primarily a result of the increase in sales activity. Management expects marketing and sales efforts to stay at significant levels in the future to consolidate the Ablatherm and Focal One HIFU technology's status as a standard of care for prostate pathologies in Europe, and to sustain the Company's worldwide market position in lithotripsy, including in the United States where the Company's full range of lithotripsy products is now approved. Beginning in 2016, management expects selling and marketing expenses to increase significantly in view of the Company's expansion in the U.S. following Ablatherm FDA clearance.

In 2015, 2014 and 2013, our ESWL sales activity benefited from continued product innovation and the success of our Sonolith i-sys device launched in 2007 and our Sonolith i-move device launched in 2010, together with a sustained commercial effort which allowed us to capture market share in both the European, Asian and U.S. markets. We believe that the market for ESWL lithotripters is now mature and has become primarily a replacement and maintenance market, with intense competition. As a result, we expect total market volumes to remain stable at current levels in the foreseeable future.

We believe that our results of operations in the near future will be affected by our ability to grow our sales volumes both in the prostate cancer and the lithotripsy markets, along with our ability to control expenses in connection with the development, marketing and commercial launch of HIFU applications, particularly in the United States, and the continuation of the regulatory process for Focal One in the United States. See ''—Liquidity and Capital Resources.''

Fiscal Year Ended December 31, 2015 Compared to Fiscal Year Ended December 31, 2014

We report our segment information on a "net contribution" basis, so that each segment's results comprise the elimination of our intra-group revenues and expenses and thus reflect the true contribution to consolidated results of the segment. See Note 26 to our consolidated financial statements.

(in millions of euros)	2015	2014
Total revenues	32.3	26.8
Total net sales	32.2	26.3
Of which HIFU	8.5	8.2
Of which UDS	23.8	18.1
Total cost of sales	(18.5)	(15.6)
Gross profit	13.8	11.2
Gross profit as a percentage of total net sales	42.8%	42.7%
Total operating expenses	(13.3)	(12.9)
Income (loss) from operations	0.5	(1.7)
Net income (loss)	(1.7)	(0.5)

Total revenues

Our total revenues increased 20.4% from €26.8 million in 2014 to €32.3 million in 2015, principally due to the increase in UDS machine sales.

HIFU division. The HIFU division's total revenues decreased 2.8% to €8.5 million in 2015 as compared to €8.7 million in 2014.

The HIFU division's net sales of medical devices decreased 18.6% to €3.7 million in 2015, with two Ablatherm units and five Focal One units sold, as compared to €4.5 million, with four Ablatherm and six Focal One units sold in 2014.

Net sales of RPP treatments increased 15% to €2.1 million in 2015.

Net sales of consumables and net sales of HIFU-related spare parts, supplies, leasing and services increased from €1.9 million in 2014 to €2.7 million in 2015.

Other HIFU-related revenues were €32 thousand from €518 thousand in 2014 and were comprised of license-based revenues from Theraclion.

UDS division. The UDS division's total revenues increased 31.6 % from €18.1 million in 2014 to €23.8 million in 2015, mostly due to the increase in machine sales.

The UDS division's net sales of medical devices increased 54.4% from €9.4 million in 2014 to €14.5 million in 2015 with 52 devices sold in 2015 compared to 42 units sold in 2014.

Net sales of UDS-related spare parts, supplies, RPP, leasing and services increased 7.2% from €8.7million in 2014 to €9.3 million in 2015, as a result of the larger installed base of lithotripsy machines.

Cost of sales.

Cost of sales increased 18.5% from €15.6 million in 2014 to €18.5 million in 2015, and represented 57.3% as a percentage of net sales in 2015, down from 59.4% as a percentage of net sales in 2014.

Operating expenses.

Operating expenses increased 2.8%, or €0.4 million, from €12.9 million in 2014 to €13.3 million in 2015. Operating expenses included R&D grants and tax credits of €618 thousand and €797 million in 2015 and 2014, respectively. The increase in operating expenses included an adverse exchange rate impact of €0.6 million. The costs associated with the FDA approval decreased 75% to €0.3 million in 2015.

Marketing and sales expenses increased €0.7 million, or 10.9%, mostly due to the increase in sales-related bonuses.

Research and development expenses decreased 8.3% at €2.7 million in 2015 from €2.9 million in 2014, and comprised R&D grants and tax credits of €0.6 million and €0.8 million in 2015 and 2014, respectively, and costs of the FDA approval of €0.3 million and €1.2 million in 2015 and 2014, respectively.

General and administrative expenses decreased 3.8% to €3.2 million in 2015.

Operating loss.

As a result of the factors discussed above, we recorded a consolidated operating profit of €0.5 million in 2015, as compared to a consolidated operating loss of €1.7million in 2014.

We realized an operating profit in the HIFU division of €0.5 million in 2015, as compared with an operating profit of €1.2 million in 2014, and an operating profit in the UDS division of €1.6 million in 2015, as compared to an operating loss of €.0.2 million in 2014.

Financial (expense) income, net. Net financial expense was €2.1 million in 2015, including a €2.4 million expenses for fair value adjustments on the outstanding warrants, compared with a net financial income of €1.8 million in 2014, including a €1.7 million income due to fair value adjustments.

Foreign currency exchange gains (loss), net. In 2015, we recorded a net foreign currency exchange income of €0.7 million, mainly due to the variation of the Euro against the U.S. Dollar and the Japanese Yen, compared to a loss of €0.4 million in 2014.

Income taxes. Income tax was an expense of €0.8 million in 2015 and €0.1 million in 2014.

Net income / (loss)

As a result of the above, we realized a consolidated net loss of €1.7 million in 2015 compared with a consolidated net loss of €0.5 million in 2014.

Fiscal Year Ended December 31, 2014 Compared to Fiscal Year Ended December 31, 2013

We report our segment information on a "net contribution" basis, so that each segment's results comprise the elimination of our intra-group revenues and expenses and thus reflect the true contribution to consolidated results of the segment. See Note 26 to our consolidated financial statements.

(in millions of euros)	2014	2013
Total revenues	26.8	24.1
Total net sales	26.3	24.1
Of which HIFU	8.2	5.1
Of which UDS	18.1	19.0
Total cost of sales	(15.6)	(14.8)
Gross profit	11.2	9.3
Gross profit as a percentage of total net sales	42.7%	38.7%
Total operating expenses	(12.9)	(12.1)
Income (loss) from operations	(1.7)	(2.8)
Net income (loss)	(0.5)	(5.0)

Total revenues

Our total revenues increased 11.2% from €24.1 million in 2013 to €26.8 million in 2014, principally due to the increase in HIFU machine sales.

HIFU division. The HIFU division's total revenues increased 70.0% to €8.7 million in 2014 as compared to €5.1 million in 2013.

The HIFU division's net sales of medical devices increased 303.9% to €4.5 million in 2014, with four Ablatherm units and six Focal One units sold, as compared to €1.1 million and three HIFU units sold in 2013.

Net sales of RPP treatments decreased 20.5% to €1.8 million in 2014.

Net sales of consumables and net sales of HIFU-related spare parts, supplies, leasing and services increased from €1.7 million in 2013 to €1.9 million in 2014.

Other HIFU-related revenues were €518 thousand from €15 thousand in 2013 and were comprised of license-based revenues from Theraclion.

UDS division. The UDS division's total revenues decreased 4.7% from €19.0 million in 2013 to €18.1 million in 2014, mostly due to the decrease in lithotripsy machine sales.

The UDS division's net sales of medical devices decreased 14.5% from €11.0 million in 2013 to €9.4 million in 2014 with 42 devices sold in 2014 compared to 45 units sold in 2013.

Net sales of UDS-related spare parts, supplies, RPP, leasing and services increased 8.6% from €8.0 million in 2013 to €8.7 million in 2014, as a result of the larger installed base of lithotripsy machines.

Cost of sales.

Cost of sales increased 5.6% from €14.8 million in 2013 to €15.6 million in 2014, and represented 59.4% as a percentage of net sales in 2014, down from 61.3% as a percentage of net sales in 2013.

Operating expenses.

Operating expenses increased 7.1%, or €0.9 million, from €12.1 million in 2013 to €12.9 million in 2014. Operating expenses included R&D grants and tax credits of €797 thousand and €1.12 million in 2014 and 2013, respectively. The increase in operating expenses included a favorable exchange rate impact of €0.2 million. The costs associated with the FDA PMA trial increased 7.5% to €1.2 million in 2014 and reflected the preparatory work for the FDA Advisory Committee Panel and subsequent file completion work.

Marketing and sales expenses increased €0.4 million, or 6.4%, mostly due to the increase in sales-related bonuses and the increase in depreciation of receivables.

Research and development expenses increased 13.0% at €2.9 million in 2014 from €2.6 million in 2013, and comprised R&D grants and tax credits of €0.8 million and €1.12 million in 2014 and 2013, respectively, and costs of the FDA PMA trials of €1.2 million and 1.1 million in 2014 and 2013, respectively.

General and administrative expenses increased 4.0% to €3.3 million in 2014.

Operating loss.

As a result of the factors discussed above, we recorded a consolidated operating loss of €1.8 million in 2014, as compared to a consolidated operating loss of €2.8 million in 2013.

We realized an operating profit in the HIFU division of €1.2 million in 2014, as compared with an operating loss of €0.7 million in 2013, and an operating loss in the UDS division of €0.2 million in 2014, as compared to an operating profit of €0.5 million in 2013.

Financial (expense) income, net. Net financial income was €1.8 million in 2014, including a €1.7 million income for fair value adjustments on the outstanding warrants, compared with a net financial expense of €0.9 million in 2013, including a €0.6 million expense due to fair value adjustments.

Foreign currency exchange gains (loss), net. In 2014, we recorded a net foreign currency exchange loss of €0.4 million, mainly due to the variation of the Euro against the U.S. Dollar and the Japanese Yen, compared to a loss of €1.2 million in 2013.

Income taxes. Income tax was an expense of €0.1 million in 2014 and 2013.

Net income / (loss)

As a result of the above, we realized a consolidated net loss of €0.5 million in 2014 compared with a consolidated net loss of €5.0 million in 2013.

Effect of Inflation

Management believes that the impact of inflation was not material to our net sales or loss from operations in the three years ended December 31, 2015.

Liquidity and Capital Resources

Our cash flow has historically been subject to significant fluctuations over the course of any given financial year due to cyclical demand for medical devices. Cyclical demand has historically resulted in significant annual and quarterly fluctuations in trade and other receivables and inventories, and therefore led to significant variations in working capital requirements and operating cash flows that were not necessarily indicative of changes in our business. We believe our working capital is sufficient for our present working capital requirements although we have in the past experienced negative cash flows and associated risks to liquidity, and may in the future experience the same. Our cash flow situation is described in more detail below.

We anticipate that cash flow in future periods will be derived mainly from ongoing operations and any capital raising the Company may potentially undertake. As of the date of this annual report we do not employ any off-balance sheet financing. Because we anticipate relying principally on cash and cash equivalent balances to meet our liquidity requirements, a decrease in the demand for our products, or the inability of our customers to meet their financial obligations to us due to operating difficulties or adverse market conditions, would reduce the availability of funds to us. Additionally, we may need to raise additional capital to fund our U.S. Ablatherm marketing roll-out or to fund current or new development projects. See Item 3, “Key Information—Risk Factors —We may not have sufficient funds to promote and market -our Ablatherm device in the U.S. and for our ongoing operations.”

(in thousands of euros)	2015	2014	2013
Net cash generated/(used) in operating activities	1,338	(1,014)	(2,495)
Net cash generated/(used) in investing activities	(541)	(1,034)	(589)
Net cash generated/(used) in financing activities	1,987	6,039	1,937
Net effect of exchange rate changes	(347)	469	788
Net increase/(decrease) in cash and cash equivalents	2,436	4,461	(360)
Cash and cash equivalents at the beginning of the year	11,142	6,681	7,041
Cash and cash equivalents at the end of the year	13,578	11,142	6,681
Total cash and cash equivalents, and short-term investments at the end of the year	**14,578**	**12,142**	**7,681**

Our cash position as of December 31, 2015, 2014 and 2013, was €14.6 million (including €1.0 million of short-term treasury investments), €12.1 million (including €1.0 million of short-term treasury investments) and €7.7 million (including €1.0 million of short-term treasury investments), respectively. We experienced positive cash flows of €2.4 million in 2015, €4.5 million in 2014 and negative cash flows of €0.4 million in 2013.

In 2015, our positive net cash flow was due to a positive cash flow from operations and to warrant exercises for €1.1 million. In 2014, our positive cash flow was due to the June 2014 Placement, while cash flow from operations remained negative. In 2013, our negative cash flow was primarily due to the cash utilization from our operating activities and was mitigated by the net €2.5 million cash infusion after the May 2013 $12 million fund raising and the $8 million repayment in June 2013 of the then outstanding 2012 Non-convertible Debentures.

In 2015, net cash generated by operating activities was €1.4 million compared with net cash used in operating activities of €1.0 million in 2014 and €2.5 million in 2013.

In 2015, net cash used in operating activities reflected principally:

- a net loss of €1.7 million;
- elimination of €3.1 million of net loss without effects on cash, including €1.0 million of depreciation and amortization and a loss of €2.0 million due to fair value variations of financial instruments;
- a increase in trade accounts receivables of €1.8 million;
- a decrease in other receivables of €0.2 million;
- an increase in inventories of €0.4 million;
- an increase in payables of €0.5 million;
- an increase in prepaid expenses of €0.1 million; and
- an increase in accrued expenses and other current liabilities of €1.5 million.

In 2014, net cash used in operating activities reflected principally:

- a net loss of €0.5 million;
- elimination of €0.4 million of net gains without effects on cash, including €0.9 million of depreciation and amortization and a gain of €1.8 million due to fair value variations of financial instruments;
- a decrease in trade accounts receivables of €0.9 million;
- a decrease in other receivables of €0.2 million;
- an increase in inventories of €1.3 million;
- an increase in payables of €26 thousand;
- an increase in prepaid expenses of €47 thousand; and
- an increase in accrued expenses of €34 thousand.

In 2013, net cash used in operating activities reflected principally:

- a net loss of €5.0 million;
- elimination of €1.8 million of net expenses without effects on cash, including €1.2 million of depreciation and amortization and a loss of €0.7 million due to fair value variations of financial instruments;
- a decrease in trade accounts receivables of €3.2 million;
- an increase in other receivables of €0.7 million;
- an increase in inventories of €1.0 million;
- a decrease in payables of €0.8 million;
- a decrease in prepaid expenses of €24 thousand; and
- a decrease in accrued expenses of €44 thousand.

In 2015, net cash used in investing activities was €0.5 million compared with net cash used of €1.0 million in investing activities in 2014 and net cash used of €589 thousand in 2013.

Net cash used in investing activities of €0.5 million in 2015 reflected investments of €0.5 million in capitalized assets produced by the Company, mostly for commercial demonstrations, training and RPP activity and investment of €0.2 million in property, equipment and software, net proceeds from sales of leased-back assets of €0.1 million and net proceeds from sales of assets of €26 thousand.

Net cash used in investing activities of €1.0 million in 2014 reflected investments of €0.9 million in capitalized assets produced by the Company, mostly for commercial demonstrations, training and RPP activity and investment of €0.1 million in property, equipment and software.

Net cash used in investing activities of €589 thousand in 2013 reflected investments of €0.5 million in capitalized assets produced by the Company, mostly for commercial demonstrations and training, an investment of €0.2 million in property and equipment, net proceeds from sales of leased-back assets of €0.1 million and net proceeds from sales of short-term treasury investments of €36 thousand.

In 2015, net cash generated in financing activities was €2.0 million compared with net cash generated in financing activities of €6.0 million in 2014 and net cash generated in financing activities of €1.9 million in 2013.

Net cash generated in financing activities of €2.0 million in 2015 reflected principally the net proceeds of €0.2 million from the exercise of stock options and warrants, but also new long term borrowings of €0.5 million, repayment of short-term and long-term borrowings and lease financing for €0.4 million and an increase of short-term borrowings of €0.7 million.

Net cash generated in financing activities of €6.0 million in 2014 reflected principally the €6.1 million net proceeds from the June 2014 Placement and net proceeds of €0.2 million from the exercise of stock options and warrants, but also new long term borrowings of €0.2 million, repayment of short-term and long-term borrowings and lease financing for €0.4 million.

Net cash generated in financing activities of €1.9 million in 2013 reflected principally the €8.6 million net proceeds from the May 2013 Placement, repayment of long term borrowings, including the $8 million outstanding 2012 Non-convertible Debentures for €6.2 million, repayment of capital lease obligations totaling €0.6 million and an increase of €0.1 million in bank overdrafts.

Our policy is that our treasury department should maintain liquidity with the use of short-term borrowings and the minimal use of long-term borrowings. The treasury department currently adheres to this objective by using fixed-rate debt, which normally consists of long-term borrowing from a Japanese bank and with certain long-term borrowings consisting of sale and leaseback equipment financing. Currently the majority of our short-term debt is based on an annual variable rate: Euribor+0.7. We maintain bank accounts for each of our subsidiaries in the local currencies of each subsidiary. The primary currencies in which we maintain balances are the euro, the U.S. dollar and the Japanese yen. To minimize our exposure to exchange rate risks, we may use certain financial instruments for hedging purposes from time to time. As of December 31, 2015, there were no outstanding hedging instruments. See Notes 13 and 14 to the consolidated financial statements for further information on our borrowings.

Contractual Obligations and Commercial Commitments as of December 31, 2015 (in thousands of euro)

		Payments Due by Period			
	Total	Less than 1 year	1-3 years	4-5 years	More than 5 years
Short-Term Debt	2,814	2,814	-	-	-
Long-Term Debt	5,179	382	4,599	199	-
Capital Lease Obligations	531	238	252	42	-
Operating Leases	3,397	505	814	642	1,436
Interest	80	50	26	4	-

New Accounting Pronouncements

In July 2015, the FASB issued ASU 2015-14 Revenue from Contracts with Customers: Deferral of the Effective Date (ASU 2015-14) which deferred the effective date for ASU No. 2014-09, Revenue from Contracts with Customers (ASU 2014-09), by one year. ASU 2014-09 will supersede the revenue recognition requirements in Revenue Recognition (Topic 605) and requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is now effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period, which for the Company is January 1, 2018. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. The new standard can be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the change recognized at the date of the initial application in retained earnings. The Company is currently evaluating the potential impact the adoption of ASU 2014-09 will have on its consolidated financial statements and has not yet selected a transition method.

In November 2015, the FASB issued ASU No. 2015-17, *Balance Sheet Classification of Deferred Taxes* (ASU 2015-17), which requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. ASU 2015-17 is effective for the Company in its first quarter of fiscal 2017, with early application permitted and, upon adoption, may be applied either prospectively or retrospectively. The Company will adopt the ASU 2015-17 for the year ended December 31, 2017.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (ASU 2016-02), which supersedes ASC 840 "*Leases*" and creates a new topic, ASC 842 "*Leases*." This update requires lessees to recognize on their balance sheet a lease liability and a lease asset for all leases, including operating leases, with a term greater than 12 months. The update also expands the required quantitative and qualitative disclosures surrounding leases. This update is effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years, with earlier application permitted. This update will be applied using a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The Company is currently evaluating the effect of this update on its consolidated financial statements.

In August 2014, the FASB issued ASC Update No. 2014-15, Presentation of Financial Statements—Going Concern: Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern (Subtopic 205-40). Update 2014-15 requires management to assess an entity's ability to continue as a going concern every reporting period, and provide certain disclosures if management has substantial doubt about the entities ability to operate as a going concern, or an express statement if not, by incorporating and expanding upon certain principles that are currently in U.S. auditing standards. Update 2014-15 is effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. Upon adoption the Company will use the guidance in ASU 2014-15 to assess going concern.

Research and Development, Patents and Licenses

See "—Operating Results—Overview" and Item 4, ''Information on the Company—HIFU Division—HIFU Division Patents and Intellectual Property'' and ''Information on the Company—UDS Division—UDS Division Patents and Intellectual Property.''

The French government provides tax credits to companies for innovative research and development. This tax credit is calculated based on a percentage of eligible research and development costs and it can be refundable in cash.

In 2009, the Company reviewed the presentation of its research tax credit and elected to change for the preferred classification as permitted under ASC 250-10.

The research tax credit amounted to €448 thousand in 2015, €518 thousand in 2014 and €561 thousand in 2013 and was classified as a reduction of research and development expenses.

Off-Balance Sheet Arrangements

At December 31, 2015, we had no off-balance sheet arrangements other than those specified in Notes 2 and 14-1 of our consolidated financial statements.

Item 6. Directors, Senior Management and Employees

Senior Executive Officers

The following table sets forth the name, age and position of each of our Senior Executive Officers as of April 4, 2016. The Chief Executive Officer and the Chief Financial Officer listed below have entered into employment contracts with us or our subsidiaries (which permit the employee to resign subject to varying notice periods). In addition, in case of a change of control of the Company, or of a termination of their employment contract by the Company without cause, the Senior Executive Officers are entitled to receive severance packages totaling approximately € 0.8 million.

Name	Position
Marc Oczachowski Age: 46	Chief Executive Officer of EDAP TMS S.A. President of EDAP TMS France SAS and EDAP Technomed, Inc. Marc Oczachowski joined the Company in May 1997 as Area Sales Manager, based in Lyon, France. From March 2001 to January 2004, he held management positions as General Manager of EDAP Technomed Malaysia. He was appointed Chief Operating Officer of EDAP TMS in November 2004 and became Chief Executive Officer of the Company on March 31, 2007. In 2012, he relocated to Austin, Texas to manage EDAP's U.S. operations. Previously he worked for Sodem Systems, which manufactures orthopedic power tools, as Area Sales Manager. He is a graduate of Institut Commercial de Lyon, France.
François Dietsch Age: 40	Chief Financial Officer of EDAP TMS S.A. (from July 14, 2015), replacing Eric Soyer François Dietsch joined EDAP in 2005 as Internal Audit and Consolidation Manager, leading the implementation of internal controls for Sarbanes-Oxley Compliance, consolidation of financial statements from the Company's subsidiaries and preparation of financial statements in accordance with U.S. GAAP, including EDAP's annual report on Form 20-F. In 2012, he was promoted to his current position of Group Financial Control Manager and Finance Manager of EDAP's French subsidiary where, in addition to his previous responsibilities, he managed accounting firm relationships at the subsidiary level and was the primary liaison between the Company and its external auditors. He also managed the Finance department at EDAP France. Prior to joining EDAP he held finance positions at Valeo, a leading global supplier of components and systems to the automotive industry. He holds Master's Degrees in Management and Corporate Finance from University of Paris Dauphine.

Board of Directors

The following table sets forth the names and backgrounds of the members of the Board of Directors. None of the directors have service contracts with the Company or any of its subsidiaries providing for benefits upon termination of employment. All of the Board members are independent within the meaning of NASDAQ Marketplace Rule 5605(2). All four Board of Directors mandates terminate in June 2020 at the General Meeting of Shareholders approving the 2019 accounts.

Philippe Chauveau Age: 80 Mandate: 6 years Appointment: April. 8, 1997 (renewed) Expiration: 2020	Philippe Chauveau was named chairman of EDAP TMS S.A.'s Supervisory Board in 1997. In 2002, the Company's two-tiered board structure was replaced by a single Board of Directors with Philippe Chauveau serving as Chairman and CEO until 2004 when he was succeeded as CEO. From 2000 to 2007, Philippe Chauveau served as founding Chairman of the Board of Scynexis Inc., funded by private equity, which is an innovative drug discovery company based in the United States. He was Vice-President of research and development at AT&T Bell Labs and has also served as Chairman of Apple Computer Europe, preceded by increasing marketing roles in ITT and in Procter & Gamble. He has an Honours Degree from Trinity College Dublin with a B.A. and a Bsc.

Pierre Beysson Age: 74 Mandate: 6 years Appointment: September 27, 2002 (renewed) Expiration: 2020	Pierre Beysson was appointed as a member of the Board of Directors in September 2002. Pierre Beysson was then the Chief Financial Officer of Compagnie des Wagons-Lits ("CWL"), the on-board train service division of Accor, a French multinational Hotel and Business Services Group. In this capacity, he sat on a number of boards of companies related to the Accor Group. Before his assignment at CWL, Pierre Beysson held a number of senior financial positions with Nixdorf Computers, Trane (Air Conditioning), AM International (Office Equipment) and FMC (Petroleum Equipment). Pierre Beysson was trained as a CPA, has auditing experience and holds an MBA from Harvard Business School.
Argil Wheelock Age: 68 Mandate: 6 years Appointment: June 25, 2009 (renewed) Expiration: 2020	Dr. Argil Wheelock was elected as a member of the Company's Board of Directors in June 2009. Dr. Wheelock, a U.S. board certified urologist, is currently Senior Physician at the University of Tennessee Department of Urology at Erlanger Medical Center, a tertiary care and teaching hospital in Chattanooga, Tennessee. He is Chief Medical Advisor to HealthTronics Inc., a privately held company. HealthTronics is a leading U.S. provider of urological services and products. From 1996 to 2005, Dr. Wheelock served as Chairman and CEO of HealthTronics, a publicly traded NASDAQ company where he was a founder. He has built a successful track record introducing new medical devices to the U.S. and navigating the FDA approval process. He is widely known among the U.S. urological community for bringing clinical benefits to patients and economic value to urology practices. Dr. Wheelock graduated from the University of Tennessee College of Medicine and completed urological training at Mount Sinai Hospital in New York City.
Rob Michiels Age: 66 Mandate: 6 years Appointment: July 16, 2009 (renewed) Expiration: 2020	Rob Michiels was elected as a member of the Company's Board of Directors in July 2009. He is a 30-year U.S. veteran of the medical device industry. He most recently serves as Chief Executive Officer (CEO) of CardiAQ Valve Technologies, a venture funded start-up developing Transcatheter Mitral Valve Implantation which was acquired by Edwards Lifesciences during the second half of 2015. He previously served as Chief Operating Officer (COO) of CoreValve (acquired by Medtronic); and as President and COO of InterVentional Technologies (acquired by Boston Scientific). He helped drive both companies from cardiovascular start-ups to established market leaders, using new and innovative technologies which have strong synergies to the HIFU story. Rob Michiels is a director of Aegis Surgical Ltd, Atrius Ltd, FEops NV and Embolization Prevention Technologies, all privately held companies developing cutting edge cardio-vascular less-invasive Technologies. Rob Michiels is a founding partner of CONSILIUM, a medical device market research company active in identifying, funding and greenhousing start-up technologies. Fluent in English, French and Dutch languages, he holds a bachelor's degree in economics from Antwerp University in Belgium and a Master’s in business administration (MBA) from Indiana University.

Compensation

Aggregate compensation paid or accrued for services in all capacities by the Company and its subsidiaries to Senior Executive Officers and to the Board of Directors as a group for the fiscal year 2015 was approximately €820 thousand including performance bonuses of €109 thousand and benefits in kind of €84 thousand (benefits in kind comprise car allowances for senior management and housing and school allowances for senior management located outside France). No amount was set aside or accrued by us to provide pension, retirement or similar benefits for Senior Executive Officers and to the Board of Directors as a group in respect of the year 2015. For information regarding compensation paid in the form of stock options, see “Directors, Senior Management and Employees - Share Ownership” and “Directors, Senior Management and Employees - Options to Purchase or Subscribe for Securities.”

Compensation Committee

The Compensation Committee is comprised of the following members: Mr. Philippe Chauveau, Mr. Pierre Beysson, Dr. Argil Wheelock and Mr. Rob Michiels. The Committee gathers once a year to review the compensation of our Chief Executive Officer, as per the approved charter of the Compensation Committee, and to propose to the Board of Directors any changes to the Chief Executive Officer’s compensation. The Chief Executive Officer is not present when the Compensation Committee reviews his compensation. In August 2014, the Compensation Committee updated its charter which was subsequently approved by the Board of Directors.

Audit Committee

The Board of Directors' Audit Committee comprises all four independent members of the Board: Mr. Pierre Beysson, acting as Head of the Audit Committee and financial expert, Mr. Philippe Chauveau, Dr. Argil Wheelock and Mr. Rob Michiels. The purpose of the Audit Committee, in accordance with its annually approved charter, is to:

- Provide assistance to the Board of Directors in fulfilling their oversight responsibility to the shareholders, potential shareholders, the investment community and others relating to: the integrity of our financial statements, our compliance with legal and regulatory requirements, our accounting practices and financial reporting processes, the effectiveness of our disclosure controls and procedures and internal control over financial reporting, the independent auditor's qualifications and independence, and the performance of our internal audit function and independent auditors.

- Prepare the Audit Committee report, the Audit Committee may request any officer or employee of the Company or our outside counsel or independent auditor to attend a meeting of the Audit Committee or to meet with any members of, or consultants to, the Audit Committee.

Nomination Committee

The Company's Board of Directors, currently composed of four independent directors: Mr. Philippe Chauveau, Mr. Pierre Beysson, Dr. Argil Wheelock and Mr. Rob Michiels (as such term is defined in the NASDAQ Listing Rules), recommends for the Board's selection director nominees to submit to the vote of the Company's shareholders. In addition, under specified circumstances and in accordance with French law, shareholders may also submit resolutions to the general meeting to appoint directors.

The Company's nominations practice is formalized in a Board resolution and at its Board meeting in February 2015, the Board resolved that in the event that one or more directors is or are no longer independent, the Board will create a Nominations Committee (composed exclusively of independent Directors). A Nominations Committee Charter was approved accordingly, the terms of which apply to the Board of Directors when considering director nominees.

Employees

As of December 31, 2015, we employed 165 individuals on a full-time basis, as follows:

	Sales & Marketing	Manufacturing	Service	Research & Dvpt	Regulatory	Clinical Affairs	Administrative	Total
France	19	28	22	14	3	6	11	103
Italy	3	0	0	0	0	0	2	5
Germany	4	0	2	0	0	0	2	8
Japan	18	0	11	0	1	0	3	33
Malaysia	2	0	2	0	0	0	2	6
South Korea	1	0	0	0	0	0	1	2
USA	3	0	1	0	0	1	3	8
Total	50	28	38	14	4	7	24	165

As of December 31, 2014, we employed 161 individuals on a full-time basis, as follows:

	Sales & Marketing	Manufacturing	Service	Research & Dvpt	Regulatory	Clinical Affairs	Administrative	Total
France	14	35	19	12	4	6	13	103
Italy	3	0	0	0	0	0	2	5
Germany	4	0	2	0	0	0	2	8
Japan	14	0	13	0	1	0	3	31
Malaysia	2	0	2	0	0	0	2	6
South Korea	1	0	0	0	0	0	1	2
USA	1	0	1	0	0	1	3	6
Total	39	35	37	12	5	7	26	161

As of December 31, 2013, we employed 154 individuals on a full-time basis, as follows:

	Sales & Marketing	Manufacturing	Service	Research & Dvpt	Regulatory	Clinical Affairs	Administrative	Total
France	13	33	17	13	4	2	12	94
Italy	3	0	0	0	0	0	2	5
Germany	4	0	2	0	0	0	2	8
Japan	13	0	14	0	2	0	3	32
Malaysia	2	0	2	0	0	0	2	6
South Korea	1	0	0	0	0	0	1	2
USA	2	0	2	0	0	1	2	7
Total	38	33	37	13	6	3	24	154

Management considers labor relations to be good. Employee benefits are in line with those specified by applicable government regulations.

Share Ownership

As of April 4, 2016, the total number of shares issued was 25,811,485 with 370,528 shares held as treasury shares, thus bringing the total number of shares outstanding to 25,440,957.

As of April 4, 2016, the Board of Directors and the Senior Executive Officers of the Company held a total of 40,623 Shares**.** The Board of Directors and Senior Executive Officers beneficially own, in the aggregate less than 1% of the Company's shares.

As of April 4, 2016, Senior Executive Officers held an aggregate of 335,338 options to purchase or to subscribe a total of 335,338 ordinary shares, with a weighted average exercise price of €2.56 per share. Of these options, 105,338 expire on October 29, 2017, 30,000 expire on June 25, 2020 and 200,000 expire on January 18, 2023.

Options to Purchase or Subscribe for Securities

On May 22, 2007, the shareholders authorized the Board of Directors to grant up to 600,000 options to subscribe to 600,000 new shares at a fixed price to be set by the Board of Directors.

On June 24, 2010, the shareholders authorized the Board of Directors to grant up to 229,100 options to purchase pre-existing shares at a fixed price to be set by the Board of Directors. All of the shares that may be purchased through the exercise of stock options are currently held as treasury stock.

On December 19, 2012, the shareholders authorized the Board of Directors to grant up to 500,000 options to subscribe to 500,000 new shares at a fixed price to be set by the Board of Directors.

On February 18, 2016, the shareholders authorized the Board of Directors to grant up to 1,000,000 options to subscribe to 1,000,000 new shares at a fixed price to be set by the Board of Directors.

As of April 4, 2016, we had sponsored four stock purchase and subscription option plans open to employees of EDAP TMS group.

On December 31, 2015, the expiration of our stock option contracts was as follows:

Date of expiration	**Number of Options**
October 29, 2017	359,088
June 25, 2020	188,100
January 18, 2023	370,000

As of December 31, 2015, a summary of stock option activity to purchase or to subscribe to shares under these plans is as follows:

	2015		2014		2013	
	Options	Weighted average exercise price (€)	Options	Weighted average exercise price (€)	Options	Weighted average exercise price (€)
Outstanding on January 1,	1,095,850	2.76	1,310,850	2.70	810,850	3.18
Granted	-	-	-	-	500,000	1.91
Exercised	(72,412)	2.13	(750)	3.99	-	-
Forfeited	(106,250)	2.88	(90,250)	2.07	-	-
Expired	0	-	(124,000)	2.60	-	-
Outstanding on December 31,	917,188	2.79	1,095,850	2.76	1,310,850	2.70
Exercisable on December 31,	724,688	3.03	784,600	3.09	743,347	3.27
Share purchase options available for grant on December 31	232,428		232,428		83,428	

The following table summarizes information about options to purchase existing shares held by the Company, or to subscribe to new Shares, at December 31, 2015:

	Outstanding options				Fully vested options (1)		
Exercise price (€)	Options	Weighted average remaining contractual life	Weighted average exercise price (€)	Aggregate Intrinsic Value (2)	Options	Weighted average exercise price (€)	Aggregate Intrinsic Value (2)
3.99	359,088	1.8	3.99	-	359,088	3.99	-
2.38	138,100	4.5	2.38	195,191	138,100	2.38	195,191
1.91	370,000	7.0	1.91	696,860	177,500	1.91	334,304
1.88	50,000	4.5	1.88	95,670	50,000	1.88	95,670
1.88 to 3.99	917,188	4.5	2.79	987,721	724,688	3.03	625,165

(1) Fully vested options are all exercisable options

(2) The aggregate intrinsic value represents the total pre-tax intrinsic value, based on the Company's closing stock price of $4.13 at December 31, 2015, which would have been received by the option holders had all in-the-money option holders exercised their options as of that date.

Item 7. Major Shareholders and Related Party Transactions

Major Shareholders

To our knowledge, we are not directly or indirectly owned or controlled by another corporation, by any foreign government, or by any other natural or legal person or persons acting severally or jointly.

To the best of our knowledge and on the basis of the notifications received or filed with the SEC, shareholders who are beneficial owners of more than 5% of our shares are as follows.

	# of shares held on Dec.31, 2015	% of share capital on Dec. 31, 2015	# of shares held on Dec. 31, 2014	% of share capital on Dec. 31, 2014	# of shares held on Dec. 31, 2013	% of share capital on Dec. 31, 2013
PSM Vermogenswerwaltung GmbH	0	0	0	0	1,718,904	7.75
Bruce & Co. Inc	1,045,494	4.05	1,565,494	6.20	1,565,494	7.06

There are no arrangements known to us, the operation of which may at a later date result in a change of control of the Company. All shares issued by the Company have the same voting rights, except the treasury shares held by the Company, which have no voting rights.

As of April 4, 2016, 25,811,485 shares were issued, including 25,440,957 outstanding and 370,528 treasury shares. At March 18, 2016, there were 25,760,072 ADSs, each representing one Share, all of which were held of record by 22 registered holders in the United States (including The Depository Trust Company).

Related Party Transactions

The General Manager of the Company's Korean branch "EDAP-TMS Korea" is also Chairman of a Korean company named Dae You. EDAP-TMS Korea subcontracts to Dae You the service contract maintenance of our medical devices installed in Korea. The amounts invoiced by Dae You under this contract were €78 thousand, €68 thousand and €65 thousand for 2015, 2014 and 2013, respectively. As of December 31, 2015, payables to Dae You amounted to €53 thousand. As of December 31, 2014, payables to Dae You amounted to €25 thousand.

Dae You has purchased medical devices from us, which it operates in partnership with hospitals or clinics. These purchases (“Sales of goods”) amounted to €408 thousand, €308 thousand and €516 thousand in2015, 2014 and 2013, respectively. As of December 31, 2015, receivables (“Net trade accounts and notes receivable”) amounted to €380 thousand. As of December 31, 2014, receivables (“Net trade accounts and notes receivable”) amounted to €112 thousand.

Interests of Experts and Counsel

Not applicable.

Item 8. Financial Information

Consolidated Financial Statements

See Item 18, ‘‘Financial Statements.’’

Export Sales

As of December 31, 2015, total consolidated export net sales, which we define as sales made outside of mainland France, were €24.4 million, which represented 76% of total net sales.

As part of our business, we are engaged in sales and marketing activities with hospitals, clinics, distributors or agents in countries on a worldwide basis where we can provide our minimally invasive therapeutic solutions to patients with prostate cancer or urinary stones. The following information complies with the sub-section “Disclosure of Certain Activities Relating to Iran” of the Section 13 of the U.S. Securities Exchange Act of 1934 as amended: in 2015 we honored warranty contracts on previous sales of lithotripsy devices to three Iranian public hospitals in order to provide the hospitals with the necessary disposables and services to treat patients with kidney stones using our devices. As part of these warranty commitments, in 2015 we did not invoice any medical equipment to the hospitals.

Legal Proceedings

From time to time we may become involved in legal proceedings or be subject to claims arising in the ordinary course of our business. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

On August 4, 2014, Mark Eaton filed a purported class action lawsuit in the United States District Court for the Southern District of New York, asserting that the Company, Marc Oczachowski, and Eric Soyer (our former Chief Financial Officer) violated federal securities laws Section 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder by issuing materially false and misleading statements about the Company’s business operations and prospects particularly concerning the Company’s Ablatherm-HIFU PMA file under review by the FDA that caused the price of the Company’s American Depository Receipts to be artificially inflated during the period from February 1, 2013 to July 30, 2014. On August 6, 2014, Ronnie Haddad filed a second purported class action lawsuit, also in the United States District Court for the Southern District of New York, asserting similar claims.

On October 24, 2014, the related cases were consolidated by the United States District Court for the Southern District of New York and a lead plaintiff and lead counsel were appointed.

On December 22, 2014, the lead plaintiff filed an amended complaint that no longer included Mr. Soyer. The amended complaint alleges that the Company and Mr. Oczachowski breached their obligations under the Exchange Act in various ways, including by misrepresenting and failing to disclose allegedly material information about the safety and efficacy of treatment with Ablatherm-HIFU, and the Company’s interactions with the FDA. The complaint seeks unspecified damages, interest, costs, and fees, including attorneys’ and experts’ fees.

On December 31, 2014, we accrued $250,000 (€206,000) as legal costs to be incurred by the Company in relation to this litigation.

On February 20, 2015, the defendants, including the Company, filed a motion to dismiss the action.

On September 14, 2015, we received a confirmation of the dismissal of our class action. On November 11, 2015, we announced the appeals period had concluded with no notice of appeal had been filed by the plaintiffs. The remaining accrued amount was reversed as of December 31, 2015.

Dividends and Dividend Policy

The payment and amount of dividends depend on our earnings and financial condition and such other factors that our Board of Directors deems relevant. Dividends are subject to recommendation by the Board of Directors and a vote by the shareholders at the shareholders’ ordinary general meeting. Dividends, if any, would be paid in euro and, with respect to ADSs, would be converted at the then-prevailing exchange rate into U.S. dollars. Holders of ADSs will be entitled to receive payments in respect of dividends on the underlying Shares in accordance with the Deposit Agreement.

No dividends were paid with respect to fiscal years 2009 through 2015, and we do not anticipate paying any dividends for the foreseeable future. Thereafter, any declaration of dividends on our shares as well as the amount and payment will be determined by majority vote of the holders of our shares at an ordinary general meeting, following the recommendation of our Board of Directors. Such declaration will depend upon, among other things, future earnings, if any, the operating and financial condition of our business, our capital requirements, general business conditions and such other factors as our Board of Directors deems relevant in its recommendation to shareholders.

Significant Changes as of April 4, 2016

a) On February 18, 2016, our shareholders adopted a resolution allowing the Board of Directors to issue 1,000,000 new shares under the form of subscription options to motivate and reward teams dedicated to successfully implementing our U.S. and worldwide expansion plans.

b) In February and March 2016, we issued 57,496 new ordinary shares in the form of ADSs following the exercise of March 2012 Warrants.

Item 9. The Offer and Listing

Description of Securities

The shares are traded solely in the form of ADSs, each ADS representing one ordinary share. Each ADS may be evidenced by an American Depositary Receipt issued by The Bank of New York, our Depositary. The principal United States trading market for the ADSs, which is also the principal trading market for the ADSs overall, is the NASDAQ Global Market of the NASDAQ Stock Market, Inc. (‘‘NASDAQ”), on which the ADSs are quoted under the symbol ‘‘EDAP.’’

Trading Market

The following tables set forth, for the years 2011 through 2015, the reported high and low sales prices of the ADSs on NASDAQ.

	NASDAQ	
	High	**Low**
2015	6.57	2.26
2014	6.05	1.15
2013	4.94	1.98
2012	2.85	1.43
2011	5.68	1.37

The following tables set forth, for the years 2014 and 2015, and through March 18, 2016, the reported high and low sales prices of the ADSs on NASDAQ for each full financial quarter:

	NASDAQ	
	High	**Low**
	$	
2016:		
Through March 18, 2016	4.60	2.89
2015:		
First Quarter	4.09	2.26
Second Quarter	3.69	2.59
Third Quarter	6.00	2.76
Fourth Quarter	6.57	3.05
2014:		
First Quarter	3.69	2.77
Second Quarter	5.00	2.87
Third Quarter	6.05	1.28
Fourth Quarter	2.65	1.15

The following table sets forth, for the most recent six months (from September 2015 through March 18, 2016), the reported high and low sale prices of the ADSs on NASDAQ for each month:

	NASDAQ	
	High	
2016:	**$**	
January	4.36	2.89
February	4.60	3.34
March (through March 18, 2016)	4.48	3.86
2015:		
September	6.00	3.50
October	5.63	3.05
November	6.57	4.76
December	5.47	4.12

Item 10. Additional Information

Memorandum and Articles of Association

Set forth below is a brief summary of significant provisions of our by-laws (or *statuts*) and applicable French laws. This is not a complete description and is qualified in its entirety by reference to our by-laws, a translation of which is provided in Exhibit 1.1 to this annual report. Each time they are modified, which can only occur with the approval of a two third majority of the shareholders present or represented at a shareholders' meeting, we file copies of our *statuts* with, and such by-laws are publicly available from, the Registry of Commerce and Companies in Lyon, France, under number 316 488 204.

Our corporate affairs are governed by our by-laws and by Book II of the French Commercial Code, as amended.

Our by-laws were last updated in January 2016 to reflect the increases in share capital related to the issuance of additional shares following the exercise of warrants and options in last quarter of 2015.

Corporate Purposes

Pursuant to Article 2 of the by-laws, the purpose of the Company is:

- the taking of financial interests, under whatever form, in all French or foreign groups, companies or businesses which currently exist or which may be created in the future, mainly through contribution, subscription or purchasing of stocks or shares, obligations or other securities, mergers, holding companies, groups, alliances or partnerships;
- the management of such financial investments;
- the direction, management, control and coordination of its subsidiaries and interests;
- the provision of all administrative, financial, technical or other services; and
- generally, all transactions of whatever nature, whether financial, commercial, industrial, civil, relating to property and/or real estate, which may be connected directly or indirectly, in whole or in part, to the Company's purposes or to any similar or related purposes which may favor the extension or development of such purpose.

Board of Directors

The Board of Directors is currently composed of four members, all of which were appointed by the shareholders for a period of six years expiring on the date of the annual general shareholders' meeting approving the financial results for fiscal year 2019. See Item 6, ''Directors, Senior Management and Employees.'' A director's term ends at the end of the ordinary general shareholders" meeting convened to vote on the accounts of the then-preceding fiscal year and held in the year during which the term of such director comes to an end. Directors may be re-elected; a director may also be dismissed at any time at the shareholders' meeting.

Each director must own at least one share during his/her term of office. If, at the time of his/her appointment, a director does not own the required number of shares or if during his/her term, he/she no longer owns the required number of shares, he/she will be considered to have automatically resigned if he/she fails to comply with the shareholding requirement within three months.

An individual person may not be a member of more than five Boards of Directors or Supervisory Boards in corporations (*société anonyme*) registered in France; directorships held in controlled companies (as defined by Section L.233-16 of the French Commercial Code) by the Company are not taken into account.

In the event of the death or resignation of one or more directors, the Board of Directors may make provisional appointments to fill vacancies before the next general shareholders' meetings. These provisional appointments must be ratified by the next ordinary shareholders meeting. Even if a provisional appointment is not ratified, resolutions and acts previously approved by the Board of Directors nonetheless remain valid.

If the number of Directors falls below the compulsory legal minimum, the remaining directors must immediately convene an ordinary general shareholders' meeting to reach a full Board of Directors.

Any director appointed in replacement of another director whose term has not expired remains in office only for the remaining duration of the term of his predecessor.

One of our employees may be appointed to serve as a director. His/her employment contract must include actual work obligations. In this case, he/she does not lose the benefit of his/her employment contract.

The number of directors that have employment contracts with the Company may not exceed one third of the directors then in office and in any case, a maximum of five members.

Pursuant to our by-laws, a director may not be older than eighty-five years of age. If a director reaches this limit during his/her term, such director is automatically considered to have resigned at the next general shareholders meeting.

A director cannot borrow money from the Company.

The Board of Directors determines the direction of our business and supervises its implementation. Within the limits set out by the corporate purposes and the powers expressly granted by law to the general shareholders' meeting, the Board of Directors may deliberate upon our operations and make any decisions in accordance with our business. A director must abstain from voting on matters in which the director has an interest. The resolutions passed in a meeting of the Board of Directors are valid only if a quorum of half of the Directors is reached.

French law provides that the functions of Chairman of the Board and Chief Executive Officer in a French *société anonyme* may be distinct and held by two separate individuals.

The Chairman of the Board

The Board of Directors must elect one of its members as Chairman of the Board of Directors, who must be an individual. The Board of Directors determines the duration of the term of the Chairman, which cannot exceed that of his/her tenure as a director. The Board of Directors may revoke the Chairman at any time. The Chairman's compensation is determined by the Board of Directors, upon recommendation of the Compensation Committee.

The Chairman represents the Board of Directors and organizes its work. The Chairman reports on the Board's behalf to the general shareholders' meeting. The Chairman is responsible for ensuring the proper functioning of our governing bodies and that the Board members have the means to perform their duties.

Pursuant to Section 706-43 of the French Criminal Proceedings Code, the Chairman may validly delegate to any person he/she chooses the power to represent us in any criminal proceedings that we may face.

As with any other Director, the Chairman may not be over eighty-five years old. In case the Chairman reaches this limit during his/her tenure, he/she will automatically be considered to have resigned. However, his/her tenure is extended until the next Board of Directors meeting, during which his/her successor will be appointed. Subject to the age limit provision, the Chairman of the Board may also be re-elected.

The Chief Executive Officer

We are managed by the Chairman of the Board of Directors or by an individual elected by the Board of Directors bearing the title of Chief Executive Officer. The choice between these two methods of management belongs to the Board of Directors and must be made pursuant to our by-laws. On March 31, 2008, the Board of Directors appointed Mr. Marc Oczachowski as Chief Executive Officer.

The Chief Executive Officer is vested with the powers to act under all circumstances on behalf of the Company, within the limits set out by the Company's corporate purposes, and subject to the powers expressly granted by law to the Board of Directors and the general shareholders' meeting.

The Chief Executive Officer represents the Company with respect to third parties. The Company is bound by any acts of the Chief Executive Officer even if they are contrary to corporate purposes, unless it is proven that the third party knew such act exceeded the Company's corporate purposes or could not ignore it in light of the circumstances. Publication of the by-laws alone is not sufficient evidence of such knowledge.

The Chief Executive Officer's compensation is set by the Board of Directors, upon recommendation of the Compensation Committee. The Chief Executive Officer can be revoked at any time by the Board of Directors. If such termination is found to be unjustified, damages may be allocated to the Chief Executive Officer, except when the Chief Executive Officer is also the Chairman of the Board.

The Chief Executive Officer may not hold another position as Chief Executive Officer or member of a Supervisory Board in a corporation (*société anonyme*) registered in France except when (a) such company is controlled (as referred to in Section L.233-16 of the French Commercial Code) by the Company and (b) when this controlled company's shares are not traded on a regulated market.

Pursuant to our by-laws, the Chief Executive Officer may not be over seventy years old. In case the Chief Executive Officer reaches this limit during his/her office, he/she is automatically considered to have resigned. However, his/her tenure is extended until the next Board of Directors meeting, during which his/her successor must be appointed.

Dividend and Liquidation Rights (French Law)

Net income in each fiscal year, increased or reduced, as the case may be, by any profit or loss of the Company carried forward from prior years, less any contributions to legal reserves, is available for distribution to our shareholders as dividends, subject to the requirements of French law and our by-laws.

Under French law and our by-laws, we are required to allocate 5% of our net profits in each fiscal year to a legal reserve fund until the amount in such reserve fund is equal to 10% of the nominal amount of the registered capital. The legal reserve is distributable only upon the liquidation of the Company.

Our shareholders may, upon recommendation of the Board of Directors, decide to allocate all or a part of distributable profits, if any, among special or general reserves, to carry them forward to the next fiscal year as retained earnings, or to allocate them to the shareholders as dividends.

Our by-laws provide that, if so agreed by the shareholders, reserves that are available for distribution under French law and our by-laws may be distributed as dividends, subject to certain limitations.

If we have made distributable profits since the end of the preceding fiscal year (as shown on an interim income statement certified by our statutory auditors), the Board of Directors has the authority under French law, without the approval of shareholders, to distribute interim dividends to the extent of such distributable profits. We have never paid interim dividends.

Under French law, dividends are distributed to shareholders pro rata according to their respective shareholdings. Dividends are payable to holders of shares outstanding on the date of the annual shareholders' meeting deciding the distribution of dividends, or in the case of interim dividends, on the date of the Board of Directors meeting approving the distribution of interim dividends. However, holders of newly issued shares may have their rights to dividends limited with respect to certain fiscal years. The actual dividend payment date is decided by the shareholders in an ordinary general meeting or by the Board of Directors in the absence of such a decision by the shareholders. The payment of the dividends must occur within nine months from the end of our fiscal year. Under French law, dividends not claimed within five years of the date of payment revert to the French State.

If the Company is liquidated, our assets remaining after payment of our debts, liquidation expenses and all of our remaining obligations will be distributed first to repay in full the nominal value of the shares, then the surplus, if any, will be distributed pro rata among the shareholders based on the nominal value of their shareholdings and subject to any special rights granted to holders of priority shares, if any. Shareholders are liable for corporate liabilities only up to the par value of the shares they hold and are not liable to further capital calls of the Company.

Changes in Share Capital (French Law)

Our share capital may be increased only with the approval of two thirds of the shareholders voting or represented at an extraordinary general meeting, following a recommendation of the Board of Directors. Increases in the share capital may be effected either by the issuance of additional shares (including the creation of a new class of shares) or by an increase in the nominal value of existing shares. Additional Shares may be issued for cash or for assets contributed in kind, upon the conversion of debt securities previously issued by the Company, by capitalization of reserves, or, subject to certain conditions, in satisfaction of indebtedness incurred by the Company. Dividends paid in the form of shares may be distributed in lieu of payment of cash dividends, as described above under ‘‘—Dividend and Liquidation Rights (French law).’’ French law permits different classes of shares to have liquidation, voting and dividend rights different from those of the outstanding ordinary shares, although we only have one class of shares.

Our share capital may be decreased only with the approval of two thirds of the shareholders voting or represented at an extraordinary general meeting. The share capital may be reduced either by decreasing the nominal value of the shares or by reducing the number of outstanding shares. The conditions under which the registered capital may be reduced will vary depending upon whether or not the reduction is attributable to losses incurred by the Company. The number of outstanding shares may be reduced either by an exchange of shares or by the repurchase and cancellation by the Company of its shares. Under French law, all the shareholders in each class of shares must be treated equally unless the inequality in treatment is accepted by the affected shareholder. If the reduction is not attributable to losses incurred by us, each shareholder will be offered an opportunity to participate in such capital reduction and may decide whether or not to participate therein.

Repurchase of Shares (French Law)

Pursuant to French law, the Company may not acquire its own shares except (a) to reduce its share capital under certain circumstances with the approval of the shareholders at an extraordinary general meeting or (b) to provide shares for distribution to employees under a profit sharing or a stock option plan. However, the Company may not hold more than 10% of its shares then-issued. A subsidiary of the Company is prohibited by French law from holding shares of the Company and, in the event it becomes a shareholder of the Company, such shareholder must transfer all the shares of the Company that it holds.

Attendance and Voting at Shareholders' Meetings (French Law)

In accordance with French law, there are two types of general shareholders' meetings, ordinary and extraordinary. Ordinary general meetings are required for matters such as the election of directors, the appointment of statutory auditors, the approval of the report prepared by the Board of Directors and the annual accounts, the declaration of dividends and the issuance of (non-convertible) bonds.

Extraordinary general meetings are required for approval of matters such as amendments to the Company's by-laws, modification of shareholders' rights, approval of mergers, increases or decreases in share capital (including a waiver of preferential subscription rights), the creation of a new class of shares, the authorization of the issuance of investment certificates or securities convertible or exchangeable into shares and for the sale or transfer of substantially all of the Company's assets.

The Board of Directors is required to convene an annual ordinary general shareholders' meeting, which must be held within six months of the end of our fiscal year, for approval of the annual accounts. Other ordinary or extraordinary meetings may be convened at any time during the year. Shareholders' meetings may be convened by the Board of Directors or, if the Board of Directors fails to call such a meeting, by our statutory auditors or by a court-appointed agent. The court may be requested to appoint an agent either by one or more shareholders holding at least 5% of the our registered capital or by an interested party under certain circumstances, or, in case of an urgent matter, by the Work Council (*Comité d'entreprise*) representing the employees. The notice calling a meeting must state the agenda for such meeting.

French law provides that, at least 15 days before the date set for any general meeting on first notice, and at least ten days before the date set for any general meeting on second notice, notice of the meeting (*avis de convocation*) must be sent by mail to all holders of properly registered shares who have held such shares for more than one month before the date of the notice. A preliminary written notice (*avis de réunion*) must be sent to each shareholder who has requested to be notified in writing. Under French law, one or several shareholders together holding a specified percentage of shares may propose resolutions to be submitted for approval by the shareholders at the meeting. Upon our request, The Bank of New York Mellon will send to holders of ADSs notices of shareholders' meetings and other reports and communications that are made generally available to shareholders. The Works Council may also require the registration of resolution proposals on the agenda.

Attendance and exercise of voting rights at ordinary and extraordinary general shareholders' meetings are subject to certain conditions. Shareholders deciding to exercise their voting rights must have their shares registered in their names in the shareholder registry maintained by or on behalf of the Company before the meeting. An ADS holder must timely and properly return its voting instruction card to the Depositary to exercise the voting rights relating to the shares represented by its ADSs. The Depositary will use its reasonable efforts to vote the underlying shares in the manner indicated by the ADS holder. In addition, if an ADS holder does not timely return a voting instruction card or the voting instruction card received is improperly completed or blank, that holder will be deemed to have given the Depositary a proxy to vote, and the Depositary will vote in favor of all proposals recommended by the Board of Directors and against all proposals that are not recommended by the Board of Directors.

All shareholders who have properly registered their shares have the right to participate in general shareholders' meetings, either in person, by proxy, or by mail, and to vote according to the number of shares they hold. Each share confers on the shareholder the right to one vote. Under French law, an entity we control directly or indirectly is prohibited from holding shares in the Company and, in the event it becomes a shareholder, shares held by such entity would be deprived of voting rights. A proxy may be granted by a shareholder whose name is registered on our share registry to his or her spouse, to another shareholder or to a legal representative, in the case of a legal entity, or by sending a proxy in blank to the Company without nominating any representatives. In the latter case, the Chairman of the shareholders' meeting will vote such blank proxy in favor of all resolutions proposed by the Board of Directors and against all others.

The presence in person or by proxy of shareholders having not less than 20% (in the case of an ordinary general meeting or an extraordinary general meeting deciding upon any capital increase by capitalization of reserves) or 25% (in the case of any other extraordinary general meeting) of the shares entitled to vote is necessary to reach a quorum. If a quorum is not reached at any meeting, the meeting is adjourned. Upon reconvening of an adjourned meeting, there is no quorum requirement in the case of an ordinary general meeting or an extraordinary general meeting deciding upon any capital increase by capitalization of reserves. The presence in person or by proxy of shareholders having not less than 20% of the Shares is necessary to reach a quorum in the case of any other type of extraordinary general meeting.

At an ordinary general meeting or an extraordinary general meeting deciding upon any capital increase by capitalization of reserves, a simple majority of the votes of the shareholders present or represented by proxy is required to approve a resolution. At any other extraordinary general meeting, two-thirds of the votes cast is required. However, a unanimous vote is required to increase liabilities of shareholders. Abstention from voting by those present or represented by proxy is viewed as a vote against the resolution submitted to a vote.

In addition to his/her rights to certain information regarding the Company, any shareholder may, during the two-week period preceding a shareholders' meeting, submit to the Board of Directors written questions relating to the agenda for the meeting. The Board of Directors must respond to such questions during the meeting.

Under French law, shareholders can nominate individuals for election to the Board of Directors at a shareholders' meeting. When the nomination is part of the agenda of the shareholders' meeting, the nomination must contain the name, age, professional references and professional activity of the nominee for the past five years, as well as the number of shares owned by such candidate, if any. In addition, if the agenda for the shareholders' meeting includes the election of members of the Board of Directors, any shareholder may require, during the meeting, the nomination of a candidate for election at the Board of Directors at the shareholders' meeting, even if such shareholder has not followed the nomination procedures. Under French law, shareholders cannot elect a new member of the Board of Directors at a general shareholders meeting if the agenda for the meeting does not include the election of a member of the Board of Directors, unless such nomination is necessary to fill a vacancy due to the previous resignation of a member.

As set forth in our by-laws, shareholders' meetings are held at the registered office of the Company or at any other locations specified in the written notice. We do not have staggered or cumulative voting arrangements for the election of Directors.

Preferential Subscription Rights (French Law)

Shareholders have preferential rights to subscribe for additional shares issued by the Company for cash on a pro rata basis (or any equity securities of the Company or other securities giving a right, directly or indirectly, to equity securities issued by the Company). Shareholders may waive their preferential rights, either individually or at an extraordinary general meeting under certain circumstances. Preferential subscription rights, if not previously waived, are transferable during the subscription period relating to a particular offering of shares. U.S. holders of ADSs may not be able to exercise preferential rights for Shares underlying their ADSs unless a registration statement under the Securities Act is effective with respect to such rights or an exemption from the registration requirement thereunder is available.

Form and Holding of Shares (French Law)

Form of Shares

Our by-laws provide that shares can only be held in registered form.

Holding of Shares

The shares are registered in the name of the respective owners thereof in the registry maintained by or on behalf of the Company.

Stock certificates evidencing shares, in a manner comparable to that in the United States, are not issued by French companies, but we may issue or cause to be issued confirmations of shareholdings registered in such registry to the persons in whose names the shares are registered. Pursuant to French law, such confirmations do not constitute documents of title and are not negotiable instruments.

Ownership of ADSs or Shares by Non-French Residents (French Law)

Under French law, there is no limitation on the right of non-French residents or non-French security holders to own, or where applicable, vote securities of a French company. A non-resident of France must file a *déclaration administrative*, or administrative notice, with French authorities in connection with the acquisition of a controlling interest in any French company. Under existing administrative rulings, ownership, by a non-resident of France or a French corporation which is itself controlled by a foreign national, of 33.33% or more of a company's share capital or voting rights is regarded as a controlling interest, but a lower percentage may be held to be a controlling interest in certain circumstances (depending upon such factors as the acquiring party's intentions, its ability to elect directors or financial reliance by the French company on the acquiring party).

Also, certain foreign investments in companies incorporated under French laws are subject to the prior authorization from the French Minister of the Economy, where all or part of the target's business and activity relate to a strategic sector, such as energy, transportation, public health, telecommunications, etc.

Certain Exemptions (French Law)

Under the U.S. securities laws, as a foreign private issuer, we are exempt from certain rules that apply to domestic U.S. issuers with equity securities registered under the U.S. Securities Exchange Act of 1934, including the proxy solicitation rules and the rules requiring disclosure of share ownership by directors, officers and certain shareholders. We are also exempt from certain of the current NASDAQ corporate governance requirements. For more information on these exemptions, see Item 16 G, ''Corporate Governance —Exemptions from Certain NASDAQ Corporate Governance Rules.''

Enforceability of Civil Liabilities (French Law)

We are a *société anonyme*, or limited liability corporation, organized under the laws of the Republic of France. The majority of our directors and executive officers reside in the Republic of France. All or a substantial portion of our assets and the assets of such persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or to enforce, either inside or outside the United States, judgments against such persons obtained in U.S. courts or to enforce in U.S. court judgments obtained against such persons in courts in jurisdictions outside the United States, in each case, in any action predicated upon the civil liability provisions of the federal securities laws of the United States. In an original action brought in France predicated solely upon the U.S. federal securities laws, French courts may not have the requisite jurisdiction to grant the remedies sought, and actions for enforcement in France of judgments of U.S. courts rendered against French persons referred to in the second sentence of this paragraph would require such French persons to waive their right under Article 15 of the French Civil Code to be sued in France only. We believe that no such French persons have waived such right with respect to actions predicated solely upon U.S. federal securities laws. In addition, actions in the United States under the U.S. federal securities laws could be affected under certain circumstances by the French law of July 16, 1980, which may preclude or restrict obtaining evidence in France or from French persons in connection with such actions.

Material Contracts

On March 28, 2012, pursuant to a securities purchase agreement, we issued Investor Warrants which are exercisable immediately and will expire five years after the date of issuance. The Investor Warrants are exercisable, at the option of the holder, upon the surrender of the Investor Warrants to us and the payment in cash of the exercise price of $2.75 per ordinary share in the form of ADSs. We also issued Placement Agent Warrants with an exercise price of $2.50 per ordinary share in the form of ADSs. The Placement Agent Warrants are exercisable from September 24, 2012 and expire on October 21, 2016. With respect to both the Investor Warrants and the Placement Agent Warrants (together, the "March 2012 Warrants"), the exercise price is subject to appropriate adjustment in the event of stock dividends, stock splits, reorganizations or similar events affecting our ordinary shares. The holders of the March 2012 Warrants are entitled to 20 days' notice before the record date for certain distributions to holders of our ordinary shares. If certain "fundamental transactions" occur, such as a merger, consolidation, sale of substantially all of our assets, tender offer or exchange offer with respect to our ordinary shares or reclassification of our ordinary shares, the holders of the March 2012 Warrants will be entitled to receive thereafter in lieu of our ordinary shares, the consideration (if different from ordinary shares) that the holders of the March 2012 Warrants would have been entitled to receive upon the occurrence of the fundamental transaction as if the March 2012 Warrants had been exercised immediately before the fundamental transaction. If any holder of ordinary shares is given a choice of consideration to be received in the fundamental transaction, then the holders of the March 2012 Warrants shall be given the same choice upon the exercise of the March 2012 Warrants following the fundamental transaction. A copy of the form of Investor Warrant was furnished to the SEC on our report on Form 6-K dated March 28, 2012. The foregoing description is qualified in its entirety by reference to the full text of the Form 6-K.

On May 28, 2013, pursuant to a securities purchase agreement, we issued Investor Warrants which will expire on November 29, 2018. The Investor Warrants are exercisable, from November 29, 2013, at the option of the holder, upon the surrender of the Investor Warrants to us and the payment in cash of the exercise price of $4.25 per ordinary share in the form of ADSs. We also issued Placement Agent Warrants with an exercise price of $5.00 per ordinary share in the form of ADSs. The Placement Agent Warrants are exercisable from November 29, 2013 and expire on May 28, 2016. With respect to both the Investor Warrants and the Placement Agent Warrants (together, the "May 2013 Warrants"), the exercise price is subject to appropriate adjustment in the event of stock dividends, stock splits, reorganizations or similar events affecting our ordinary shares. The holders of the May 2013 Warrants are entitled to 20 days' notice before the record date for certain distributions to holders of our ordinary shares. If certain "fundamental transactions" occur, such as a merger, consolidation, sale of substantially all of our assets, tender offer or exchange offer with respect to our ordinary shares or reclassification of our ordinary shares, the holders of the May 2013 Warrants will be entitled to receive thereafter in lieu of our ordinary shares, the consideration (if different from ordinary shares) that the holders of the May 2013 Warrants would have been entitled to receive upon the occurrence of the fundamental transaction as if the May 2013 Warrants had been exercised immediately before the fundamental transaction. If any holder of ordinary shares is given a choice of consideration to be received in the fundamental transaction, then the holders of the May 2013 Warrants shall be given the same choice upon the exercise of the May 2013 Warrants following the fundamental transaction. A copy of the form of Investor Warrant was furnished to the SEC on our report on Form 6-K dated May 28, 2013. The foregoing description is qualified in its entirety by reference to the full text of the Form 6-K.

Exchange Controls

Under current French foreign exchange control regulations, there are no limitations on the amount of cash payments that we may remit to residents of foreign countries. Laws and regulations concerning foreign exchange controls do require, however, that all payments or transfers of funds made by a French resident to a non-resident be handled by an accredited intermediary.

Under current French law, there is no limitation on the right of non-French residents or non-French security holders to own, or where applicable, vote securities of a French company. A non-resident of France must file a *déclaration administrative*, or administrative notice, with French authorities in connection with the acquisition of a controlling interest in any French company. Under existing administrative rulings, ownership by a non-resident of France or a French corporation which is itself controlled by a foreign national, of $33^{1}/_{3}$% or more of a French company's share capital or voting rights is regarded as a controlling interest, but a lower percentage may be held to be a controlling interest in certain circumstances (depending upon such factors as the acquiring party's intentions, its ability to elect directors or financial reliance by the French company on the acquiring party).

Certain Income Tax Considerations

The following generally summarizes the material French and US tax consequences of purchasing, owning and disposing of Shares or ADS (the "Securities"). The statements set forth below are based on the applicable laws, treaties and administrative interpretations of France and the United States as of the date hereof, all of which are subject to change.

This discussion is intended only as a descriptive summary and does not purport to be a complete analysis or listing of all potential tax effects of the purchase, ownership or disposition of Securities. It does not constitute legal or tax advice.

Investors should consult their own tax advisors regarding the tax consequences of the purchase, ownership and disposition of Securities in light of their particular circumstances, including especially the laws of all jurisdictions in which they are resident for tax purposes.

French Taxation

The following summary of the French tax consequences of purchasing and disposing of Securities does not address the treatment of Securities that are held by a resident of France (except for purposes of describing related tax consequences for other holders) or in connection with a permanent establishment or fixed base through which a holder carries on business or performs personal services in France, or by a person that owns, directly or indirectly, 5% or more of the stock of the Company. Moreover, the following discussion of the tax treatment of dividends only deals with distributions made on or after January 1, 2016.

There are currently no procedures available for holders that are not U.S. residents to claim tax treaty benefits in respect of dividends received on Securities registered in the name of a nominee. Such holders should consult their own tax advisors about the consequences of owning and disposing of Securities.

French law provides for specific rules relating to trusts, in particular specific tax and filing requirements as well as modifications to wealth, estate and gift taxes as they apply to trusts. Given the complex nature of these new rules and the fact that their application varies depending on the status of the trust, the grantor, the beneficiary and the assets held in the trust, the following summary does not address the tax treatment of Securities held in a trust. *If Securities are held in trust, the grantor, trustee and beneficiary are urged to consult their own tax adviser regarding the specific tax consequences of acquiring, owning and disposing of Securities.*

Taxation of Dividends on Securities - Withholding Tax

Dividends paid by a French corporation, such as EDAP, to non-residents normally are subject to a 30% French withholding tax (reduced to 21% when non-residents are individuals resident from one of the countries of the European Economic Area and 15% for distributions made to not-for-profit organizations with a head office in a Member State of the European Economic Area which would be subject to the tax regime set forth under article 206-5 of the French General Tax Code if their head office was located in France and which meet the criteria set forth in the administrative guidelines BOI-RPPM-RCM-30-30-10-70-20120912, n°130).

Dividends paid by a French corporation transferred to non-cooperative States or territories (Etat ou territoire non coopératif), within the meaning of Article 238-0 A of the French General Tax Code (a "Non-Cooperative State"), will be subject to French withholding tax at a rate of 75% irrespective of the tax residence of the beneficiary of the dividends, if the dividends are received in such States or territories (subject to certain exceptions and the more favorable provisions of an applicable double tax treaty, provided that the double tax treaty is found to apply and the relevant conditions are fulfilled). The list of Non-Cooperative States is published by ministerial executive order, which is updated from time to time. However, non-resident holders that are entitled to and comply with the procedures for claiming benefits under an applicable tax treaty may be subject to a reduced rate (generally 15%) of French withholding tax. If a non-resident holder establishes its entitlement to treaty benefits prior to the payment of a dividend, then French tax generally will be withheld at the reduced rate provided under the treaty.

Taxation on Sale or Disposition of Securities

Generally, holders, who are not residents of France for tax purposes, will not be subject to any French income tax or capital gains tax upon the sale or the disposal of Securities unless:

- the holders have held more than 25% of EDAP dividend rights, known as ("droits aux bénéfices sociaux"), at any time during the preceding five years, either directly or indirectly, and, as relates to individuals, alone or with relatives; or
- the holders are established or domiciled in a Non-Cooperative State, in which case they will be subject to a 75% tax on your capital gain.

If the holders are resident in a State with which France has signed a double tax treaty that contains more favorable provisions, the holders may be exempt from any French income or capital gains tax when they sell or dispose of any Securities even if one of the above statements applies to them.

Transfers of Securities issued by a listed French company such as EDAP will not be subject to French registration or stamp duty if such transfers are not evidenced by a written agreement (acte). However, if the transfer is evidenced by a written agreement executed either in France or outside France, the transfer of Securities will be subject to a registration duty of 0.1% assessed on the sale price.

Pursuant to Article 235 ter ZD of the French General Tax Code, purchases of shares or ADS are subject to a 0.2% French tax on financial transactions provided that the market capitalization of the issuer exceeds 1 billion euros as of December 1 of the year preceding the taxation year. The list of issuers whose securities are subject to the tax as at January 1, 2016, has been published in the official guidelines of the French tax authorities on December 21, 2015 (BOI-ANNX-000467-20151221). EDAP was not included in such list as its market capitalization did not exceed 1 billion as at December 1, 2015. Therefore, purchases of EDAP's securities are not subject to the French tax on financial transactions.

Estate and Gift Tax

France imposes estate and gift tax on Securities of a French company that are acquired by inheritance or gift. The tax applies without regard to the tax residence of the transferor. However, France has entered into estate and gift tax treaties with a number of countries pursuant to which, assuming certain conditions are met, residents of the treaty country may be exempted from such tax or obtain a tax credit.

Wealth Tax

Individuals who are not residents of France for purposes of French taxation are not subject to a wealth tax ("impôt de solidarité sur la fortune") in France as a result of owning an interest in the share capital of a French corporation, provided that such ownership interest is, directly and indirectly, less than 10% of the corporation's share capital and does not enable the shareholder to exercise influence over the corporation. Double taxation treaties may provide for a more favorable tax treatment.

Taxation of U.S. Holders

Shares

The following is a summary of the material French and U.S. federal income tax consequences of the purchase, ownership and disposition of Securities by a holder that is a resident of the United States for purposes of the Convention between the Government of the United States of America and the Government of the French Republic for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital of August 31, 1994, (the "Treaty"), which entered into force on December 30, 1995 (as amended by the protocol described below and any subsequent protocols), and the tax regulations issued by the French tax authorities, and are fully eligible for benefits under the Treaty (a "U.S. holder").

In particular, the United States and France signed a protocol on January 13, 2009, that entered into force on December 23, 2009 and make several significant changes to the Treaty, including changes to the "Limitation of Benefits" provision. U.S. holders are advised to consult their own tax advisors regarding the effect the protocol may have on their eligibility for Treaty benefits in light of their own particular circumstances.

A holder generally will be entitled to Treaty benefits in respect of Securities if he is concurrently:

- the beneficial owner of Securities (and the dividends paid with respect thereto);
- an individual resident of the United States, a U.S. corporation, or a partnership, estate or trust to the extent its income is subject to taxation in the United States in its hands or in the hands of its partners or beneficiaries;
- not also a resident of France for French tax purposes; and
- not subject to an anti-treaty shopping article that applies in limited circumstances.

Special rules apply to pension funds and certain other tax-exempt investors.

If a partnership holds Securities, the tax treatment of a partner generally will depend on the status of the partner and the activities of the partnership. If a U.S. holder is a partner in a partnership that holds Securities, the holder is urged to consult its own tax advisor regarding the specific tax consequences of owning and disposing of its Securities.

For U.S. federal income tax purposes, a U.S. holder's ownership of our ADSs will be treated as ownership of our underlying ordinary shares.

This summary does not deal with Securities that are not held as capital assets, and does not address the tax treatment of holders of ADSs that acquire them in "pre-release" transactions or holders that are subject to special rules, such as banks, insurance companies, dealers in securities or currencies, regulated investment companies, persons that elect mark-to-market treatment, persons holding Securities as a position in a synthetic security, straddle or conversion transaction, persons that own, directly or indirectly, 5% or more of our voting stock or 5% or more of our outstanding capital and persons whose functional currency is not the U.S. dollar.

This summary does not discuss the treatment of Securities that are held in connection with a permanent establishment or fixed base through which a holder carries on business or performs personal services in France. The summary is based on laws, treaties, regulatory interpretations and judicial decisions in effect on the date hereof, all of which are subject to change. Such changes could apply retroactively and could affect the consequences described below.

Holders should consult their own tax advisors regarding the U.S. tax consequences of the purchase, ownership and disposition of Securities in the light of their particular circumstances, including the effect of any state or local laws.

Dividends and Paying Agents

Generally, dividend distributions to non-residents of France are subject to French withholding tax at a 30% rate (reduced to 21% when non-residents are individuals' residents from one of the countries of the European Economic Area) or to 75% if paid in non-cooperative States or territories, as defined in Article 238-0 A of the French General Tax Code, irrespective of the tax residence of the beneficiary of the dividends if the dividends are received in such States or territories. Eligible U.S. holders providing evidence of the entitlement to Treaty benefits with respect to the dividend (art.30) under the ''Limitation on Benefits'' provision contained in the Treaty who are U.S. residents, as defined pursuant to the provisions of the Treaty and who receive dividends in non-cooperative States or territories, should not be subject to this 75% withholding tax rate.

Under the Treaty, the rate of French withholding tax on dividends paid to an eligible U.S. holder as defined pursuant to the provisions of the Treaty and whose ownership of Securities is not effectively connected with a permanent establishment or fixed base that such U.S. holder has in France is reduced to 15%, or to 5% if such U.S. holder is a corporation and owns directly or indirectly at least 10% of the share capital of the issuing company; such U.S. holder may claim a refund from the French tax authorities of the amount withheld in excess of the Treaty rates of 15% or 5%, if any. For U.S. holders that are not individuals, the requirements for eligibility for Treaty benefits, including the reduced 5% or 15% withholding tax rate, contained in the "Limitation on Benefits" provision of the Treaty are complicated, and certain technical changes were made to these requirements the protocol of January 13, 2009. U.S. holders are advised to consult their own tax advisers regarding their eligibility for Treaty benefits in light of their own particular circumstances.

French withholding tax will be withheld at the 5% or 15% Treaty rate if a U.S. holder has established before the date of payment that the holder is a resident of the United States under the Treaty by following the simplified procedure described below.

The gross amount of dividends that a U.S. holder receives (before the deduction of French withholding tax) generally will be subject to U.S. federal income taxation as ordinary dividend income to the extent paid or deemed paid out of the current or accumulated earnings and profits of the Company (as determined under U.S. federal income tax principles). Such dividends will not be eligible for the dividends received deduction generally allowed to U.S. corporations. To the extent that an amount received by a U.S. holder exceeds the allocable share of current and accumulated earnings and profits of the Company, such excess will be applied first to reduce such U.S. holder's tax basis in its Securities and then, to the extent it exceeds the U.S. holder's tax basis, it will constitute capital gain from a deemed sale or exchange of such Securities. As the Company does not maintain "earnings and profits" computations, holders should assume that all distributions constitute dividends.

Subject to certain exceptions for short-term and hedged positions, the U.S. dollar amount of dividends received by an individual with respect to the Securities is currently subject to taxation at a maximum rate of 20% if the dividends are "qualified dividends." Dividends paid on the Securities will be treated as qualified dividends if (i) the issuer is eligible for the benefits of a comprehensive income tax treaty with the United States that the IRS has approved for the purposes of the qualified dividend rules and (ii) the Company was not, in the year prior to the year in which the dividend was paid, and is not, in the year in which the dividend is paid, a passive foreign investment company, or PFIC. The Treaty has been approved for the purposes of the qualified dividend rules. Based on our audited financial statements and relevant market and shareholder data, we do not believe we were a PFIC for U.S. federal income tax purposes with respect to our 2015 taxable year. In addition, we do not anticipate it becoming a PFIC for the 2016 taxable year (as described under "—Passive Foreign Investment Company Rules" below). Accordingly, dividends, if any, paid by us in 2015 to a U.S. holder would constitute "qualified dividends."

Holders of Securities should consult their own tax advisers regarding the availability of the reduced dividend tax rate in light of their own particular circumstances.

Dividends distributed with respect to the Securities generally will be treated as dividend income from sources outside of the United States, and generally will be treated as "passive category" (or, in the case of certain U.S. holders, "general category") income for U.S. foreign tax credit purposes. Subject to certain limitations, French income tax withheld in connection with any distribution with respect to the Securities may be claimed as a credit against the U.S. federal income tax liability of a U.S. holder if such U.S. holder elects for that year to credit all foreign income taxes. Alternatively, such French withholding tax may be taken as a deduction against taxable income. Foreign tax credits will not be allowed for withholding taxes imposed in respect of certain short-term or hedged positions in securities and may not be allowed in respect of certain arrangements in which a U.S. holder's expected economic profit is insubstantial. U.S. holders should consult their own tax advisors concerning the implications of these rules in light of their particular circumstances.

Dividends paid in euro will be included in the income of a U.S. holder in a U.S. dollar amount calculated by reference to the exchange rate in effect on the date of receipt by the holder (or, in the case of the ADSs, by the Depositary), regardless of whether the payment is in fact converted into U.S. dollars. If such a dividend is converted into U.S. dollars on the date of receipt, a U.S. holder generally should not be required to recognize foreign currency gain or loss in respect of the dividend income.

Capital Gains

Under the Treaty, a U.S. holder will not be subject to French tax on any gain derived from the sale or exchange of Securities, unless the gain is effectively connected with a permanent establishment or fixed base maintained by the holder in France.

For U.S. federal income tax purposes, gain or loss realized by a U.S. holder on the sale or other disposition of Securities will be capital gain or loss, and will be long-term capital gain or loss if the Securities were held for more than one year. The net amount of long-term capital gain recognized by an individual U.S. holder generally is currently subject to taxation at a maximum rate of 20%. U.S. holders' ability to offset capital losses against ordinary income is limited.

Additional Issues For U.S. Holders

Procedures for Claiming Treaty Benefits

Pursuant to French official administrative guidelines (BOFIP BOI-INT-DG-20-20-20-20-20120912), U.S. holders can either claim Treaty benefits under a simplified procedure or under the normal procedure. The procedure to be followed depends on whether the application for Treaty benefits is filed before or after the dividend payment.

Under the simplified procedure, in order to benefit from the lower rate of withholding tax applicable under the Treaty before the payment of the dividend, a U.S. holder must complete and deliver to the paying agent (through its account holder) a treaty form (Form 5000), to certify in particular that:

- the U.S. holder is beneficially entitled to the dividend;
- the U.S. holder is a U.S. resident within the meaning of the Treaty;
- the dividend is not derived from a permanent establishment or a fixed base that the U.S. holder has in France; and
- the dividend received is or will be reported to the tax authorities in the United States.

For partnerships or trusts, claims for Treaty benefits and related attestations are made by the partners, beneficiaries or grantors who also have to supply certain additional documentation.

In order to be eligible for Treaty benefits, pension funds and certain other tax-exempt U.S. holders must comply with the simplified procedure described above, though they may be required to supply additional documentation evidencing their entitlement to those benefits.

If Form 5000 is not filed prior to the dividend payment, a withholding tax will be levied at the 30% rate, and a holder would have to claim a refund for the excess under the normal procedure by filing both Form 5000 and Form 5001 no later than December 31 of the second calendar year following the year in which the dividend is paid.

Pension funds and certain other tax-exempt entities are subject to the same general filing requirements as other U.S. holders except that they may have to supply additional documentation evidencing their entitlement to these benefits.

Copies of Form 5000 and Form 5001 may be downloaded from the French tax authorities' website (www.impots.gouv.fr) and are also available from the U.S. Internal Revenue Service and from the *Centre des Impôts des Non-Résidents* in France (10 rue du Centre 93160, Noisy-le-Grand).

Medicare Tax

Certain U.S. holders that are individuals, estates or trusts are required to pay an additional 3.8% tax on, among other things, dividends on and capital gains from the sale or other disposition of stock. U.S. holders that are individuals, estates or trusts should consult their tax advisors regarding the effect of this legislation on their ownership and disposition of the Securities.

Passive Foreign Investment Company Rules

Unfavorable U.S. tax rules such as the PFIC rules, apply to companies that are considered PFICs. The Company will be classified as a PFIC in a particular taxable year if either (a) 75% or more of its gross income is treated as passive income for purposes of the PFIC rules; or (b) the average percentage of the value of its assets that produce or are held for the production of passive income is at least 50%.

As explained above, the Company believes that it was not a PFIC for U.S. tax purposes with respect to the year 2015, and also does not anticipate becoming a PFIC with respect to the year 2016. However, as discussed in Form 20-Fs filed by the Company with respect to certain prior years the Company believes that it was a PFIC in the past. Moreover, because the PFIC determination is made annually and is dependent upon a number of factors, some of which are beyond the Company's control (including whether the Company continues to earn substantial amounts of operating income as well as the market composition and value of the Company's assets), there can be no assurance that the Company will not become a PFIC in future years.

U.S. holders that held Securities at any time during the years when the Company was a PFIC and did not make certain U.S. tax elections (a "mark-to-market election" or a "QEF election") will be subject to adverse tax treatment. For instance, such holders will be subject to a special tax at ordinary income tax rates on certain dividends that the Company pays and on gains realized on the sale of Securities (“excess distributions”) in all subsequent years, even though the Company ceased to qualify as a PFIC. The amount of this tax will be increased by an interest charge to compensate for tax deferral, calculated as if the excess distributions had been earned ratably over the period the U.S. holder held its Securities. It may be possible, in certain circumstances, for a holder to avoid the application of the PFIC rules by making a "deemed sale" election for its taxable year that includes the last day of the Company’s last taxable year during which it qualified as a PFIC. The PFIC rules are extremely complex, and holders should consult their own tax advisers regarding the possible application of the PFIC rules to their Securities and the desirability and availability of the above elections.

French Estate and Gift Tax

Under the estate and gift tax convention between the United States and France dated November 24, 1978 (as amended by the protocol signed on December 8, 2004), a transfer of Securities by gift or by reason of the death of a U.S. holder entitled to benefits under that convention generally will not be subject to French gift or inheritance tax, so long as the donor or transferor was not domiciled in France at the time of the transfer, and Securities were not used or held for use in the conduct of a business or profession through a permanent establishment or fixed base in France.

French Wealth Tax

The French wealth tax does not generally apply to Securities of a U.S. holder if the holder is a resident of the United States for purposes of the Treaty and does not own directly or indirectly a shareholding exceeding 25% of the financial rights of EDAP.

U.S. Information Reporting and Backup Withholding Rules

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries are subject to information reporting and may be subject to backup withholding unless the holder (i) is a corporation or other exempt recipient or (ii) provides a taxpayer identification number and certifies that no loss of exemption from backup withholding has occurred. Holders that are not U.S. persons generally are not subject to information reporting or backup withholding. However, such a holder may be required to provide a certification of its non- U.S. status in connection with payments received within the United States or through a U.S.-related financial intermediary.

Information with Respect to Foreign Financial Assets

In addition, U.S. holders that are individuals (and, to the extent provided in future regulations, entities) are subject to reporting obligations with respect to the shares, securities, debt instruments and other obligations of a French corporation if the aggregate value of such assets and certain other “specified foreign financial assets” exceeds $50,000. Significant penalties can apply if a U.S. holder fails to disclose its specified foreign financial assets.

U.S. holders should also consider their possible obligation to file online a FinCEN Form 114 Foreign Bank and Financial Accounts Report as a result of holding the Securities. U.S. holders are urged to consult their tax advisors regarding these and any other reporting requirements that may apply with respect to their Securities.

The discussion above is a general summary. It does not cover all tax matters that may be important to you. You should consult your tax advisors regarding the application of the U.S. federal tax rules to your particular circumstances, as well as the state, local, non-U.S. and other tax consequences to you of the purchase, ownership and disposition of the Securities.

Statement by Experts

Not applicable.

Documents on Display

We file annual, periodic, and other reports and information with the SEC. These materials, including this annual report and the exhibits hereto, may be inspected and copied at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the SEC's Public Reference Room by calling the SEC in the United States at +1 800 SEC 0330. Certain of our public filings are also available on the SEC's website at http://www.sec.gov (such documents are not incorporated by reference in this annual report).

Subsidiary Information

Not applicable.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risk from changes in both foreign currency exchange rates and interest rates. We do not hold or issue derivative or other financial instruments. As of December 31, 2015, we had no outstanding foreign exchange sale or purchase contracts.

Exchange Rate Risk

Revenues and Expenses in Foreign Currencies

We are exposed to foreign currency exchange rate risk because a significant portion of our costs are denominated in currencies other than those in which we earn revenues. In 2015, approximately 83% of our total costs of sales and operating expenses were denominated in euro. During the same period, approximately 65% of our sales were denominated in euro, the rest being denominated primarily in U.S. dollars and Japanese yen.

A uniform 10% strengthening in the value of the euro as of December 31, 2015 relative to the U.S. dollar and the Japanese yen would have resulted in a decrease in income before taxes and minority interests of approximately €167,000 for the year ended December 31, 2015, compared to an increase of approximately €209,000 for the year ended December 31, 2014. A uniform 10% decrease in the value of the euro as of December 31, 2015 relative to the U.S. dollar and the Japanese yen would have resulted in an increase in income before taxes and minority interests of approximately €184,000 for the year ended December 31, 2015. This calculation assumes that the U.S. dollar and Japanese yen exchange rates would have changed in the same direction relative to the euro In addition to the direct effect of changes in exchange rates quantified above, changes in exchange rates also affect the volume of sales.

We regularly assess the exposure of our receivables to fluctuations in the exchange rates of the principal foreign currencies in which our sales are denominated (in particular, the U.S. dollar and the Japanese yen) and, from time to time, hedge such exposure by entering into forward sale contracts for the amounts denominated in such currencies that we expect to receive from our local subsidiaries. As of December 31, 2015 we had no outstanding hedging instruments.

Financial Instruments and Indebtedness

Over the past three years, we also had exchange rate exposures with respect to indebtedness and assets denominated in Japanese yen and U.S. dollars. Approximately €0.2 million, €0.2 million and €0.3 million of our outstanding indebtedness at December 31, 2015, 2014 and 2013, respectively, were denominated in Japanese yen. Approximately €4.4 million, €2.1 million and €3.4 million of our outstanding indebtedness at December 31, 2015, 2014 and 2013, respectively, were denominated in U.S. dollars. In addition, we had approximately €2.1 million, €0.746 million and €1.9 million of cash denominated in U.S. dollars at December 31, 2015, 2014 and 2013, respectively, and €0.9 million, €1.8 million and €0.7 million of cash denominated in Japanese yen at December 31, 2015, 2014 and 2013, respectively.

Equity Price Risk

In connection with the funds we raised in 2012 and 2013, we have issued a certain number of Investor and Placement Agent Warrants (see Item 5. "Operating and Financial Review and Prospects—Warrants"). We recorded such Warrants as a liability at fair value and we adjust the carrying value of the Warrants to their estimated fair value at each reporting date. The fair value increases (decreases) are recorded as a financial income (loss) in our consolidated Statement of Income. We use a Black-Scholes option pricing model to adjust the fair value of the Warrants. A 10% increase in our stock price from its December 31, 2015 closing price of $4.13 per ADR would result in an increase of €0.8 million in the fair value of the Warrants with a corresponding financial loss in our Statement of Income. See Note 23 of our consolidated financial statements.

Item 12. Description of Securities Other than Equity Securities

American Depositary Shares

Fees Payable to ADS Holders

The Bank of New York Mellon, as the Company's Depositary, currently collects its fees for the delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. With respect to the outstanding 2012 and 2013 warrants, fees for delivery of ADSs directly linked to a warrant exercise or the payment of quarterly interest shares are supported by the Company.

The Depositary may collect fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The Depositary may collect its annual fee for Depositary services by deductions from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The Depositary may generally refuse to provide fee-attracting services until the fees for those services are paid.

Fees:	**For:**
$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	- Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property, - Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates.
$0.2 (or less) per ADS	- Any cash distribution to ADS registered holders.
A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited to issuance of ADSs	- Distribution of securities distributed to holders of deposited securities which are distributed by the Depositary to ADS registered holders.
Registration or transfer fees	- Transfer and registration of shares on our share register to or from the name of the Depositary or its agent when you deposit or withdraw shares
Expenses of the Depositary	- Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement) - Converting foreign currency to U.S. dollars
Taxes and other governmental charges the Depositary or the custodian have to pay on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes	- As necessary
Any charges incurred by the Depositary or its agents for servicing the deposited securities	- As necessary

Fees Payable to the Company by the Depositary

From January 1, 2015 to March 18, 2016, the following amounts were paid by the Depositary to the Company: $90,000.00 and $ 1,702.61 respectively for the administration of the ADR program and for expenses linked to the assistance in printing, mailing and distributing materials and proxies for shareholders' meetings.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

Not applicable.

Item 15. Controls and Procedures

Disclosure Controls and Procedures

The Company's management, with the participation of the Chief Executive Officer and Chief Financial Officer, conducted an evaluation, pursuant to Rule 13a-15 promulgated under the Securities Act of 1934, as amended (the "Exchange Act"), of the effectiveness of our disclosure controls and procedures as of December 31, 2015. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective as of December 31, 2015. Disclosure controls and procedures means controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that such information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosures.

Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

The Company's internal controls over financial reporting include those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of the Company's management and directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of internal control over financial reporting as of December 31, 2015 based upon the framework as set forth by the Committee of Sponsoring Organizations of the Treadway Commission (2013 COSO) in Internal Control-Integrated Framework. Based on the Management's assessment, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2015. This annual report includes an attestation report of the company's registered public accounting firm on the Company's internal control over financial reporting due to the Company's market capitalization being above $75 million at June 30, 2015.

Attestation report of registered public accounting firm

The effectiveness of the Company's internal control over financial reporting has been audited by PricewaterhouseCoopers Audit, an independent registered public accounting firm, as stated in its report on the Company's internal control over financial reporting as of December 31, 2015, which is included herein. See report of PricewaterhouseCoopers Audit, an independent registered public accounting firm, included within the financial statements on page F-2.

Change in Internal Control over Financial Reporting

No change in the Company's internal control over financial reporting occurred as of the end of the period covered by this report that has materially affected, or is reasonably likely to materially affect the Company's internal control over financial reporting.

Item 16. [Reserved]

Item 16A. Audit Committee Financial Expert

Our Board of Directors has determined that the chair of the Board's Audit Committee, Mr. Pierre Beysson, an independent director, qualifies as an audit committee financial expert.

Item 16B. Code of Ethics

We have adopted a code of ethics applicable to our Chief Executive Officer, Chief Financial Officer, principal accounting officers and to any persons performing similar functions. The code of ethics is reviewed every year by the Board of Directors. In 2015, there were no waivers of its applicability. Our code of ethics has previously been filed with the SEC and we have made it available on our website at http://www.edap-tms.com. You may request a copy of our code of ethics free of charge upon request to Blandine Confort, Investor Relations Officer, at bconfort@edap-tms.com.

Item 16C. Principal Accountant Fees and Services

The ''Audit and Non-Audit Services Pre-Approval Policy'' was approved by our Audit Committee on December 22, 2003 (the "2003 Rules") and reviewed on November 20, 2012. This requires all services which are to be performed by our external auditors to be pre-approved. Pre-approval may be in the form of a general pre-approval or as pre-approval on a case-by-case basis. All services to be performed by the external auditors were subjected to the above policy and approved in advance. The Audit Committee has been regularly informed of the services and the fees to be paid. Our external auditors PricewaterhouseCoopers Audit ("PwC") billed the following services related for our 2014 and 2015 financial years.

Nature of the Fees	**2015 (in €)**	**2014(in€)**
Audit fees	297,000	295,000
Audit-related fees	-	3,200
Tax fees	-	-
All other fees	-	-
Total	**297,000**	**298,200**

Audit Fees

The following services were billed under the category ''audit services'': audit of financial statements and services performed in relation to legal obligations, including the formulation of audit opinions and reports, domestic and international legal audits and support in the preparation and auditing of the documents to be filed.

Audit-Related Fees

Audit-related services mainly consisted of services that are normally performed by the external auditor in connection with the auditing of the annual financial statements. Audit-related services also included advice on issues of accounting and reporting which were not classified as audit services, support with the interpretation and implementation of new accounting and reporting standards, auditing of employee benefit plans and support with the implementation of corporate control requirements for reporting.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

In 2015, there was no other purchase of equity securities of the Company registered pursuant to Section 12 of the Exchange Act by the Company or by affiliated purchasers.

Item 16F. Change in Registrant's Certifying Accountant

Not applicable.

Item 16G. Corporate Governance Requirements

Exemptions from Certain NASDAQ Corporate Governance Rules

EDAP is incorporated under the laws of France, with securities listed on the NASDAQ Global Market in the United States. As a foreign private issuer listed on the NASDAQ, under the NASDAQ corporate governance requirements, we may follow French law corporate governance practices in lieu of following certain NASDAQ corporate governance rules. We summarize below the main practices we follow in lieu of the NASDAQ corporate governance rules.

We are exempt from NASDAQ's quorum requirements applicable to meetings of shareholders. In keeping with French law and generally accepted business practices in France, the presence in person or by proxy of shareholders having not less than 20% (in the case of an ordinary general meeting or an extraordinary general meeting deciding upon any capital increase by capitalization of reserves) or 25% (in the case of an extraordinary general meeting) of the shares is necessary for a quorum. If a quorum is not present at any meeting, the meeting is adjourned. Upon recommencement of an adjourned meeting, there is no quorum requirement in the case of an ordinary general meeting or an extraordinary general meeting deciding upon any capital increase by capitalization of reserves. The presence in person or by proxy of shareholders having not less than 20% of the shares is necessary for a quorum in the case of any other type of extraordinary general meeting.

Under French law, the committees of our Board of Directors are advisory only, and where the NASDAQ requirements would vest certain decision-making powers with specific committees by delegation (e.g., nominating, compensation or audit committees), our Board of Directors is, pursuant to French law the only competent body to take such decisions, albeit taking into account the recommendation of the relevant committees. Additionally, under French corporate law, it is the shareholder meeting of the Company that is competent to appoint our auditors upon the proposal of our Board of Directors. On February 4, 2015, in order to conform NASDAQ rules, the Board approved the creation of a Nominations Committee (composed exclusively of independent Directors), should one or more Directors become non independent. A Nominations Committee Charter was approved accordingly.

Our Compensation Committee is composed of four members who meet the definition of independence contained in NASDAQ Listing Rule 5602(a) and is governed by a charter which sets forth its composition and defines its scope of authority. However, in accordance with French law, the Compensation Committee is not vested with the same scope of authority and responsibilities as set out in NASDAQ Listing Rules.

Item 16H. Mine Safety Disclosure

Not applicable.

PART III

Item 17. Financial Statements.

See Item 18, "Financial Statements."

Item 18. Financial Statements

The financial statements listed in the Index to Financial Statements are filed as a part of this annual report.

Item 19. Exhibits

The exhibits listed in the Index to Exhibits are filed or incorporated by reference as a part of this annual report.

INDEX TO EXHIBITS

Pursuant to the rules and regulations of the Securities and Exchange Commission, the Company has filed certain agreements as exhibits to this annual report on Form 20-F. These agreements may contain representations and warranties by the parties. These representations and warranties have been made solely for the benefit of the other party or parties to such agreements and (i) may be intended not as statements of fact, but rather as a way of allocating the risk to one of the parties to such agreements if those statements turn out to be inaccurate; (ii) may have been qualified by disclosures that were made to such other party or parties and that either have been reflected in the Company's filings or are not required to be disclosed in those filings; (iii) may apply materiality standards different from what may be viewed as material to investors; and (iv) were made only as of the date of such agreements or such other date(s) as may be specified in such agreements and are subject to more recent developments. Accordingly, these representations and warranties may not describe the Company's actual state of affairs at the date hereof.

Number:	**Exhibit Description**
1.1	By-laws (*statuts*) of EDAP TMS S.A. as amended as of April 1, 2016.
4.1	French version of Commercial Lease dated July 1, 2015 between Maison Antoine Baud and EDAP TMS France
4.2	English language summary of Commercial Lease dated July 1, 2015 between Maison Antoine Baud and EDAP TMS France
4.3	Form of Amended and Restated Depositary Agreement between EDAP TMS SA and The Bank of New York Mellon, as depositary (incorporated herein by reference to Exhibit 1.2 to Form F-6 dated September 15, 2011, SEC File No. 333-176843). (1)
4.4	Form of Ordinary Share Purchase Warrant (incorporated herein by reference to Exhibit 4.1 to Form 6-K dated March 28, 2012). (1)
4.5	Form of Ordinary Share Purchase Warrant (incorporated herein by reference to Exhibit 4.1 to Form 6-K dated May 28, 2013). (1)
4.6	Form of Securities Purchase Agreement dated March 23, 2013 among EDAP TMS S.A. and each purchaser identified on the signature pages thereto (incorporated herein by reference to Exhibit 1.1 to Form 6-K dated May 28, 2013). (1)
4.7	Form of Securities Purchase Agreement dated May 28, 2014 among EDAP TMS S.A. and each purchaser identified on the signature pages thereto (incorporated herein by reference to Exhibit 1.1 to Form 6-K dated June 2, 2014). (1)
8.1	List of subsidiaries of EDAP TMS S.A. as of April 4, 2016.
12.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
12.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
13.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes Oxley Act of 2002.
15.1	Consent of PricewaterhouseCoopers Audit.
101	Interactive Data File

(1) Previously filed.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

EDAP TMS S.A.

Dated: April 4, 2016

/s/ Marc Oczachowski
Marc Oczachowski
Chief Executive Officer

Dated: April 4, 2016

/s/ François Dietsch
François Dietsch
Chief Financial Officer

INDEX TO FINANCIAL STATEMENTS

Audited Consolidated Financial Statements for EDAP TMS S.A. and Subsidiaries for the Years Ended December 31, 2015, 2014 and 2013

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of EDAP TMS S.A.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income (loss), comprehensive income (loss), shareholders' equity and cash flows present fairly, in all material respects, the financial position of EDAP TMS S.A. and its subsidiaries at December 31, 2015 and December 31, 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control - Integrated Framework 2013 issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in "Management's annual report on internal control over financial reporting" included in Item 15 of this Form 20-F. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our audits which were integrated audits in 2015 and 2014. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Lyon, France, April 4, 2016

PricewaterhouseCoopers Audit

Represented by
/s/ Elisabeth L'hermite
Elisabeth L'hermite

EDAP TMS S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
As of December 31, 2015 and 2014
(in thousands of euros unless otherwise noted)

ASSETS	Notes	2015	2014
Current assets			
Cash and cash equivalents	2	13,578	11,142
Current portion of net trade accounts and notes receivable	3	10,744	6,943
Other receivables	4	1,018	1,200
Inventories	5	6,151	5,908
Deferred tax assets	20-3	47	40
Other assets, current portion	6	500	381
Short-term investment	2	1,000	1,000
Total current assets		33,039	26,615
Property and equipment, net	7	2,123	2,122
Intangible assets, net	8	39	24
Goodwill	8	2,412	2,412
Deposits and other non-current assets		376	344
Net Trade accounts and notes receivable, non-current	3	593	638
Total assets		38,581	32,154
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade accounts and notes payable	9	6,098	5,505
Deferred revenues, current portion	10	1,597	1,102
Social security and other payroll withholdings taxes		1,211	872
Employee absences compensation		539	544
Income taxes payable		624	4
Other accrued liabilities	11	2,768	1,671
Short-term borrowings	13	2,814	2,126
Current portion of capital lease obligations	12	238	217
Current portion of financial instruments carried at fair value	14-2	172	-
Current portion of long-term debt	14-1	209	116
Total current liabilities		16,271	12,158
Deferred revenues, non-current	10	504	74
Capital lease obligations, non-current	12	294	355
Financial instruments carried at fair value, non-current	14-2	4,205	2,092
Long-term debt, non-current	14-1	592	342
Other long-term liabilities	15	2,285	1,991
Total liabilities		24,151	17,013
Shareholders' equity			
Common stock, €0.13 par value; 25,753,989 shares issued and 25,383,461 shares outstanding; 25,246,948 shares issued and 24,865,420 shares outstanding; at December 31, 2015 and 2014, respectively		3,348	3,282
Additional paid-in capital		58,560	57,344
Retained earnings		(42,769)	(41,102)
Cumulative other comprehensive loss		(3,567)	(3,211)
Treasury stock, at cost; 370,528at December 31, 2015 and 381,528 at December 31, 2014, respectively	16	(1,142)	(1,172)
Total shareholders' equity	16	14,430	15,141
Total liabilities and shareholders' equity		38,581	32,154

EDAP TMS S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (LOSS)
For the years ended December 31, 2015, 2014 and 2013
(in thousands of euros except per share data and where otherwise noted)

	Notes	2015	2014	2013
Sales of goods		21,906	16,895	14,767
Sales of RPPs & leases		4,408	3,957	3,922
Sales of spare parts and services		5,904	5,400	5,375
Total sales		32,218	26,252	24,065
Other revenues	17	35	533	15
Total revenues		32,253	26,785	24,080
Cost of goods		(12,256)	(9,825)	(8,883)
Cost of RPPs & leases		(2,556)	(2,155)	(2,191)
Cost of spare parts and services		(3,656)	(3,604)	(3,686)
Total cost of sales		(18,468)	(15,584)	(14,761)
Gross profit		13,785	11,201	9,319
Research and development expenses	18	(2,690)	(2,932)	(2,595)
Selling and marketing expenses		(7,406)	(6,678)	(6,279)
General and administrative expenses		(3,202)	(3,328)	(3,200)
Income (loss) from operations		488	(1,736)	(2,755)
Financial (expense) income, net	19	(2,094)	1,771	(901)
Foreign currency exchange gain (loss), net		699	(431)	(1,230)
Income (loss) before taxes		(907)	(396)	(4,886)
Income tax (expense) benefit	20	(759)	(116)	(135)
Net income (loss)		(1,667)	(512)	(5,021)
Basic income (loss) per share	21	(0.07)	(0.02)	(0.24)
Diluted income (loss) per share	21	(0.07)	(0.02)	(0.24)
Basic Weighted average shares outstanding	21	25,021,966	23,600,428	20,593,720
Diluted Weighted average shares outstanding	21	25,021,966	23,600,428	20,593,720

The accompanying notes are an integral part of the consolidated financial statements.

EDAP TMS S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the years ended December 31, 2015, 2014 and 2013
(in thousands of euros unless otherwise noted)

	2015	2014	2013
Net income (loss)	(1,667)	(512)	(5,021)
Other comprehensive income (loss):			
Foreign currency translation adjustments	(374)	151	154
Provision for retirement indemnities	18	(141)	(48)
Comprehensive income (loss), net of tax	(2,023)	(502)	(4,915)

The accompanying notes are an integral part of the consolidated financial statements.

EDAP TMS S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For the years ended December 31, 2015, 2014 and 2013
(in thousands of euros unless otherwise noted)

	Number of Shares	Common Stock	Additional paid-in Capital	Retained Earnings	Cumulative Other Comprehensive Income (loss)	Treasury Stock	Total
Balance as of December 31, 2012	18,372,229	2,438	45,791	(35,569)	(3,327)	(1,172)	8,161
Net loss	-	-	-	(5,021)	-	-	(5,021)
Translation adjustment	-	-	-	-	154	-	154
Warrants and stock options granted or exercised	-	-	367	-	-	-	367
Capital increase	3,417,441	444	5,227	-	-	-	5,671
Provision for retirement indemnities	-	-	-	-	(48)	-	(48)
Balance as of December 31, 2013	21,789,670	2,882	51,385	(40,590)	(3,221)	(1,172)	9,284
Net loss	-	-	-	(512)	-	-	(512)
Translation adjustment	-	-	-	-	151	-	151
Warrants and stock options granted or exercised	-	-	140	-	-	-	140
Capital increase	3,075,750	400	5,819	-	-	-	6,219
Provision for retirement indemnities	-	-	-	-	(141)	-	(141)
Balance as of December 31, 2014	24,865,420	3,282	57,344	(41,102)	(3,211)	(1,172)	15,141
Net loss	-	-	-	(1,667)	-	-	(1,667)
Translation adjustment	-	-	-	-	(374)	-	(374)
Warrants and stock options granted or exercised	-	-	62	-	-	30	92
Capital increase	518,041	66	1,153	-	-	-	1,219
Provision for retirement indemnities	-	-	-	-	18	-	18
Balance as of December 31, 2015	25,383,461	3,348	58,560	(42,769)	(3,567)	(1,142)	14,430

The accompanying notes are an integral part of the consolidated financial statements.

EDAP TMS S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2015, 2014 and 2013
(in thousands of euros unless otherwise noted).

	2015	2014	2013
Cash flows from operating activities			
Net income (loss)	(1,667)	(512)	(5,021)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	1,002	900	1,179
Change in warrants fair value	2,047	(1,805)	630
Other Non-cash compensation	66	140	367
Change in allowances for doubtful accounts & slow-moving inventories	(218)	154	(663)
Change in long-term provisions	73	147	(127)
Net capital loss on disposals of assets	68	56	455
Deferred tax expense (benefit)	23	(18)	(65)
Operating cash flow	1,394	(939)	(3,246)
Increase/Decrease in operating assets and liabilities:			
Decrease (Increase) in trade accounts and notes and other receivables	(1,752)	1,066	2,554
Decrease (Increase) in inventories	(381)	(1,258)	(961)
Decrease (Increase) in other assets	183	(47)	24
(Decrease) Increase in trade accounts and notes payable	518	26	(822)
(Decrease) Increase in accrued expenses, other current liabilities	1,376	138	(44)
Net increase (decrease) in operating assets and liabilities	(56)	(75)	751
Net cash generated by (used in) operating activities	**1,338**	**(1,014)**	**(2,495)**
Cash flows from investing activities:			
Additions to capitalized assets produced by the Company	(470)	(867)	(528)
Net proceeds from sale of leased back assets	95	-	133
Acquisitions of property and equipment	(160)	(140)	(232)
Acquisitions of intangible assets	(20)	(14)	-
Net proceeds from sale of short term investments, net	-	-	36
Net proceeds from sale of assets	26	-	-
Increase (decrease) in deposits and guarantees, net	(12)	(12)	3
Net cash generated by (used in) investing activities	**(541)**	**(1,034)**	**(589)**
Cash flow from financing activities:			
Proceeds from capital increase	1,219	6,219	5,671
Proceeds from long term borrowings, net of financing costs	450	242	2,950
Repayment of long term borrowings	(129)	(114)	(6,210)
Repayment of obligations under capital leases	(241)	(226)	(587)
Increase (decrease) in bank overdrafts and short-term borrowings	688	(82)	113
Net cash generated by (used in) financing activities	**1,987**	**6,039**	**1,937**
Net effect of exchange rate changes on cash and cash equivalents	(347)	469	788
Net increase (decrease) in cash and cash equivalents	**2,436**	**4,461**	**(360)**
Cash and cash equivalents at beginning of year	11,142	6,681	7,041
Cash and cash equivalents at end of year	**13,578**	**11,142**	**6,681**

The accompanying notes are an integral part of the consolidated financial statements.

1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1-1 Nature of operations

EDAP TMS S.A. and its subsidiaries (‘‘the Company’’) are engaged in the development, production, marketing, distribution and maintenance of a portfolio of minimally-invasive medical devices for the treatment of urological diseases. Moreover, the Company develops a novel HIFU treatment for liver cancer in cooperation with its long-term academic partner INSERM and leading cancer centers (the “HECAM” project). The Company currently produces devices for treating stones of the urinary tract and localized prostate cancer. Net sales consist primarily of direct sales to hospitals and clinics in France and Europe, export sales to third-party distributors and agents, and export sales through subsidiaries based in Germany, Italy, the United States and Asia.

The Company purchases the majority of the components used in its products from a number of suppliers but for some components, relies on a single source. Delay would be caused if the supply of these components or other components was interrupted and these delays could be extended in certain situations where a component substitution may require regulatory approval. Failure to obtain adequate supplies of these components in a timely manner could have a material adverse effect on the Company’s business, financial position and results of operation.

1-2 Management estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (‘‘U.S. GAAP’’) requires management to make estimates and assumptions, such as business plans, stock price volatility, duration of standard warranty per market and price of maintenance contract used to determine the amount of revenue to differ. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1-3 Consolidation

The accompanying consolidated financial statements include the accounts of EDAP TMS S.A. and all its domestic and foreign owned subsidiaries, which include EDAP TMS France SAS, EDAP Technomed Inc., Edap Technomed Sdn Bhd, Edap Technomed Italia S.R.L, EDAP Technomed Co. Ltd. and EDAP TMS Gmbh. Edap Technomed Sdn Bhd was incorporated in early 1997. Edap Technomed Co. Ltd. was created in late 1996. EDAP TMS Gmbh was created in July 2006. EDAP SA, a subsidiary incorporating HIFU activities merged all of its activity into EDAP TMS France SAS in 2008. All intercompany transactions and balances are eliminated in consolidation

1-4 Revenue recognition

Sales of goods:

For medical device sales with no significant remaining vendor obligation, payments contingent upon customer financing, acceptance criteria that can be subjectively interpreted by the customer, or tied to the use of the device, revenue is recognized when evidence of an arrangement exists, title to the device passes (depending on terms, either upon shipment or delivery), and the customer has the intent and ability to pay in accordance with contract payment terms that are fixed or determinable. For sales in which payment is contingent upon customer financing, acceptance criteria can be subjectively interpreted by the customer, or payment depends on use of the device, revenue is recognized when the contingency is resolved. The Company provides training and provides a minimum of one-year warranty upon installation. The Company accrues for the warranty costs at the time of sale. Revenues related to disposables are recognized when goods are delivered.

Sales of RPPs and leases:

Revenues related to the sale of HIFU treatments invoiced on a ‘‘Revenue-Per-Procedure’’ (‘‘RPP’’) basis are recognized when the treatment procedure has been completed. Revenues from devices leased to customers under operating leases are recognized on a straight-line basis.

Sales of spare parts and services:

Revenues related to spare parts are recognized when goods are delivered. Maintenance contracts rarely exceed one year and are recognized on a straight line basis. Billings or cash receipts in advance of services due under maintenance contracts are recorded as deferred revenue.

1-5 Shipping and handling costs

The Company recognizes revenue from the shipping and handling of its products as a component of revenue. Shipping and handling costs are recorded as a component of cost of sales.

1-6 Cash equivalents and short term investments

Cash equivalents are cash investments which are highly liquid and have initial maturities of 90 days or less.

Cash investments with a maturity higher than 90 days are considered as short-term investments.

1-7 Accounts Receivables

Accounts receivables are stated at cost net of allowances for doubtful accounts. The Company makes judgments as to its ability to collect outstanding receivables and provides allowances for the portion of receivables when collection becomes doubtful. Provision is made based upon a specific review of all significant outstanding invoices. These estimates are based on our bad debt write-off experience, analysis of credit information, specific identification of probable bad debt based on our collection efforts, aging of accounts receivables and other known factors. Accounts receivables also include receivables factored for which the Company is supporting the collection risk.

1-8 Inventories

Inventories are valued at the lower of manufacturing cost, which is principally comprised of components and labor costs, or market (net realizable value). Cost is determined on a first-in, first-out basis for components and spare parts and by specific identification for finished goods (medical devices). The Company establishes reserves for inventory estimated to be obsolete, unmarketable or slow moving, first based on a detailed comparison between quantity in inventory and historical consumption and then based on case-by-case analysis of the difference between the cost of inventory and the related estimated market value.

1-9 Property and equipment

Property and equipment is stated at historical cost. Depreciation and amortization of property and equipment are calculated using the straight-line method over the estimated useful life of the related assets, as follows:

Leasehold improvements	10 years or lease term if shorter
Equipment	3-10 years
Furniture, fixtures, fittings and other	2-10 years

Equipment includes industrial equipment and research equipment that has alternative future uses. Equipment also includes devices that are manufactured by the Company and leased to customers through operating leases related to Revenue-Per-Procedure transactions and devices subject to sale and leaseback transactions. This equipment is depreciated over a period of seven years.

1-10 Long-lived assets

The Company reviews the carrying value of its long-lived assets, including fixed assets and intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. Recoverability of long-lived assets is assessed by a comparison of the carrying amount of the assets (or the Group of assets, including the asset in question, that represents the lowest level of separately-identifiable cash flows) to the total estimated undiscounted cash flows expected to be generated by the asset or group of assets. If the future net undiscounted cash flows is less than the carrying amount of the asset or group of assets, the asset or group of assets is considered impaired and an expense is recognized equal to the amount required to reduce the carrying amount of the asset or group of assets to its then fair value. Fair value is determined by discounting the cash flows expected to be generated by the assets, when the quoted market prices are not available for the long-lived assets. Estimated future cash flows are based on assumptions and are subject to risk and uncertainty.

1-11 Goodwill and intangible assets

Goodwill represents the excess of purchase price over the fair value of identifiable net assets of businesses acquired. Goodwill is not amortized but instead tested annually for impairment or more frequently when events or change in circumstances indicate that the assets might be impaired by comparing the carrying value to the fair value of the reporting units to which it is assigned. Under ASC 350, “Goodwill and other intangible assets”, the impairment test is performed in two steps. The first step compares the fair value of the reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit is less than its carrying amount, a second step is performed to measure the amount of impairment loss. The second step allocates the fair value of the reporting unit to the Company’s tangible and intangible assets and liabilities. This derives an implied fair value for the reporting unit’s goodwill. If the carrying amount of the reporting units’ goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized equal to that excess. For the purpose of any impairment test, the Company relies upon projections of future undiscounted cash flows and takes into account assumptions regarding the evolution of the market and its ability to successfully develop and commercialize its products.

Changes in market conditions could have a major impact on the valuation of these assets and could result in additional impairment losses.

Intangible assets consist primarily of purchased patents relating to lithotripters, purchased licenses, a purchased trade name and a purchased trademark. The basis for valuation of these assets is their historical acquisition cost. Amortization of intangible assets is calculated by the straight-line method over the shorter of the contractual or estimated useful life of the assets, as follows:

Patents	5 years
Licenses	5 years
Trade name and trademark	7 years

1-12 Treasury Stocks

Treasury stock purchases are accounted for at cost. The sale of treasury stocks is accounted for using the first in first out method. Gains on the sale or retirement of treasury stocks are accounted for as additional paid-in capital whereas losses on the sale or retirement of treasury stock are recorded as additional paid-in capital to the extent that previous net gains from sale or retirement of treasury stocks are included therein; otherwise the losses shall be recorded to accumulated benefit (deficit) account. Gains or losses from the sale or retirement of treasury stock do not affect reported results of operations.

1-13 Warranty expenses

The Company provides customers with a warranty for each product sold and accrues warranty expense at time of sale based upon historical claims experience. Standard warranty period may vary from 1 year to 5 years depending on the market. Actual warranty costs incurred are charged against the accrual when paid and are classified in cost of sales in the statement of income. Warranty expense amounted to €354 thousand, €429 thousand and €354 thousand for the years ended December 31, 2015, 2014 and 2013 respectively.

1-14 Income taxes

The Company accounts for income taxes in accordance with ASC 740, ‘‘Accounting for Income Taxes’’ Under ASC 740, deferred tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured by applying enacted tax rates and laws to taxable years in which such differences are expected to reverse. A valuation allowance is established if, based on the weight of available evidence, it is more likely than not that some portion, or all of the deferred tax assets, will not be realized. In accordance with ASC740, no provision has been made for income or withholding taxes on undistributed earnings of foreign subsidiaries, such undistributed earnings being permanently reinvested.

As of January 1, 2007, the Company adopted FIN48 (now ASC 740) “Accounting for uncertainty in income tax”. Under ASC740, the measurement of a tax position that meets the more-likely-that-not recognition threshold must take into consideration the amounts and probabilities of the outcomes that could be realized upon ultimate settlement using the facts, circumstances and information available at the reporting date.

1-15 Research and development costs

Research and development costs are recorded as an expense in the period in which they are incurred.

The French government provides tax credits to companies for innovative research and development. This tax credit is calculated based on a percentage of eligible research and development costs and it can be refundable in cash and is not contingent on future taxable income. As such, the Company considers the research tax credits as a grant, offsetting operating expenses.

The research tax credit amounted to €448 thousand, €518 thousand and €561 thousand for the years ended December 31 2015, 2014 and 2013 respectively.

1-16 Advertising costs

Advertising costs are recorded as an expense in the period in which they are incurred. Advertising costs amounted to €461 thousand, €413 thousand and €391 thousand for the years ended December 31, 2015, 2014 and 2013 respectively.

1-17 Foreign currency translation and transactions

Translation of the financial statements of consolidated companies

The reporting currency of EDAP TMS S.A. for all years presented is the euro (€). The functional currency of each subsidiary is its local currency. In accordance with ASC 830, all accounts in the financial statements are translated into euro from the functional currency at exchange rate as follows:

- assets and liabilities are translated at year-end exchange rates;
- shareholders' equity is translated at historical exchange rates (as of the date of contribution);
- statement of income items are translated at average exchange rates for the year; and
- translation gains and losses are recorded in a separate component of shareholders' equity.

Foreign currencies transactions

Transactions involving foreign currencies are translated into the functional currency using the exchange rate prevailing at the time of the transactions. Receivables and payables denominated in foreign currencies are translated at year-end exchange rates. The resulting unrealized exchange gains and losses are carried to the statement of income.

1-18 Earnings per share

Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of shares of common stock outstanding for the period. Diluted earnings per share reflects potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company. The dilutive effects of the Company's common stock options and warrants is determined using the treasury stock method to measure the number of shares that are assumed to have been repurchased using the average market price during the period, which is converted from U.S. dollars at the average exchange rate for the period.

1-19 Derivative instruments

ASC 815 requires the Company to recognize all of its derivative instruments as either assets or liabilities in the statement of financial position at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, the Company must classify the hedging instrument, based upon the exposure being hedged, as fair value hedge, cash flow hedge or a hedge of a net investment in a foreign operation.

Gains and losses from derivative instruments are recorded in the income statement.

(in thousands of euros unless otherwise noted, except per share data)

1-20 Employee stock option plans

At December 31, 2015, the Company had three stock-based employee compensation plans. The Company adopted ASC 718, "Share-Based Payment", effective January 1, 2006. ASC 718 requires the recognition of fair value of stock compensation as an expense in the calculation of net income (loss).

The fair value of each stock option granted during the year is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	Year Ended December 31,		
	2015[1]	2014[1]	2013
Weighted-average expected life (years)	—	—	6.25
Expected volatility rates	—	—	71%
Expected dividend yield	—	—	—
Risk-free interest rate	—	—	1.35%
Weighted-average exercise price (€)	—	—	1.91
Weighted-average fair value of options granted during the year (€)	—	—	1.32

(1) The Company did not make any grants during the years ended December 31, 2015 and 2014.

1-21 Warrants

On March 28, 2012, pursuant to a securities purchase agreement dated March 22, 2012, as amended, the Company issued new ordinary shares in the form of ADSs to selected institutional investors in a registered direct placement (the "March 2012 Placement") with warrants attached (the "March 2012 Investor Warrants"). The Company also issued warrants to the placement agent, Rodman & Renshaw LLC (the "March 2012 Placement Agent Warrants" and together with the March 2012 Investor Warrants, the "March 2012 Warrants"). The Company has accounted for the March 2012 Warrants as a liability and reflected this analysis in the Company's financial statements filed for the year 2012.

The Company used the Black-Scholes pricing model to value the March 2012 Warrants at inception, with changes in fair value recorded as a financial expense or income.

On May 28, 2013, pursuant to a securities purchase agreement dated May 20, 2013, as amended, the Company issued 3,000,000 new ordinary shares in the form of ADSs to selected institutional investors in a registered direct placement (the "May 2013 Placement") with warrants attached (the "May 2013 Investor Warrants"). The Company also issued warrants to the placement agent, H.C. Wainwright & Co., LLC (the "May 2013 Placement Agent Warrants" and together with the May 2013 Investor Warrants, the "May 2013 Warrants"). As the May 2013 Warrants comprised the same structure and provisions than the March 2012 Warrants, including an exercise price determined in U.S. dollars while the functional currency of the Company is the euro, the Company determined that the May 2013 Warrants should be accounted for as a liability.

The Company used the Black-Scholes pricing model to value the May 2013 Warrants at inception, with changes in fair value recorded as a financial expense or income.

1-22 Leases and Sales and leaseback transactions

In accordance with ASC 840, Accounting for Leases, the Company classifies all leases at the inception date as either a capital lease or an operating lease. A lease is a capital lease if it meets any one of the following criteria; otherwise, it is an operating lease:

- Ownership is transferred to the lessee by the end of the lease term;
- The lease contains a bargain purchase option;
- The lease term is at least 75% of the property's estimated remaining economic life;
- The present value of the minimum lease payments at the beginning of the lease term is 90% or more of the fair value of the leased property to the lessor at the inception date.

For sales type leases, the following two additional criteria are applied:

- Collectability of the minimum lease payment is reasonably predictable;
- No important uncertainties surround the amount of unreimbursable costs yet to be incurred by the lessor under the lease.

The Company enters into sale and leaseback transactions from time to time. In accordance with ASC 840, any profit or loss on the sale is deferred and amortized prospectively over the term of the lease, in proportion to the leased asset if a capital lease, or in proportion to the related gross rental charged to expense over the lease term, if an operating lease.

1-23 New accounting pronouncements

In July 2015, the FASB issued ASU 2015-14 Revenue from Contracts with Customers: Deferral of the Effective Date (ASU 2015-14) which deferred the effective date for ASU No. 2014-09, Revenue from Contracts with Customers (ASU 2014-09), by one year. ASU 2014-09 will supersede the revenue recognition requirements in Revenue Recognition (Topic 605) and requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is now effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period, which for the Company is January 1, 2018. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. The new standard can be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the change recognized at the date of the initial application in retained earnings. The Company is currently evaluating the potential impact the adoption of ASU 2014-09 will have on its consolidated financial statements and has not yet selected a transition method.

In November 2015, the FASB issued ASU No. 2015-17, *Balance Sheet Classification of Deferred Taxes* (ASU 2015-17), which requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. ASU 2015 – 17 is effective for the Company in its first quarter of fiscal 2017, with early application permitted and, upon adoption, may be applied either prospectively or retrospectively. The Company will adopt the ASU 2015-17 for the year ended December 31, 2017.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (ASU 2016-02), which supersedes ASC 840 "*Leases*" and creates a new topic, ASC 842 "*Leases*." This update requires lessees to recognize on their balance sheet a lease liability and a lease asset for all leases, including operating leases, with a term greater than 12 months. The update also expands the required quantitative and qualitative disclosures surrounding leases. This update is effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years, with earlier application permitted. This update will be applied using a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The Company is currently evaluating the effect of this update on its consolidated financial statements.

In August 2014, the FASB issued ASC Update No. 2014-15, Presentation of Financial Statements—Going Concern: Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern (Subtopic 205-40). Update 2014-15 requires management to assess an entity's ability to continue as a going concern every reporting period, and provide certain disclosures if management has substantial doubt about the entities ability to operate as a going concern, or an express statement if not, by incorporating and expanding upon certain principles that are currently in U.S. auditing standards. Update 2014-15 is effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. Upon adoption the Company will use the guidance in ASU 2014-15 to assess going concern.

(in thousands of euros unless otherwise noted, except per share data)

2—CASH EQUIVALENTS AND SHORT TERM INVESTMENTS

Cash and cash equivalents and short term investments are comprised of the following:

	December 31,	
	2015	2014
Total cash and cash equivalents	13,578	11,142
Short term investments	1,000	1,000
Total cash and cash equivalents, and short term investments	14,578	12,142

Short term investments are comprised of money market funds. The aggregate fair value of the short term investments is consistent with their book value. In 2015 and 2014, short term investments comprise €1.0 million pledged in favour of the bank as collateral to a €1.0 million short term loan. See Note 13.

3—TRADE ACCOUNTS AND NOTES RECEIVABLE, NET

Trade accounts and notes receivable consist of the following:

	December 31,	
	2015	2014
Trade accounts receivable	11,869	8,309
Notes receivable	560	546
Less: allowance for doubtful accounts	(1,091)	(1,274)
Total	11,338	7,581
Less current portion	(10,744)	(6,943)
Total long-term portion	593	638

Notes receivable usually represent commercial bills of exchange (drafts) with initial maturities of 90 days or less.

Bad debt expenses amount to €17 thousand, €450 thousand and €163 thousand, for the years ended December 31, 2015, 2014 and 2013.

Long term portion consists of sales type leases of medical devices and receivables for license revenue paid over four years. Future minimum payments to be received over the five coming years are as follows:

	December 31,	
	Sales type leases	License Revenue
2016	173	152
2017	134	152
2018	70	152
2019	48	-
2020	24	-
2021	14	-
Total minimum payments	463	455

(in thousands of euros unless otherwise noted, except per share data)

4—OTHER RECEIVABLES

Other receivables consist of the following:

	December 31,	
	2015	2014
Research and development tax credit receivable from the French State	419	510
Research and development subsidies receivable from the French State	112	318
Value-added taxes receivable	329	210
Other receivables from Government and public authorities	121	125
Others	37	36
Total	1,018	1,200

5—INVENTORIES

Inventories consist of the following:

	December 31,	
	2015	2014
Components, spare parts	4,085	4,225
Work-in-progress	676	832
Finished goods	2,118	1,591
Total gross inventories	6,879	6,648
Less: provision for slow-moving inventory	(728)	(741)
Total	6,151	5,908

The provision for slow moving inventory relates to components and spare parts. The allowance for slow moving inventory, the changes in which are classified within cost of sales, amounted to an income of €8 thousand for the year ended December 31, 2015, a cost of €34 thousand for the year ended December 31, 2014, and an income of €162 thousand for the years ended December 31, 2013, respectively.

6—OTHER ASSETS

Other assets consist of the following:

	December 31,	
	2015	2014
Prepaid expenses, current portion	500	381
Total	500	381

(in thousands of euros unless otherwise noted, except per share data)

7—PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following:

	December 31,	
	2015	2014
Equipment	7,203	7,400
Furniture, fixture, and fittings and other	2,974	2,807
Total gross value	10,177	10,208
Less: accumulated depreciation and amortization	(8,055)	(8,085)
Total	2,123	2,122

Depreciation and amortization expense related to property and equipment amounted to €683 thousand, €726 thousand and €726 thousand for the years ended December 31, 2015, 2014 and 2013, respectively.

Capitalized costs on equipment held under capital leases of €2,466 thousand and €2,826 are included in property and equipment at December 31, 2015 and 2014, respectively. Accumulated amortization of these assets leased to third parties was €2,338 thousand and €2,599 thousand, at December 31, 2015 and 2014, respectively.

Capitalized costs on vehicles held under capital leases of €627 thousand and €543 thousand are included in property and equipment at December 31, 2015 and 2014, respectively. Accumulated amortization of these assets leased to third parties was €353 thousand and €231 thousand, at December 31, 2015 and 2014, respectively.

Amortization expense on assets held under capital leases is included in total amortization expense and amounted to €207 thousand, €310 thousand and €363 thousand for the years ended December 31, 2015, 2014 and 2013, respectively.

8—GOODWILL AND INTANGIBLE ASSETS

As discussed in Note 1-11, the Company adopted ASC 350, ‘‘Goodwill and Other Intangible Assets’’, on January 1, 2002. ASC 350 requires that goodwill and other intangible assets that have indefinite lives not be amortized but instead be tested at least annually for impairment, or more frequently when events or change in circumstances indicate that the asset might be impaired, by comparing the carrying value to the fair value of the reporting unit to which they are assigned. The Company considers its ASC 280 operating segment — High Intensity Focused Ultrasound (HIFU) and Urology Devices and Services (UDS) — to be its reporting units for purposes of testing for impairment. Goodwill amounts to €1,767 thousand for the UDS division and to € 645 thousand for the HIFU division, at December 31, 2015.

The Company completed the required annual impairment test in the fourth quarter of 2015. To determine the fair value of the Company’s reporting units, the Company used the discounted cash flow approach for each of the two reportable units. The main assumptions used are the following: (i) a five-year business plan approved by management, (ii) a discount rate of 15% for HIFU, 10% for UDS, (iii) a residual value specific to each segment. In both cases, the fair value of the reporting unit was in excess of the reporting unit's book value, which resulted in no goodwill impairment.

A one percentage point increase in the HIFU discount rate assumed in the impairment testing would not lead the Company to record an impairment charge. Similarly, a one percentage point increase in the UDS discount rate assumed in the impairment testing would not lead the Company to record an impairment charge. A zero growth rate in the Company’s UDS business plan would not lead the Company to record any impairment charge. A 10% growth rate in the Company’s HIFU business plan would not lead the Company to record any impairment charge.

(in thousands of euros unless otherwise noted, except per share data)

Intangible assets consist of the following:

	December 31,	
	2015	2014
Licenses	462	443
Trade name and trademark	596	556
Patents	412	412
Organization costs	363	363
Total gross value	1,833	1,774
Less: accumulated amortization	(1,794)	(1,750)
Total	39	24

Amortization expenses related to intangible assets amounted to €6 thousand, €26 thousand and €32 thousand, for the years ended December 31, 2015, 2014 and 2013, respectively.

For the five coming years, the annual estimated amortization expense will consist of the following:

	December 31,
2016	12
2017	12
2018	4
2019	-
2020	-
Total	28

9—TRADE ACCOUNTS AND NOTES PAYABLE

Trade accounts and notes payable consist of the following:

	December 31,	
	2015	2014
Trade accounts payable	5,641	5,156
Notes payable	457	349
Total	6,098	5,505

Trade accounts payable usually represent invoices with a due date of 90 days or less and invoices to be received.

Notes payable represent commercial bills of exchange (drafts) with initial maturities of 90 days or less.

(in thousands of euros unless otherwise noted, except per share data)

10—DEFERRED REVENUES

Deferred revenues consist of the following:

	December 31,	
	2015	2014
Deferred revenues on maintenance contracts	1,294	920
Deferred revenue on RPP	126	84
Deferred revenue on sale of devices	287	172
Deferral of the gain on sale-lease-back transactions	-	2
Deferred research and development grants	394	-
Total	2,101	1,177
Less long term portion	(504)	(74)
Current portion	1,597	1,102

11—OTHER ACCRUED LIABILITIES

Other accrued liabilities consist of the following:

	December 31,	
	2015	2014
Retirement indemnities	1,600	1,407
Provision for warranty costs	576	712
Accruals for social expenses	973	493
Conditional government subsidies	357	296
Value added tax payable	169	178
Advances received from customers	771	6
Others	297	284
Total	4,742	3,377
Less non-current portion	(1,973)	(1,706)
Current portion	2,768	1,671

Conditional government subsidies are granted by French government to finance R&D project developments and are subject to reimbursement conditional to development milestones.

Changes in the provision for warranty costs are as follows:

	December 31,	
	2015	2014
Beginning of year	712	705
Amount used during the year	(490)	(422)
New warranty expenses	354	429
End of year	576	712
Less current portion	(434)	(550)
Long term portion	141	162

(in thousands of euros unless otherwise noted, except per share data)

12—LEASE OBLIGATIONS

12-1 Capital leases

The Company leases certain of its equipment under capital leases. At December 31, 2015, this equipment consists of medical devices for an amount of €249 thousand and vehicles for an amount of €282 thousand. Future minimum lease payments under capital leases for the years ending December 31, 2015 are as follows:

	December 31,
2016	254
2017	178
2018	84
2019	32
2020	11
Total minimum lease payments	559
Less: amount representing interest	(27)
Present value of minimum lease payments	531
Less: current portion	(238)
Long-term portion	294

Interest paid under capital lease obligations was €24 thousand, €27 thousand and €35 thousand for the years ended December 31, 2015, 2014 and 2013, respectively.

12-2 Operating leases

As of December 31, 2015, operating leases having initial or remaining non-cancelable lease terms greater than one year consist of one lease for the facilities of TMS S.A. in Vaulx-en-Velin, France and several leases for facilities in Japan. The French lease contract signed on July 1, 2015 has a lease term of ten years expiring on June 30, 2025, including nine firm years.

Future minimum lease payments for these operating leases consist of the following amounts::

	France	Japan
2016	321	184
2017	321	139
2018	321	33
2019	321	-
2020	321	-
2021	321	-
2022	321	-
2023	321	-
2024	321	-
2025	152	-
Total	3,041	356

(in thousands of euros unless otherwise noted, except per share data)

Total rent expenses under operating leases amounted to €772 thousand, €742 thousand and €693 thousand for the years ended December 31, 2015, 2014 and 2013, respectively. These total rent expenses include the above-mentioned operating leases, but also lease expenses related to subsidiaries office rentals, office equipment and car rentals.

13—SHORT-TERM BORROWINGS

As of December 31, 2015, short-term borrowings consist mainly of €1,814 thousand of account receivables factored and for which the Company is supporting the collection risk and a loan in euro amounting to €1,000 thousand with the following conditions:

	Amount	Maturation	Interest rate
EDAP-TMS France SAS	1,000	November 19, 2016	Euribor + 0,7%

As of December 31, 2014, short-term borrowings consist mainly of €1,124 thousand of account receivables factored and for which the Company is supporting the collection risk and a loan in euro amounting to €1,000 thousand with the following conditions:

	Amount	Maturation	Interest rate
EDAP-TMS France SAS	1,000	November 19, 2015	Euribor + 0,7%

14—LONG TERM DEBT AND FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

14-1 Long-term debt:

	December 31,	
	2015	2014
Japanese yen term loan	183	234
Germany term loan	443	-
Italy term loan	175	220
Malaysia term loan	1	5
Total long term debt	802	458
Less current portion	(209)	(116)
Total long-term portion	592	342

(in thousands of euros unless otherwise noted, except per share data)

As of December 31, 2015, long-term debt in Japan consists of 2 loans in Yen with the following conditions:

	Initial Amount	Maturation	Interest rate
EDAP Technomed Co. Ltd	55,000,000	June 30, 2018	1.80%
	10,000,000	June 30, 2018	2.10%

As of December 31, 2014, long-term debt in Japan consists of 3 loans in Yen with the following conditions:

	Initial Amount	Maturation	Interest rate
EDAP Technomed Co. Ltd	10,000,000	March 31, 2015	2.30%
	55,000,000	June 30, 2018	1.80%
	10,000,000	June 30, 2018	2.10%

As of December 31, 2015, long-term debt in Germany consists of a loan in euro of an initial amount of €450 thousand with an interest rate at 2.49% due to mature on November 30, 2020. This loan is pledged by an HIFU equipment with a purchase value of €450 thousand and receivables amounting €391 thousand.

As of December 31, 2015, long-term debt in Italy consists of a loan in euro of an initial amount of €242 thousand with an interest rate at Euribor 1 month + 4.5% due to mature on June 6, 2019.

As of December 31, 2014, long-term debt in Italy consists of a loan in euro of an initial amount of €242 thousand with an interest rate at Euribor 1 month + 4.5% due to mature on June 6, 2019.

14-2 Financial instruments carried at fair value:

	December 31,	
	2015	2014
Investor Warrants	4,205	1,943
Placement Agent Warrants	172	148
Total	4,377	2,092
Less current portion	(172)	-
Total long-term portion	4,205	2,092

On March 28, 2012, pursuant to a securities purchase agreement dated March 22, 2012, as amended, the Company issued 2,812,500 ordinary shares in the form of ADSs to selected institutional investors in a registered direct placement (the “March 2012 Placement”), at a price of $2.00 per share, with warrants attached (the “March 2012 Investor Warrants”). The March 2012 Investor Warrants allow investors to purchase up to 1,406,250 shares in the form of ADSs at an exercise price of $2.75. The March 2012 Investor Warrants are exercisable immediately and expire on March 28, 2017. The Company also issued warrants to purchase up to 168,750 shares in the form of ADSs to the placement agent, Rodman & Renshaw LLC, with an exercise price of $2.50 (the “March 2012 Placement Agent Warrants” and together with the Investor Warrants, the “March 2012 Warrants”). The March 2012 Placement Agent Warrants are exercisable from September 24, 2012 and expire on October 21, 2016. Total gross proceeds for the March 2012 Placement amounted to $5.625 million (€ 4.214 million), out of which $2.429 million (€1.821 million) allocated to the Investor and Placement Agent Warrants based on their fair value and accounted for as liability, and the remaining $3.196 million (€2.393 million) allocated to the share capital increase.

The Company determined that the March 2012 Warrants to purchase up to 1,575,000 new ordinary shares of the Company (1,406,250 shares underlying the March 2012 Investor Warrants and 168,750 shares underlying the March 2012 Placement Agent Warrants) should be accounted for as a liability.

On May 28, 2013, pursuant to a securities purchase agreement dated May 20, 2013, as amended, the Company issued 3,000,000 new ordinary shares in the form of ADSs to selected institutional investors in a registered direct placement (the "May 2013 Placement"), at a price of $4.00 per share, with warrants attached (the "May 2013 Investor Warrants"). The May 2013 Investor Warrants allow investors to purchase up to 1,500,000 shares in the form of ADSs at an exercise price of $4.25. The May 2013 Investor Warrants are exercisable as from November 29, 2013 and expire on November 29, 2018. The Company also issued warrants to the placement agent, H.C. Wainwright & Co., LLC with an exercise price of $5.00 per share (the "May 2013 Placement Agent Warrants" and together with the May 2013 Investor Warrants, the "May 2013 Warrants"), The May 2013 Placement Agent Warrants are exercisable from November 29, 2013 and expire on May 28, 2016. As the May 2013 Warrants comprised the same structure and provisions than the March 2012 Warrants, including an exercise price determined in U.S. dollars while the functional currency of the Company is the Euro, the Company determined that the May 2013 Warrants should be accounted for as a liability. Total gross proceeds for the May 2013 Placement amounted to $12 million (€ 9.270 million), out of which $3.817 million (€2.950 million) allocated to the Investor and Placement Agent Warrants based on their fair value and accounted for as liability, and the remaining $8.183 million (€6.320 million) allocated to the share capital increase (see note 16-1). The Company used the Black-Scholes pricing model to value the May 2013 Warrants at inception, with changes in fair value recorded as a financial expense or income.

Fair Value of the March 2012 Investor Warrants:

The valuation model of the Investor Warrants uses a Black-Scholes model.

At inception date, the Black-Scholes valuation model used the following main assumptions and parameters:

- Warrants' maturity is assumed to be their legal duration as per Warrant contract
- Share price at closing date: $1.95
- Strike price of warrants: $2.75
- Risk free interest rate at 5 years: 1.05%
- Share price volatility: 120%
- Dividend rates: 0%

As of December 31, 2014, the Black-Scholes valuation model used the following main assumptions and parameters:

- Warrants' maturity is assumed to be their legal duration as per Warrant contract
- Share price at closing date: $2.33
- Strike price of warrants: $2.75
- Risk free interest rate at 5 years: 0.07%
- Share price volatility: 70%
- Dividend rates: 0%

As of December 31, 2015, the Black-Scholes valuation model used the following main assumptions and parameters:

- Warrants' maturity is assumed to be their legal duration as per Warrant contract
- Share price at closing date: $4.13
- Strike price of warrants: $2.75
- Risk free interest rate at 5 years: 0%
- Share price volatility: 70%
- Dividend rates: 0%

On that basis, the unit fair value of the Investor Warrants was $1.55 per warrant at inception date, , $0.82 per warrant as of December 31, 2014 and $1.86 per warrant as of December 31, 2015. The total fair value for the Investor warrants was $2.173 million at inception date, $1.084 million as of December 31, 2014 and $1.840 million as of December 31, 2015.

Fair Value of the March 2012 Placement Agent Warrants:

The valuation model of the Placement Agent Warrants uses a Black-Scholes model.

At inception date, the Black-Scholes valuation model used the following main assumptions and parameters:

- Warrants' maturity is assumed to be their legal duration as per Warrant contract
- Share price at closing date: $1.95
- Strike price of warrants: $2.5
- Risk free interest rate at 4.5 years: 0.92%
- Share price volatility: 120%
- Dividend rates: 0%

As of December 31, 2014, the Black-Scholes valuation model used the following main assumptions and parameters:

- Warrants' maturity is assumed to be their legal duration as per Warrant contract
- Share price at closing date: $2.33
- Strike price of warrants: $2.5
- Risk free interest rate at 4.5 years: 0.06%
- Share price volatility: 70%
- Dividend rates: 0%

As of December 31, 2015, the Black-Scholes valuation model used the following main assumptions and parameters:

- Warrants' maturity is assumed to be their legal duration as per Warrant contract
- Share price at closing date: $4.13
- Strike price of warrants: $2.5
- Risk free interest rate at 4.5 years: 0%
- Share price volatility: 70%
- Dividend rates: 0%

On that basis, the unit fair value of the Placement Agent Warrants was $1.52 per warrant at inception date, $0.79 per warrant as of December 31, 2014 and $1.87 per warrant as of December 31, 2015. The total fair value for the Placement Agent warrants was $0.256 million at inception date $0.133 million as of December 31, 2014 and $0.107 million as of December 31, 2015.

Fair Value of the May 2013 Investor Warrants:

The valuation model of the Investor Warrants uses a Black-Scholes model.

At inception date, the Black-Scholes valuation model used the following main assumptions and parameters:

- Warrants' maturity is assumed to be their legal duration as per Warrant contract
- Share price at closing date: $3.96
- Strike price of warrants: $4.25
- Risk free interest rate at 5.5 years: 1.07%
- Share price volatility: 71%
- Dividend rates: 0%

As of December 31, 2014, the Black-Scholes valuation model used the following main assumptions and parameters:

- Warrants' maturity is assumed to be their legal duration as per Warrant contract
- Share price at closing date: $2.33
- Strike price of warrants: $4.25
- Risk free interest rate at 5.5 years: 0.13%
- Share price volatility: 70%
- Dividend rates: 0%

As of December 31, 2015, the Black-Scholes valuation model used the following main assumptions and parameters:

- Warrants' maturity is assumed to be their legal duration as per Warrant contract
- Share price at closing date: $4.13
- Strike price of warrants: $4.25
- Risk free interest rate at 5.5 years: 0%
- Share price volatility: 70%
- Dividend rates: 0%

On that basis, the unit fair value of the Investors Warrants was $2.35 per warrant at inception date, $0.85 per warrant as of December 31, 2014 and $1.82 per warrant as of December 31, 2015. The total fair value for the Investors warrants was $3.525 million at inception date, $1.275 million as of December 31, 2014 and $2.737 million as of December 31, 2015.

Fair Value of the May 2013 Placement Agent Warrants:

The valuation model of the Placement Agent Warrants uses a Black-Scholes model.

At inception date, the Black-Scholes valuation model used the following main assumptions and parameters:

- Warrants' maturity is assumed to be their legal duration as per Warrant contract
- Share price at closing date: $3.96
- Strike price of warrants: $5.00
- Risk free interest rate at 3 years: 0.36%
- Share price volatility: 72%
- Dividend rates: 0%

(in thousands of euros unless otherwise noted, except per share data)

As of December 31, 2014, the Black-Scholes valuation model used the following main assumptions and parameters:

- Warrants' maturity is assumed to be their legal duration as per Warrant contract
- Share price at closing date: $2.33
- Strike price of warrants: $5.00
- Risk free interest rate at 3 years: 0.06%
- Share price volatility: 70%
- Dividend rates: 0%

As of December 31, 2015, the Black-Scholes valuation model used the following main assumptions and parameters:

- Warrants' maturity is assumed to be their legal duration as per Warrant contract
- Share price at closing date: $4.13
- Strike price of warrants: $5.00
- Risk free interest rate at 3 years: 0%
- Share price volatility: 70%
- Dividend rates: 0%

On that basis, the unit fair value of the Placement Agent Warrants was $1.62 per warrant at inception date, $0.26 per warrant as of December 31, 2014 and $0.44 per warrant as of December 31, 2015. The total fair value for the Placement Agent warrants was $0.292 million at inception date, $0.047 million as of December 31, 2014 and $0.080 million as of December 31, 2015.

14-3 Long-term debt and Financial instruments maturity:

Long-term debt and financial instruments carried at fair value at December 31, 2015 mature as follows:

2016	382
2017	1,901
2018	2,698
2019	117
2020	83
Total	5,179

15—OTHER LONG-TERM LIABILITIES

Other long-term liabilities consist of the following:

	December 31,	
	2015	**2014**
Provision for retirement indemnities (Japan & France)	1,596	1,404
Provision for employee termination indemnities (Italy)	310	285
Provision for warranty costs, less current portion	141	162
Conditional government subsidies, less current portion	237	140
Total	2,285	1,991

Pension, post-retirement, and post-employment benefits for most of the Company's employees are sponsored by European governments. The Company's liability with respect to these plans is mostly limited to specific payroll deductions.

In addition to government-sponsored plans, subsidiaries in Japan and France have defined benefit retirement indemnity plans in place. The provision for retirement indemnities at December 31, 2015 represents an accrual for lump-sum retirement indemnity payments to be paid at the time an employee retires. This provision has been calculated taking into account the estimated payment at retirement (discounted to the current date), turnover and salary increases.

The provision is management best estimate based on the following assumptions as of year-end:

	Pension Benefits – France		
	2015	**2014**	**2013**
Discount rate	2.20%	1.90%	3.30%
Salary increase	2.50%	2.50%	2.50%
Retirement age	65	65	65
Average retirement remaining service period	24	24	24

	Pension Benefits – Japan		
	2015	**2014**	**2013**
Discount rate	1.00%	1.00%	1.40%
Salary increase	2.00%	2.00%	2.00%
Retirement age	60	60	60
Average retirement remaining service period	16	16	16

In 2015, provision presentation according to ASC 715 in thousands of euros:

	France	**Japan**
Non-current liabilities	694	902
Current liabilities	-	4
Accumulated other comprehensive income (loss)	(82)	(314)
Total	612	592

In 2014, provision presentation according to ASC 715 in thousands of euros:

	France	**Japan**
Non-current liabilities	665	739
Current liabilities	-	3
Accumulated other comprehensive income (loss)	(115)	(299)
Total	550	443

The Company does not have a funded benefit plan. Detailed reconciliation of pension cost components (in thousands of euros) during fiscal year ending December 31, 2015:

France	**2015**	**2014**	**2013**
Change in benefit obligations:			
Benefit obligations at beginning of year	665	491	517
Service cost	46	35	39
Interest cost	13	16	17
Actuarial (gain) / loss	(30)	123	(75)
Amortization of net prior service cost	-	-	4
Benefits paid	-	-	(11)
Benefit obligations at end of year (1)	694	665	491
Unrecognized actuarial (gain) loss (2)	58	89	27
Unrecognized prior service cost (2)	24	25	(33)
Accrued pension cost	612	550	498

(1) The accumulated benefit obligation was €474 thousand and €460 thousand at December 31, 2015 and 2014 respectively.
(2) The amount in accumulated other comprehensive income (loss) to be recognised as components of net periodic benefit costs in 2016 is €1 thousand.

Japan	**2015**	**2014**	**2013**
Change in benefit obligations:			
Benefit obligations at beginning of year	742	640	538
Service cost	72	64	46
Interest cost	8	9	7
Amortization of net loss	-	-	9
Actuarial (gain) / loss	-	35	156
Benefits paid	-	(4)	-
Exchange rate impact	84	(2)	(116)
Benefit obligations at end of year(1)	906	742	640
Unrecognized actuarial (gain) loss (2)	314	299	280
Unrecognized prior service cost (2)		-	-
Accrued pension cost	592	443	360

(1) The accumulated benefit obligation was €749 thousand and €614 thousand at December 31, 2015 and 2014, respectively.
(2) The amount in accumulated other comprehensive income (loss) to be recognised as components of net periodic benefit costs in 2015 is €15 thousand.

(in thousands of euros unless otherwise noted, except per share data)

The benefits expected to be paid in each of the next five fiscal years, and in the aggregate for the five fiscal years thereafter, are detailed in the table below:

	France	Japan
2016	-	4
2017	26	5
2018	9	66
2019	-	53
2020	78	112
2021-2025	208	430

16—SHAREHOLDERS' EQUITY

16-1 Common stock

As of December 31, 2015, EDAP TMS S.A.'s common stock consisted of 25,753,989 issued shares fully paid and with a par value of €0.13 each. 25,383,461 of the shares were outstanding.

16-2 Pre-emptive subscription rights

Shareholders have preemptive rights to subscribe on a *pro rata* basis for additional shares issued by the Company for cash. Shareholders may waive such preemptive subscription rights at an extraordinary general meeting of shareholders under certain circumstances. Preemptive subscription rights, if not previously waived, are transferable during the subscription period relating to a particular offer of shares.

16-3 Dividend rights

Dividends may be distributed from the statutory retained earnings, subject to the requirements of French law and the Company's by-laws. The Company has not distributed any dividends since its inception as the result of an accumulated statutory deficit of €13,292 thousand. Dividend distributions, if any, will be made in euros. The Company has no plans to distribute dividends in the foreseeable future.

16-4 Treasury stock

As of December 31, 2015, the 370,528 shares of treasury stock consisted of (i) 190,238 shares acquired between August and December 1998 for €649 thousand, and (ii) 180,290 shares acquired in June and July 2001 for €493 thousand. All 370,528 shares of treasury stock have been acquired to cover outstanding stock options (see Note 16-5).

16-5 Stock-option plans

As of December 31, 2015, EDAP TMS S.A. sponsored three stock purchase and subscription option plans:

On May 22, 2007, the shareholders of EDAP TMS S.A. authorized the Board of Directors to grant up to 600,000 options to subscribe to 600,000 new Shares at a fixed price to be set by the Board of Directors.

Conforming to this stock option plan, on October 29, 2007, the Board of Directors granted 504,088 options to subscribe to new Shares to certain employees of EDAP TMS. The exercise price was fixed at €3.99 per share. Options were to begin vesting one year after the date of grant and all options were fully vested as of October 29, 2011 (i.e., four years after the date of grant). Shares acquired pursuant to the options cannot be sold prior to four years from the date of grant. The options expire on October 29, 2017 (i.e., ten years after the date of grant) or when employment with the Company ceases, whichever occurs earlier. At December 31, 2007 the total fair value of the options granted under this plan was €1,731 thousand. This non-cash financial charge has been recognized in the Company's operating expenses over a period of 48 months, between October 2007 and October 2011. There was no impact on 2013 2014 and 2015 operating income. Under this plan, 359,088 options are still in force on December 31, 2015.

Conforming to this stock option plan, on June 25, 2010, the Board of Directors granted the remaining 95,912 options to subscribe to new Shares to certain employees of EDAP TMS. The exercise price was fixed at €1.88 per share. Options were to begin vesting one year after the date of grant and will be fully vested as of June 25, 2014 (i.e., four years after the date of grant). Shares acquired pursuant to the options cannot be sold prior to four years from the date of grant. The options expire on June 25, 2020 (i.e., ten years after the date of grant) or when employment with the Company ceases, whichever occurs earlier. At June 25, 2010 the total fair value of the options granted under this plan was €143 thousand. This non-cash financial charge will be recognized in the Company's operating expenses over a period of 48 months. The impact on operating income, in accordance with ASC 718, was €15 thousand, €4 thousand and €0 thousand in 2013, 2014 and 2015 respectively. Under this plan, 50,000 options are still in force on December 31, 2015.

On June 24, 2010, the shareholders authorized the Board of Directors to grant up to 229,100 options to purchase pre-existing Shares at a fixed price to be set by the Board of Directors. All of the Shares that may be purchased through the exercise of stock options are currently held as treasury stock. Conforming to this stock option plan, on June 25, 2010, the Board of Directors granted 229,100 options to purchase existing Shares to certain employees of EDAP TMS. The exercise price was fixed at €2.38 per share. Options were to begin vesting one year after the date of grant and will be fully vested as of June 25, 2014 (i.e., four years after the date of grant). Shares acquired pursuant to the options cannot be sold prior to four years from the date of grant. The options expire on June 25, 2020 (i.e., ten years after the date of grant) or when employment with the Company ceases, whichever occurs earlier. At June 24, 2010 the total fair value of the options granted under this plan was €328 thousand. This non-cash financial charge will be recognized in the Company's operating expenses over a period of 48 months. The impact on operating income, in accordance with ASC 718, was €26 thousand, €8 thousand and €0 thousand in 2013, 2014 and 2015 respectively. Under this plan, 138,100 options are still in force on December 31, 2015.

On December 19, 2012, the shareholders authorized the Board of Directors to grant up to 500,000 options to subscribe to 500,000 new shares at a fixed price to be set by the Board of Directors. Conforming to this stock option plan, the Board of Directors granted 500,000 options to subscribe Shares to certain employees of EDAP TMS on January 18, 2013. The exercise price was fixed at €1.91 per share. Options were to begin vesting one year after the date of grant and all options will be fully vested as of January 18, 2017 (i.e., four years after the date of grant). Shares acquired pursuant to the options cannot be sold prior to four years from the date of grant. The options expire on January 18, 2023 (i.e., ten years after the date of grant) or when employment with the Company ceases, whichever occurs earlier. At December 31, 2013 the total fair value of the options granted under this plan was €660 thousand. This non-cash financial charge has been recognized in the Company's operating expenses over a period of 48 months. The impact on operating income, in accordance with ASC 718, was €327 thousand, €128 thousand and €66 thousand in 2013,2014 and 2015, respectively. Under this plan, 370,000 options are still in force on December 31, 2015.

(in thousands of euros unless otherwise noted, except per share data)

As of December 31, 2015, a summary of stock option activity to purchase or to subscribe to Shares under these plans is as follows:

	2015		2014		2013	
	Options	Weighted average exercise price (€)	Options	Weighted average exercise price (€)	Options	Weighted average exercise price (€)
Outstanding on January 1,	1,095,850	2.76	1,310,850	2.70	810,850	3.18
Granted	-	-	-	-	500,000	1.91
Exercised	(72,412)	2.13	(750)	3.99	-	-
Forfeited	(106,250)	2.88	(90,250)	2.07	-	-
Expired	-	-	(124,000)	2.60	-	-
Outstanding on December 31,	917,188	2.79	1,095,850	2.76	1,310,850	2.70
Exercisable on December 31,	724,688	3.03	784,600	3.09	743,347	3.27
Shares purchase options available for grant on December 31	232,428		232,428		83,428	

The following table summarizes information about options to purchase existing Shares held by the Company, or to subscribe to new Shares, at December 31, 2015:

	Outstanding options				Fully vested options (1)		
Exercise price (€)	Options	Weighted average remaining contractual life	Weighted average exercise price (€)	Aggregate Intrinsic Value (2)	Options	Weighted average exercise price (€)	Aggregate Intrinsic Value (2)
3.99	359,088	1.8	3.99		359,088	3.99	
2.38	138,100	4.5	2.38	195,191	138,100	2.38	195,191
1.91	370,000	7.0	1.91	696,860	177,500	1.91	334,304
1.88	50,000	4.5	1.88	95,670	50,000	1.88	95,670
1.88 to 3.99	917,188	4.5	2.79	987,721	724,688	3.03	625,165

(1) Fully vested options are all exercisable options
(2) The aggregate intrinsic value represents the total pre-tax intrinsic value, based on the Company's closing stock price of $4.13 at December 31, 2015, which would have been received by the option holders had all in-the-money option holders exercised their options as of that date.

(in thousands of euros unless otherwise noted, except per share data)

A summary of the status of the non-vested options to purchase shares or to subscribe to new shares as of December 31, 2015, and changes during the year ended December, 2015, is presented below:

	Options	Weighted average Grant-Date Fair Value (€)
Non-vested at January 1, 2015	311,250	1.32
Granted	-	-
Vested	(103,750)	1.32
Forfeited	(15,000)	1.32
Non-vested at December 31, 2015	192,500	1.32

As of December 31, 2015, there were €35 thousand of total unrecognized compensation expenses related to non-vested stock-options, over a weighted average period of 1.05 year.

17—OTHER REVENUES

Other revenues consist of the following:

	2015	2014	2013
Licenses and others	35	533	15
Total	35	533	15

In 2015, 2014 and 2013, other revenues mainly consist of sales of a license to Theraclion.

18—RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses consist of the following:

	2015	2014	2013
Gross research and development expenses	(3,308)	(3,728)	(3,711)
Research Tax Credit	448	518	561
Grants	170	278	555
Net Research and development expenses	(2,690)	(2,932)	(2,595)

In 2015 grants mainly consisted of European, national and regional grants for the development of innovative imaging solutions for the focal treatment of liver cancer (HECAM Development project).

In 2014 and 2013, grants mainly consisted of European, national and regional grants for the development of innovative imaging solutions for the focal treatment of prostate cancer.

(in thousands of euros unless otherwise noted, except per share data)

19—FINANCIAL INCOME, NET

Interest (expense) income, net consists of the following:

	2015	2014	2013
Interest income	18	31	59
Interest expense	(64)	(65)	(1,967)
Warrants exercises	330	83	-
Changes in fair value of the warrants	(2,377)	1,722	1,007
Total	(2,094)	1,771	(901)

In 2013, interest expense on the 2012 Non-convertible Debenture amounted to €1,889 thousand, of which €252 thousand expense for the payment of the 9% interest coupon.

20—INCOME TAXES

20-1 Income / Loss before income taxes

Income / Loss before income taxes is comprised of the following:

	2015	2014	2013
France	(543)	2,029	(2,018)
EDAP Inc, U.S.A.	(380)	(1,811)	(2,060)
Other countries	16	(614)	(808)
Total	(907)	(396)	(4,886)

20-2 Income tax (expense)/ benefit

Income tax (expense)/benefit consists of the following:

	2015	2014	2013
Current income tax expense:			
France	(712)	(124)	(101)
Other countries	(55)	(10)	(24)
Sub-total current income tax expense	(767)	(133)	(125)
Deferred income tax (expense) benefit:			
France	(4)	(4)	(2)
Other countries	11	22	(7)
Sub-total deferred income tax (expense) benefit	7	18	(9)
Total	(759)	(116)	(135)

(in thousands of euros unless otherwise noted, except per share data)

20-3 Deferred income taxes:

Deferred income taxes reflect the impact of temporary differences between the amounts of assets and liabilities reported for financial reporting purposes and such amounts as measured in accordance with tax laws. The tax effects of temporary differences which give rise to significant deferred tax assets (liabilities) are as follows:

	December 31,	
	2015	**2014**
Net operating loss carry forwards	18,295	22,366
Elimination of intercompany profit in inventory	172	156
Elimination of intercompany profit in fixed assets	199	145
Provisions for retirement indemnities	262	222
Other items	335	283
Total deferred tax assets	19,263	23,172
Capital leases treated as operating leases for tax	-	(3)
Other items	(4)	(4)
Total deferred tax liabilities	(4)	(7)
Net deferred tax assets	19,259	23,165
Valuation allowance for deferred tax assets	(19,212)	(23,125)
Deferred tax assets (liabilities), net of allowance	47	40

Net operating loss carryforwards of €18,332 thousand, €2,207 thousand, €245 thousand, €607 thousand and €32,153 thousand as of December 31, 2015 are available at EDAP Technomed Inc., Edap Technomed Co Ltd Japan, EDAP TMS GmbH, EDAP Technomed Italia S.R.L. and EDAP TMS S.A., respectively. These net operating losses generate deferred tax assets of €18,295 thousand. Realization of these assets is contingent on future taxable earnings in the applicable tax jurisdictions. As of December 31, 2015, €10,977 thousand out of these €18,295 thousand net operating loss carry-forwards have no expiration date. The remaining tax loss carry-forwards expire in years 2016 through 2035. In accordance with ASC 740, a valuation allowance is recorded as realization of those amounts is not considered probable.

20-4 Effective tax rate

A reconciliation of differences between the statutory French income tax rate and the Company's effective tax rate is as follows:

	2015	**2014**	**2013**
French statutory rate	33.3%	33.3%	33.3%
Income of foreign subsidiaries taxed at different tax rates	3.9%	23.5%	1.9%
Effect of net operating loss carry-forwards and valuation allowances	52.4%	(81.3%)	(51.5%)
Non-taxable debt fair value variation	(83.9%)	113.2%	(4.3%)
Non-deductible entertainment expenses	40.7%	42.3%	2.6%
Effect of cancellation of intra-group positions	(78.3%)	(44.2%)	12.7%
French business tax included in income tax (CVAE)	(16.0%)	(31.2%)	(2.0%)
Other	(35.8%)	(84.8%)	(4.5%)
Effective tax rate	(83.7%)	(29.2%)	(2.8%)

20-5 Uncertainty in Income Taxes

According to ASC 740, the Company reviewed the tax positions of each subsidiary. On December 31, 2015 the Company believes that there is no significant uncertainty in the Company's tax positions.

(in thousands of euros unless otherwise noted, except per share data)

In July 2010, the Company was requested by the French Tax Authorities to pay the amount of €772,822 to comply with the European Court of Justice ruling on fair competition and illegal state aids (C-214/07 "Commission of the European Communities vs. French Republic"). The amount was related to a state aid received by EDAP-TMS France in 1994 for the acquisition of the activities of Technomed International and included €374,156 of late interest. The Company reversed consequently the €50 thousand reserve that had been taken as of December 31, 2009.

In March 2011, the Company engaged in a contentious procedure against the French Tax Authorities to contest this position and ask for the recuperation of the paid amounts. On December 6, 2013, the Company received notice from the French Administrative Courts that this contentious procedure was rejected. The Company made appeal to this decision; the procedure is still pending before the French higher court (“Conseil d’Etat”) and we do not expect any decision before the end of the current fiscal year.

The tax years that remain subject to examination by major tax jurisdictions are 2013, 2014 and 2015.

Interest and penalties on income taxes are classified as a component of the provision for income taxes. There were no interest or penalties in 2013, 2014 and 2015.

21—EARNINGS (LOSS) PER SHARE

A reconciliation of the numerators and denominators of the basic and diluted EPS calculations for the years ended December 31, 2015, 2014 and 2013 is as follows:

	For the year ended Dec. 31, 2015			For the year ended Dec. 31, 2014			For the year ended Dec. 31, 2013		
	Loss in euro (Numerator)	Shares (Denominator)	Per-Share Amount	Loss in euro (Numerator)	Shares (Denominator)	Per-Share Amount	Loss in euro (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS									
Income (loss) available to common Shareholders	(1,666,658)	25,021,966	(0.07)	(512,007)	23,600,428	(0.02)	(5,021,229)	20,593,720	(0.24)
Effect of dilutive securities:									
Stock options only in the money								-	
Diluted EPS									
Income (Loss) available to common shareholders, including assumed Conversions	(1,666,658)	25,021,966	(0.07)	(512,007)	23,600,428	(0.02)	(5,021,229)	20,593,720	(0.24)

The effects of dilutive securities, representing a number of shares of 1,978,758, 0 and 2,158,112 for the years ended December 31, 2015, 2014 and 2013 respectively, were excluded from the calculation of earnings per share as a net loss was reported in these periods.

22—COMMITMENTS AND CONTINGENCIES

22-1 Commitments

The Company currently has commitments regarding its operating leases as described in Note 12-2.

22-2 Litigation

From time to time we may become involved in legal proceedings or be subject to claims arising in the ordinary course of our business. Regardless of the outcome, litigation can have an adverse impact on us because of defence and settlement costs, diversion of management resources and other factors.

On August 4, 2014, Mark Eaton filed a purported class action lawsuit in the United States District Court for the Southern District of New York, asserting that the Company, Marc Oczachowski, and Eric Soyer violated federal securities laws Section 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder by issuing materially false and misleading statements about the Company's business operations and prospects particularly concerning the Company's Ablatherm-HIFU PMA file under review by the FDA that caused the price of the Company's American Depository Receipts to be artificially inflated during the period from February 1, 2013 to July 30, 2014. On August 6, 2014, Ronnie Haddad filed a second purported class action lawsuit, also in the United States District Court for the Southern District of New York, asserting similar claims.

On October 24, 2014, the related cases were consolidated by the United States District Court for the Southern District of New York and a lead plaintiff and lead counsel were appointed.

On December 22, 2014, the lead plaintiff filed an amended complaint that no longer included Mr. Soyer. The amended complaint alleges that the Company and Mr. Oczachowski breached their obligations under the Exchange Act in various ways, including by misrepresenting and failing to disclose allegedly material information about the safety and efficacy of treatment with Ablatherm-HIFU, and the Company's interactions with the FDA. The complaint seeks unspecified damages, interest, costs, and fees, including attorneys' and experts' fees.

On December 31, 2014, we accrued $250,000 (€206,000) as legal costs to be incurred by the Company in relation to this litigation.

On February 20, 2015, the defendants, including the Company, filed a motion to dismiss the action.

On September 14, 2015, we received a confirmation of the dismissal of our class action. On November 11, 2015, we announced the appeals period had concluded with no notice of appeal filed by the plaintiffs. In 2015, total costs incurred related to this litigation amounted to $191,000 (€171,000). The remaining accrued amount was reversed as of December 31, 2015.

22-3 Contingencies

The Company currently has contingencies relating to warranties provided to customers for products as described in Note 1-13 and Note 11.

(in thousands of euros unless otherwise noted, except per share data)

23—FAIR VALUE OF FINANCIAL INSTRUMENTS

The following disclosure of the estimated fair value of financial instruments was made in accordance with the requirements of ASC 820 ‘‘Disclosure about fair value of financial instruments’’ and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value.

ASC 820 defines three levels of inputs that may be used to measure fair value and requires that the assets or liabilities carried at fair value be disclosed by the input level under which they were valued. The input levels are defined as follows:

Level 1: Quoted (unadjusted) prices in active markets for identical assets and liabilities that the reporting entity can access at the measurement date.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

	ASC 820 Level	December 31, 2015	December 31, 2014
Assets:			
Cash and cash equivalents	Level 1	13,578	11,142
Short term investments	Level 1	1,000	1,000
Liabilities:			
Short-term borrowings	Level 1	2,814	2,126
Long-Term Debt	Level 1	802	458
Investor Warrants	Level 3	4,205	1,943
Placement Agent Warrants	Level 3	172	148

The recorded amount of cash and cash equivalents, short term investment and short-term borrowings are a reasonable estimate of their fair value due to the short-term maturities of these instruments.

The fair market value (Level 1 measurement) of the Company’s long-term debt is estimated using interest rate available to the Company in corresponding markets for debt with similar terms and maturities (see note 14-1 Long-term debt).

Concerning Investor and Placement Agent Warrants, the Company uses a Black-Scholes option pricing model. The fair value of the Warrants will change over time depending on the volatility and share price at balance sheet date (see note 14-2 - Financial instruments carried at fair value). An increase in volatility would result in an increase in the value of Investors Warrants and Placement Agent Warrants. An increase in share price would result in an increase in the value of Investors Warrants and Placement Agent Warrants.

The following tables provide a reconciliation of fair value for which the Company used Level 3 inputs, for the period from December 31, 2014 to December 31, 2015:

All amounts in thousands Euros unless otherwise stated	As of Dec. 31, 2015	Warrants exercises (see note 19)	FV adjust-ments (see note 19)	USD/ EUR Exch. impact	As of Dec. 31, 2014
Investor Warrants 2012	1,691	(251)	947	102	893
Placement Agent Warrants 2012	99	(79)	57	11	110
Investor Warrants 2013	2,514		1,343	121	1,050
Placement Agent Warrants 2013	73		30	4	39
Total Financial instruments carried at fair value	**4,377**	**(330)**	**2,377**	**238**	**2,092**

The following tables provide a reconciliation of fair value for which the Company used Level 3 inputs, for the period from December 31, 2013 to December 31, 2014:

All amounts in thousands Euros unless otherwise stated	As of Dec. 31, 2014	Warrants exercises (see note 19)	FV adjust-ments (see note 19)	USD/ EUR Exch. impact	As of Dec. 31, 2013
Investor Warrants 2012	893	(83)	(743)	197	1,522
Placement Agent Warrants 2012	110	-	(95)	24	181
Investor Warrants 2013	1,050	-	(799)	221	1,628
Placement Agent Warrants 2013	39	-	(85)	15	109
Total Financial instruments carried at fair value	**2,092**	**(83)**	**(1,722)**	**457**	**3,439**

24—CONCENTRATION OF CREDIT RISK

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash and cash equivalents and trade accounts and notes receivable from customers, primarily located in France, Japan and the United States. The Company maintains cash deposits with major banks. Management periodically assesses the financial condition of these institutions and believes that any possible credit risk is limited.

The Company has procedures in effect to monitor the creditworthiness of its customers. The Company obtains bank guarantees for first-time or infrequent customers, and in certain cases obtains insurance against the risk of a payment default by the customer. The Company reviewed individual customer balances considering current and historical loss experience and general economic conditions in determining the allowance for doubtful accounts receivable of €1.1 million and €1.3 million, for the years ended December 31, 2015 and 2014, respectively.

Ultimate losses may vary from the current estimates, and any adjustments are reported in earnings in the periods in which they become known.

In 2015, 2014 and 2013, the Company did not generate significant revenue with a single customer.

25—FOREIGN CURRENCY TRANSACTIONS

The Company generates a significant percentage of its revenues, and of its operating expenses, in currencies other than euro. The Company's operating profitability could be materially adversely affected by large fluctuations in the rate of exchange between the euro and such other currencies. The Company engages in foreign exchange hedging activities when it deems necessary, but there can be no assurance that hedging activities will be offset by the impact of movements in exchange rates on the Company's results of operations. As of December 31, 2015, there were no outstanding hedging instruments.

26—SEGMENT INFORMATION

In July 2002, the Company announced an organizational realignment that created two operating divisions within the Company. For reporting purposes, this organizational realignment created three reporting segments: the corporate activities of the holding Company, EDAP TMS S.A., the High Intensity Focused Ultrasound division and the Urological Devices and Services division. Then, in 2007, the Company created a new reporting segment dedicated to the FDA approval for Ablatherm-HIFU activity. The following tables set forth the key income statement figures, by segment for fiscal years 2015, 2014 and 2013 and the key balance sheet figures, by segment, for fiscal years 2015, 2014 and 2013.

The business in which the Company operates is the development and production of minimally invasive medical devices, primarily for the treatment of urological diseases. Substantially all revenues result from the sale of medical devices and their related license and royalty payments from third parties. The segments derive their revenues from this activity.

(in thousands of euros unless otherwise noted, except per share data)

Segment operating profit or loss and segment assets are determined in accordance with the same policies as those described in the summary of significant accounting policies. Interest income and expense, current and deferred income taxes are not allocated to individual segments. A reconciliation of segment operating profit or loss to consolidated net loss is as follows:

	2015	2014	2013
Segment operating income (loss)	488	(1,736)	(2,755)
Financial income (expense), net	(2,094)	1,771	(901)
Foreign Currency exchange (losses) gains, net	699	(431)	(1,230)
Other income (expense), net	-	-	-
Income tax (expense) credit	(759)	(116)	(135)
Consolidated net loss	(1,667)	(512)	(5,021)

A summary of the Company's operations by segment is presented below for years ending December 31, 2015, 2014 and 2013:

	HIFU Division	UDS Division	EDAP TMS (Corporate)	FDA	Total consolidated
2015					
Sales of goods	4,878	17,027	-	-	21,906
Sales of RPPs & leases	2,908	1,501	-	-	4,408
Sales of spare parts and services	658	5,246	-	-	5,904
Total sales	8,444	23,774	-	-	32,218
External other revenues	32	3	-	-	35
Total revenues	8,476	23,777	-	-	32,253
Total COS	(3,636)	(14,832)	-	-	(18,468)
Gross margin	4,841	8,945	-	-	13,785
R&D	(1,387)	(992)	-	(311)	(2,690)
Selling and marketing expenses	(2,284)	(5,122)	-		(7,406)
G&A	(646)	(1,192)	(1,363)		(3,202)
Total expenses	(4,318)	(7,306)	(1,363)	(311)	(13,298)
Operating income (loss)	523	1,639	(1,363)	(311)	488
Total Assets	9,619	25,818	3,144	-	38,581
Capital expenditures	457	207	-	-	664
Long-lived assets	1,437	3,320	192	-	4,949
Goodwill	645	1,767	-	-	2,412

(in thousands of euros unless otherwise noted, except per share data)

	HIFU Division	UDS Division	EDAP TMS (Corporate)	FDA	Total consolidated
2014					
Sales of goods	5,270	11,625	-	-	16,895
Sales of RPPs & leases	2,170	1,787	-	-	3,957
Sales of spare parts and services	760	4,640	-	-	5,400
Total sales	8,200	18,052	-	-	26,252
External other revenues	518	15	-	-	533
Total revenues	8,718	18,067	-	-	26,785
Total COS	(3,683)	(11,901)	-	-	(15,584)
Gross margin	5,035	6,166	-	-	11,201
R&D	(1,062)	(646)	-	(1,224)	(2,932)
Selling and marketing expenses	(2,151)	(4,527)	-	-	(6,678)
G&A	(660)	(1,153)	(1,514)	-	(3,328)
Total expenses	(3,874)	(6,326)	(1,514)	(1,224)	(12,937)
Operating income (loss)	1,162	(160)	(1,514)	(1,224)	(1,736)
Total Assets	7,468	20,778	3,715	193	32,154
Capital expenditures	464	569	-	-	1,033
Long-lived assets	1,410	3,300	192	-	4,902
Goodwill	645	1,767	-	-	2,412

	HIFU Division	UDS Division	EDAP TMS (Corporate)	FDA	Total consolidated
2013					
Sales of goods	1,747	13,020	-	-	14,767
Sales of RPPs & leases	2,335	1,588	-	-	3,922
Sales of spare parts and services	1,031	4,344	-	-	5,375
Total sales	5,113	18,952	-	-	24,065
External other revenues	15		-	-	15
Total revenues	5,128	18,952	-	-	24,080
Total COS	(2,490)	(12,271)	-	-	(14,761)
Gross margin	2,638	6,681	-	-	9,319
R&D	(1,097)	(525)	-	(973)	(2,595)
Selling and marketing expenses	(1,587)	(4,692)	-	-	(6,279)
G&A	(657)	(963)	(1,415)	(165)	(3,200)
Total expenses	(3,342)	(6,179)	(1,415)	(1,138)	(12,074)
Operating income (loss)	(704)	502	(1,415)	(1,138)	(2,755)
Total Assets	6,769	18,303	1,692	110	26,874
Capital expenditures	38	720	-	-	758
Long-lived assets	1,251	2,981	202	-	4,434
Goodwill	645	1,767	-	-	2,412

(in thousands of euros unless otherwise noted, except per share data)

27—VALUATION ACCOUNTS

	Allowance for deferred tax assets	Allowance for doubtful accounts	Slow-moving inventory
Balance as of December 31, 2012	20,375	1,602	934
Charges to costs and expenses	2,168	186	225
Deductions: write-off and others	-	(693)	(422)
Balance as of December 31, 2013	22,543	1,094	737
Charges to costs and expenses	1,143	323	172
Deductions: write-off and others	(561)	(143)	(168)
Balance as of December 31, 2014	23,125	1,274	741
Charges to costs and expenses	218	124	275
Deductions: write-off and others	(4,131)	(307)	(288)
Balance as of December 31, 2015	19,212	1,091	728

28—SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Interest and income taxes paid are as follows:

	2015	2014	2013
Income taxes paid (refunds received)	159	141	118
Interest paid	43	39	293
Interest received	7	12	6

Non-cash transactions:	2015	2014	2013
Capital lease obligations incurred	105	236	64

29—RELATED PARTY TRANSACTIONS

The General Manager of the Company's Korean branch "EDAP-TMS Korea" is also Chairman of a Korean company named Dae You. EDAP-TMS Korea subcontracts to Dae You the service contract maintenance of our medical devices installed in Korea. The amounts invoiced by Dae You under this contract were €78 thousand, €68 thousand and €65 thousand for 2015, 2014 and 2013 respectively. As of December 31, 2015, payables to Dae You amounted to €53 thousand. As of December 31, 2014, payables to Dae You amounted to €25 thousand

Dae You has purchased medical devices from us, which it operates in partnership with hospitals or clinics. These purchases (‘Sales of goods’) amounted to €408 thousand, €308 thousand and €516 thousand in 2015, 2014 and 2013, respectively. As of December 31, 2015, receivables (‘Net trade accounts and notes receivable’) amounted to €380 thousand. As of December 31, 2014, receivables (‘Net trade accounts and notes receivable’) amounted to €112 thousand.

30—SUBSEQUENT SIGNIFICANT EVENTS

a) On February 18, 2016, our shareholders adopted a resolution allowing the Board of Directors to issue 1,000,000 new shares under the form of subscription options to motivate and reward teams dedicated to successfully implementing our U.S. and worldwide expansion plans.

b) In February and March 2016, we issued 57,496 new ordinary shares in the form of ADSs following the exercise of March 2012 Warrants.

EDAP TMS

A stock company (société anonyme)
with a capital of Euros 3,348,018,57
Head office: Parc d'activité- La Poudrette Lamartine
4 rue du Dauphiné
69120 Vaulx en Velin - France

MEMORANDUM AND ARTICLES OF ASSOCIATION
- BYLAWS -

Including modifications approved on April 1, 2016

TITLE I
FORMATION - PURPOSE - CORPORATE NAME
REGISTERED OFFICES - DURATION

ARTICLE 1 - FORMATION OF THE COMPANY

A stock company exists between the owners of the shares created hereinafter and those which could be created at a later stage; it is organized and exists under the laws in force and under the following bylaws.

ARTICLE 2 – CORPORATE PURPOSES

The purpose of the Company is:

- the taking of financial interests under whatever form in all French or foreign groups, companies or businesses which currently exist or which may be created in the future, mainly through contribution, subscription or purchasing of shares, obligations or other securities, mergers, holding companies, groups, alliances or partnerships ;
- the management of such financial interests ;
- the direction, management, supervision and coordination of its subsidiaries and interests ;
- the provision of all administrative, financial, technical or other services ;
- and generally, all operations of whatever nature, financial, commercial, industrial, civil, relating to property and real estate which may be connected directly or indirectly, in whole or in part, to the company's purposes or to any similar or related purposes which may favor the extension or development of said purpose.

ARTICLE 3 - CORPORATE NAME

The corporate name of the Company is:

EDAP TMS

ARTICLE 4 - REGISTERED OFFICE

The registered office is fixed at: Parc d'activité La Poudrette Lamartine
4 rue du Dauphiné- (F) 69120 Vaulx en Velin - France.

It may be transferred to any other location within the department or a nearby department further to a simple resolution from the Board, subject to ratification by the earliest Ordinary General Meeting, and every other location by virtue of a resolution from the Extraordinary Shareholders' General Meeting. The Board may set up administrative seats, subsidiaries, offices and branches in all places without any derogation related to the choice of jurisdiction as provided in these bylaws.

ARTICLE 5 - DURATION

The duration of the Company is sixty (60) years as of the date of incorporation of the Company recorded in the Trade and Corporate Registry unless an anticipated dissolution or a prorogation is decide as provided for in these bylaws.

TITLE II
REGISTERED CAPITAL

ARTICLE 6 - REGISTERED CAPITAL

The registered capital is fixed at the amount of three million three hundred and fifty-five thousand four hundred and ninety-three euros and five cents (Euros 3,355,493.05) divided into twenty-five million eight hundred eleven thousand four hundred and eighty-five (25,811,485) shares with a nominal value of thirteen cents (Euros 0.13) each, fully paid up.

ARTICLE 7 - INCREASE OF THE REGISTERED CAPITAL

The registered capital may be increased once or several times through the creation of new shares, representing contributions in kind or contributions in cash, the transformation of available corporate reserves into shares or through any other mean by virtue of a resolution from the Extraordinary Shareholders' General Meeting. Such meeting shall fix the conditions for the issuing of new shares within the framework of the legal provisions in force, or delegate its powers for such purpose to the Board. As a representation of capital increases may be created, either shares similar to the existing ones, or shares of a totally different type which may, within the conditions provided by law, grant a preferential right or whatever privilege on the other shares. The Board has all powers to negotiate, if any, with any bank or financial syndicate to facilitate or guarantee the issuance of shares as mentioned here above complying with any legal provision, in particular as far as preferential rights of subscription for the benefit of the older shareholders are concerned.

No capital increase in shares paid up in cash may however be implemented if the existing capital has not been priorly fully paid up. Capital increases must be implemented within five years as of the date on which the Shareholders' General Meeting has taken or authorized such resolution.

Capital increases may occur through the issue of shares with a premium. That premium of which the total amount shall have to be paid at the time of the subscription of the shares shall not be regarded as a profit to be distributed under operating profit; it shall represent an additional payment to the capital in shares and shall belong exclusively to all shareholders, except otherwise provided for by the Ordinary or Extraordinary Shareholders' Meeting.

In case of an increase through the issue of shares payable in cash, and unless otherwise provided further to a resolution from the Extraordinary Shareholders' General Meeting, the owners of existing shares who have duly contributed as they were called up shall receive in proportion to the amount of these shares, a preferential right to subscribe to the new shares. The Board shall determine the manner in which that right shall be exercised and its validity period in compliance with (French) law; it shall be negotiable under the same conditions as the shares during the subscription.

Those shareholders who, due to the number of shares they hold, may not obtain a new share or a full number of new shares, shall be entitled to group to exercise their right but however no joint subscription may result from such a grouping.

ARTICLE 8 - CAPITAL REDUCTION

The Extraordinary Shareholders' General Meeting may also decide a reduction of the registered capital for whatever reason and in whatever manner, in particular through the reimbursement to the shareholders of a repurchasing of the corporate shares or the exchange of old shares by new shares, for the same or a lower number of shares, with or without the same nominal amount and, if any, the obligation of selling or buying old shares to enable the exchange or also through the payment of a balance in cash.

The General Meeting may also delegate to the Board all powers to implement the capital reduction.

The Auditors shall be informed on the project of capital reduction at least forty five days prior to the Meeting. The General Meeting shall decide on the report from the Auditors who shall provide their appreciation on the causes and the conditions of the operation.

When losses do not motivate the capital reduction, creditors may within a period of thirty days as of the date of the filing with the Clerk of the Trade Court of the minutes of the resolution from the General Meeting who decided or authorized the reduction, oppose to the reduction. The opposition is brought before the Trade Court.

TITLE III
SHARES

ARTICLE 9 – PAYMENT OF THE SHARES

At the time of capital increase, the shares to be subscribed in cash must be paid up of at least one fourth at the time of the subscription. The balance of payments shall be paid within a maximum of five years, as of the day on which the capital increase shall have become effective, in one or several times, at the times and in the proportions determined by the Board. The calling up of capital contributions shall be communicated to the shareholders by registered letter at least fifteen days prior to the date fixed for each payment.

The shares contributed in cash as part of the capital increases may be paid up partly or totally through the compensation of a debt which is fixed, liquid and due to the company.

The Board may authorize at any time the shareholders to prepay the amount of their shares which are not yet called up.

Should the shareholders not proceed with the payments on the set dates, the interest of the amount of these payments shall run by law for each day of delay at a rate of 12% per annum as of the date of payment fixed in the registered letter above mentioned and without a claim or formal notice being necessary.

If within the period fixed at the time of calling up the capital, some shares have not been paid up from the required payments, the Company may, one month after a special formal individual notice notified to the defaulting shareholder - by registered letter or extra judicial writ – offer, to the other shareholders, the shares to be paid up by registered letter sent to each of them.

To implement this preemptive right, the Board shall have, upon the expiration of the fixed time limit, at the time of the calling up of capital, to offer to the shareholders the shares to be paid up by registered letter sent to each of them.

If several shareholders are purchasers, the shares shall be distributed among them in proportion to their rights in the Company.

If such a proportional distribution is not possible, the remaining shares shall be distributed through draw lots.

If within a time limit of one month further to the shareholders having been warned, some shares are still not paid up, the Company may sale them within the terms and conditions stipulated under Section L.228-27 of the French Commercial Code through the decree of March 23, 1967 referred to for its application.

The sale of the shares shall be carried in public auctions by a stock broker or a public notary. For such purpose, the Company shall publish in a legal gazette within the department of the registered offices, at least thirty days further to the notice scheduled in the previous paragraph, a notice concerning the sale of the shares. It shall inform the debtor and, if any, its co-debtors, of the sale by a registered letter containing indications on the date and the issue number of the gazette in which the publication has been made. The sale of the shares may not take place less than fifteen day as from the sending of the registered letter.

The Company shall be entitled to the net proceeds of the sale up to the due amount and shall be deducted from the principal amount and interests due by the defaulting shareholder before the reimbursement of the costs incurred by the company to realize the sale. The defaulting shareholder remains debtor or benefits from the difference.

Upon the expiration of the time limit as scheduled in the fifth paragraph above, the shares not paid up from the required payments shall stop permitting the admission and the voting rights in shareholders meetings and shall be deducted for the counting of the quorum. The right to the dividends and the preferential right of subscription shall be suspended. If the shareholder pays up the principal sum and its interests, he/she may ask for the payment of non prescribed dividends but he/she may not exercise an action under a preferential right of subscription to a capital increase after the expiration of the time limit fixed for the exercise of that right.

ARTICLE 10 – LEGAL FORM AND CONDITIONS OF VALIDITY OF SHARES

The shares are compulsorily issued by the Company as registered shares and are materialized through a registration into the accounts of the Company.

The share accounts are kept under the conditions and terms provided by law, by the Company or any other authorized Agent the name or denomination and address of which shall be published in the "*Bulletin des Annonces Légales Obligatoires*" (Bulletin for compulsory legal announcements).

The share accounts mention:

- the identification data of natural persons or legal entities in the name of whom they have been opened and, if any, the legal nature of their rights or incapacities ;
- the name, the category, the number and, if any, the nominal value of the registered shares;
- the restrictions which may concern these shares (pledge, escrow account, etc...).

Whenever the shares are not fully paid upon subscription, the payments on these shares are put in and witnessed as such by a certificate.

Each share gives right to a part of the ownership of the Company's assets, in proportion with the number of issued shares. Besides, it gives right to a part of profits as stipulated under Article 27 hereinafter.

Shareholders are only responsible up to the amount of shares they possess and above that amount, any calling up of capital is forbidden. They cannot be subject to any restitution of interests or dividends which were regularly distributed.

ARTICLE 11 - SHARE TRANSFERS

Shares may be freely traded under the conditions defined by law. In the event of a capital increase, the shares may be traded from the completion thereof.

Shares shall remain negotiable following the Company’s dissolution, and until the closing of its liquidation.

ARTICLE 12 - INDIVISIUM OF SHARES - SEALS

In respect of the Company the shares are indivisible. Joint owners of a share shall be represented before the Company by a single person they shall have appointed further to a common agreement.

Whenever the ownership of several existing shares shall be necessary to exercise any right whatsoever and in particular to exercise the preferential right as here above provided for, or still, in the case of exchange or attribution of the shares further to an operation such as: capital reduction, capital increase by incorporation of reserves, merger, entitling to a new share against providing existing shares, isolated shares or shares in a number lower than the one required shall grant no right to the holder against the Company ; shareholders shall be personally responsible for the regrouping of the necessary number of shares.

The heirs, representatives or creditors of a shareholder shall under no circumstances whatsoever neither call for the seals on the Company's assets and documents requesting the partition or the sale by auction of a lot held by indivisium, nor interfere in whatever manner in its management ; they must - for the exercise of their rights - refer to the corporate inventories/ books and the decisions from the General Meeting.

All shares which form or shall form the registered capital shall always be assimilated to one another as regards tax costs. Consequently, all duties and taxes which for whatever reason could - with respect to any reimbursement of capital of these shares, or more generally, any distribution of their profit become claimable for only some of them, either during the existence of the Company or during its winding-up, shall be distributed among all shares representing the capital at the time of that or those reimbursements or distributions in such a way that all current or future shares shall confer on their owners - whilst taking into account the nominal amount of shares and rights not amortized of different categories, the same effective privileges giving them the right of receiving the same net amount.

TITLE IV
MANAGEMENT OF THE COMPANY

ARTICLE 13 – BOARD OF DIRECTORS

The Company is managed by a Board of Directors made up of individuals or legal persons whose number is determined by the Ordinary Shareholders Meeting within the limits provided for by the law.

A legal entity must, at the time of its appointment, designate an individual who will be its permanent representative at the Board of Directors. The duration of the office of this permanent representative is the same as that of the Director legal body he/she represents. In the event the legal body revokes its permanent representative, it must replace said representative immediately. The same rules apply in case of death or resignation of the permanent representative.

Each Director must own at least one share during his term of office. However there is no minimal obligation if the Director is, at the same time, a shareholder linked to the Company with an employment contract.

If - at the time of his/her appointment - the Director does not own the requested number of shares or if during his/her term, he/she no longer owns the requested number of shares, he/she is considered to have automatically resigned, if he/she has failed to regularize his/her situation within three months.

The Directors' term of office is for six years; one year being calculated as the period in between two consecutive annual Ordinary General Shareholders Meetings. The tenure of a Director terminates at the end of the Ordinary General Shareholders Meeting which meets to vote upon the accounts of the then preceding fiscal year and is held in the year during which the office of said Director comes to an end.

The Directors may always be re-elected, they may also be revoked at any time by the Shareholders' General Meeting.

An individual person cannot to hold more than five positions as a member of a Board of Directors or a member of a Supervisory Board in companies registered in France; the directorship held in controlled companies (as defined by Section L.233-16 of the French Commercial Code) by the Company, are not taken into account.

In case of death or resignation of one or several Director(s), the Board of Directors may make (a) provisional appointment(s), even between two General Shareholders Meetings.

Any such provisional appointment(s) made pursuant to the previous paragraph need to be ratified by the next following Ordinary Shareholders' General Meeting.

Failing ratification, the resolutions and acts approved beforehand by the Board remain nonetheless valid.

When the number of Directors falls below the compulsory legal minimum, the remaining directors must summon immediately the Ordinary General Shareholders Meeting, in order to reach the full complement of the Board.

Any Director appointed in replacement of another Director whose tenure has not expired remains in office only for the remaining duration of the tenure of his predecessor.

An employee of the Company may be appointed as a Director. His/her contract of employment must however correspond to an effective work. In this case, he/she does not loose the benefit of his/her employment contract.

The number of Directors who are also linked to the Company by an employment contract can not exceed one third of the Directors in office or five members.

Directors cannot be more than eighty five years old. In case one of the Directors reaches this limit during his/her office, the older Director is automatically considered as having resigned at the next General Shareholders Meeting.

ARTICLE 14 - MEETINGS OF THE BOARD

14.1. The Board of Directors meets as often as the interests of the Company require.

14.2. The Chairman summons the Directors to the Meetings of the Board. The notification of the Meetings may be made by all means, whether oral or written.

Furthermore, if there has not been a Board Meeting for two months, members of the Board representing at least one third of the members of the Board, or the Chief Executive Officer, may validly require the President to summon the Board. In such a case, they must indicate the agenda for the meeting.

In case a Labor Committee exists, the representatives of this committee - appointed pursuant to the Labor Code - must be invited to every meeting of the Board.

The meeting takes place either at the registered office or at any other place in France or abroad.

14.3. For the resolutions of the Board of Directors to be valid, at least one half of its members must be present.

Within the limits set out by Section L.225-37, paragraph 3 of the French Commercial Code and subject to the setting up of internal rules, the Board will be entitled to take into account for its quorum and majority rules, the participation of Directors by means of videoconference, still in respect of the legal provisions.

Any decision granting options to purchase new or existing shares of the Company to a Director who is also an employee, to the President or to the Chief Executive Officer of the Company (when he/she is also a Director), within the framework of an authorization given by the Extraordinary Shareholders' General Meeting, pursuant to Sections L.225-177 et seq. of the French Commercial Code, shall be taken by a majority vote among the Directors who are present or represented. The concerned Director as well as any other Director who is likely to be granted similar options cannot take part in the vote.

The resolutions of the Board shall be taken at a majority vote ; in case of a split decision, the President has casting vote.

14.4. Any Director may grant a proxy – even by letter, telegram, telex or fax – to any other Director to represent him/her at a Board Meeting; however, each Director is not allowed to have more than one proxy per meeting.

14.5. The copies or abstracts of the minutes of the Board of directors are certified by the Chairman of the Board, the Chief Executive Officer, the Director temporarily delegated in the duties of President or by a representative duly authorized for that purpose.

ARTICLE 15 - POWERS OF THE BOARD

The Board of Directors defines the orientations of the Company's activity and supervises their implementation. Within the limits set out by the corporate purposes, and the powers expressly granted by law to the General Shareholders Meeting, the Board may deliberate upon the business of the Company and take any decisions thereof.

ARTICLE 16 - CHAIRMAN

The Board elects one of its members as Chairman of the Board, who must be an individual. The Board determines the duration of the office of the Chairman: it cannot exceed that of his/her office as a Director. The Board may revoke the Chairman at any time. The remuneration of the Chairman is decided by the Board of Directors.

The Chairman represents the Board and organizes its work. The General Shareholders' Meeting must be informed of this work, by the Chairman. The Chairman is responsible for the good functioning of the Company's organization and, in particular, has to check the ability of the Board members to perform their mission.

Pursuant to Section 706-43 of the French criminal proceedings Code, the Chairman may validly delegate to any person he/she chooses the powers to represent the Company within the framework of criminal proceedings which might be taken against the Company.

The Chairman of the Board of Directors cannot be over eighty five years old. In case the Chairman reaches this limit during his/her tenure, he/she will automatically be considered as having resigned. However, his/her tenure is extended until the next Board of Directors Meeting, during which his/her successor shall be appointed. Subject to this provision, the Chairman of the Board may always be re-elected.

ARTICLE 16 bis - CHIEF EXECUTIVE OFFICER

The general management of the Company is performed, under his responsibility, either by the Chairman of the Board or by another individual, elected by the Board and bearing the title of Chief Executive Officer.

The choice between these two methods of management belongs to the Board and must be made as provided for by these bylaws.

Shareholders and third parties will be informed of this choice in the conditions set out by the decree n° 2002-803 of May, 3rd, 2002.

The Chief Executive Officer is vested with the most extensive powers to act under all circumstances on behalf of the Company, within the limits set out by the corporate purposes, and subject to the powers expressly granted by law to the Board of Directors and the General Shareholders Meeting.

The Chief Executive Officer represents the Company with third parties. The Company is bound by the acts of the Chief Executive Officer overcoming the corporate purposes, unless proven that the third party knew such act overcame the corporate purposes or could not ignore so in light of the circumstances; yet, the sole publication of the bylaws is not enough to constitute a sufficient evidence thereof.

The remuneration of the Chief Executive Officer is decided by the Board of Directors. The Chief Executive Officer can be revoked at any time by the Board of Directors. If this revocation is not justified, damages may be allocated to the Chief Executive Officer, except when the Chief Executive Officer is also the Chairman of the Board.

The Chief Executive Officer may not hold another position as Chief Executive Officer or member of a Supervisory Board in a company registered in France except when (i) such company is controlled (as referred to in Section L.233-16 of the French Commercial Code) by the Company and (ii) when this controlled company's shares are not quoted on a regulated market.

The Chief Executive Officer cannot be over seventy years old. In case the Chief Executive Officer reaches this limit during his/her tenure, he/she will automatically be considered as having resigned. However, his/her tenure is extended until the next Board of Directors meeting, during which his/her successor shall be appointed.

ARTICLE 17 - DEPUTY CHIEF EXECUTIVE

Upon the Chief Executive Officer's proposal, the Board of Directors may appoint one or several individual(s) as Deputy Chief Executive(s) with the aim of assisting the Chief Executive Officer.

The Deputy Chief Executive may be revoked at any time by the Board, upon proposal of the Chief Executive Officer.

In agreement with the Chief Executive Officer, the Board of Directors shall determine the scope and duration of the powers delegated to the Deputy Chief Executive. The remuneration of the Deputy Chief Executive is decided by the Board of Directors.

Towards third parties, the Deputy Chief Executive has the same powers as the Chief Executive Officer, among which the ability to represent the Company in court.

The Deputy Chief Executive Officer cannot be over seventy years old. In case a Deputy Chief Executive Officer would reach this limit during his/her office, he/she would automatically be considered as having resigned. However, his/her office is extended until the soonest Board of Directors meeting, during which his/her successor shall be appointed.

In any case, the maximum number of Deputy Chief Executive(s) cannot exceed five.

ARTICLE 18 - AGREEMENTS SUBJECT TO AUTHORIZATION

18.1. Securities, endorsement of drafts and guarantees provided for by the Company shall be authorized by the Board of Directors in compliance with the conditions provided for by the law.

18.2. Any agreement to be entered into - either directly or indirectly or through an intermediary - between the Company and one of its Directors, its Chief Executive Officer or Deputy Chief Executive, one of its shareholders holding more than 5% of the voting rights or, if it is a company, the company controlling it (as referred to in the Section L.233-3 of the French Commercial Code) is subject to a prior authorization of the Board of Directors. The same authorization applies to the agreements in which these persons are indirectly interested.

Such prior authorization is not required for agreements which, even though they are entered into by the above mentioned persons, concern usual operations which have been entered into on standard conditions. Nevertheless, such agreements have to be reported to the Chairman by the concerned person. Furthermore, the lists and purposes of these agreements shall be communicated by the Chairman to the Board of Directors and to the Statutory Auditors.

The same shall apply for agreements between the Company and another company, whenever one of the Directors, Chief Executive Officer(s) or Deputy Chief Executive(s) of the Company is the owner, a partner with unlimited liability, a manager, Director, Chief Executive Officer, member of the Executive Board or Supervisory Board of said company.

The prior authorization of the Board of Directors is required pursuant to the conditions provided for by law. It being specified that said director shall not be taken into account for the quorum calculation and that his/her vote shall not be taken into consideration for the calculation of the majority.

ARTICLE 19 - PROHIBITED AGREEMENTS

Directors who are not legal bodies are prohibited from taking out loans from the Company, under any form whatsoever, from getting an overdraft on a current account or otherwise, and benefiting from a guarantee from the Company for the agreements they have entered into with third parties.

The same prohibition applies to Chief Executive Officers, Deputy Chief Executives and to permanent representatives of the Directors legal bodies. It also applies to spouses, ascendants and descendants of the persons referred to in the previous paragraph, as well as to any interposed person.

TITLE V
AUDITORS

ARTICLE 20 - AUDITORS

The Ordinary Shareholders' General Meeting shall appoint one or two Auditors and substitute Auditors for a duration under the conditions and for the task complying with (French) Law.

The Auditors are appointed for six fiscal years. Their mandate ends at the time of the General Meeting deciding upon the statements of the sixth fiscal year.

The Auditor appointed to replace another shall only remain in service until the expiration of the mandate of his predecessor.

Auditors are indefinitely re-eligible.

One or several shareholders representing at least one twentieth of the registered capital may ask in court the objection to one or several Auditors appointed by the meeting and the designation of one or several other Auditors who shall provide their services replacing the objected Auditors. Under penalty of unacceptability of the request, the latter shall have to be made before the President of the Commercial Court who shall rule in chambers within a period of thirty days as from the rejected nomination.

The Auditors must be called at the Board meeting during which the accounts of the ended financial year shall be closed and at all shareholders meetings.

ARTICLE 21 - EXPERTISE

One or several shareholders representing at least one twentieth of the registered capital may ask to the President of the Commercial Court to rule in chambers to designate an expert in charge of presenting a report on one or several management operations.

The report from the expert possibly appointed must be sent to the petitioners, to the Board, to the *Ministère Public ("Attorney General")*, to the Labor Committee and to the COB (*French SEC*) ; it shall also be attached to the report from the Auditor(s) prepared for the forthcoming General Meeting and should be granted the same advertising.

TITLE VI
GENERAL MEETINGS

ARTICLE 22 - GENERAL RULES

1) The annual Ordinary General Meeting shall have to meet every six month, following the end of each financial year subject to an extension of that period further to a court decision.

2) Extraordinary Shareholders' General Meetings or Ordinary Shareholders' General Meetings called up extraordinarily may also be called up further to a notice from either the Board or the Auditors or the Agent designated by the court upon the petition of the Labor Committee or any interested person in case of an urgent matter or one or several shareholders representing at least one twentieth of the registered capital.

3) The General Meetings are held at the head office or in any other place indicated in the notice which may even be out of the department of the head office.

   In case of an urgent matter, the Labor Committee may go to court and ask for the appointment of an Agent who will be in charge of convening the Shareholders' General Meeting.

   The Labor Committee may also require the registration of resolution proposals on the agenda.

   Two members of the Labor Committee, one from the *"cadres techniciens et Agents de maîtrise"* category, and one from the "*employés et ouvriers"* category, may be appointed by the Labor Committee in order to assist to the Shareholders' General Meetings. Upon their demand, they must be listened to during for all deliberations requiring an unanimous vote from the shareholders.

4) The notices for General Meetings are sent to each shareholder at least fifteen days prior to these meetings either by simple mail or registered mail.

   Should the General Meeting not have been able to decide validly due to the failing of the required quorum, a second meeting is called up the same way as the first one and the calling up notice shall remind its date. However the time limit for such a notice is reduced to six days.

5) The calling up notice shall indicate the corporate name possibly followed by its acronym, the corporate form, the amount of registered capital, the address of its registered offices, the corporate identification numbers with the French Trade Registry and the National Institute of Statistics and Economic Surveys (Institut National de la Statistique et des Etudes Economiques INSEE), the dates, hour and place of the meeting and its nature, extraordinary, ordinary or special together with its agenda.

   Subject to miscellaneous questions which should be of no major importance, questions indicated on the agenda are mentioned in such a manner that their content and scope appear clearly without having to refer to other documents.

One or several shareholders may under the conditions provided in Sections 128 to 131 of the decree n° 67-236 dated March 23rd, 1967 require the recording on the agenda of resolution projects which do not concern the presentation of candidates to the Board.

The Meeting cannot deliberate on a question which is not listed on the agenda; however, it may in all circumstances revoke one or several members from the Board and proceed with their replacement.

The Meeting agenda cannot be modified on the second calling up.

6) All shareholders attend the General Meeting whatever the number of their shares as long as they have been paid up for required payments.

7) A shareholder can only be represented by another shareholder or his/her spouse who may not be a shareholder.

The mandate is granted for a single meeting ; however it can be granted for two meetings, an ordinary meeting and an extraordinary meeting held on the same day or within a period of seven days.

The mandate granted for a meeting is valid for successive meetings called up covering the same agenda.

The following documents must be attached to any proxy form sent to the shareholders :

- the meeting agenda
- the text of the projects of resolutions presented by the Board and if need be by the shareholders or the Labor Committee.
- a summary on the corporate situation during the ended financial year with a chart on the corporate results during the past five financial years or each of the financial years since the incorporation of the Company if their number is inferior to five.
- a form for the sending of the documents and information listed under article 135 of the decree mentioned here above, informing the shareholder that he/she may obtain by simple request the automatic sending of the documents and information mentioned above for each forthcoming Shareholders' Meetings.

The proxy form must inform the shareholder in a very clear manner that failing any indication of Agent, a favorable vote shall be issued in his/her name to adopt the resolution projects presented or consented by the Board. To issue any other vote, the shareholder must chose an Agent who accepts to vote in line with his/her mandate.

The proxy must be signed by the represented shareholder and indicate his/her name, usual first name and domicile, the number of shares he/she holds and the number of votes related to his/her shares.

The Agent namely designated on the proxy may not a substitute another person to him/herself.

8) The Meeting is presided over by the Chairman of the Board of Directors or, if he/she is absent, by a director duly delegated for that purpose by the Board. Otherwise, the Meeting elects its own president.

The two members of the meeting with most votes shall, if they accept that position, fulfill the tasks of scrutinizers

The Meeting Committee designates the secretary who may be selected among persons who are not shareholders.

9) An attendance sheet is kept and contains:

- the name, usual first name and domicile of each shareholder, attending or represented, the number of shares he/she holds and the number of votes related to these shares.
- the name, usual first name and domicile of each Agent, the number of shares represented by his/her mandates and the number of votes related to his/her shares.

Comments on the represented shareholders may not be mentioned on the attendance sheet provided the powers are attached thereto and their number is indicated.

The Meeting Committee shall certify as true the attendance sheet duly signed by the present or represented shareholders.

10) Secret ballot vote shall be adopted whenever claimed by the Meeting Committee or members of the meeting representing more than half of the registered capital represented at that Meeting.

11) For all meetings, the quorum is counted on the total amount of shares forming the registered capital deducting those which are not entitled to the voting right by virtue of the legislative or regulatory provisions.

12) Each member of the meeting has as much votes as he/she possesses and represents shares, both under his/her personal name and as Agent, without limitations. However, in meetings held for the checking the shares invested in kind or specific advantages, each shareholder may not dispose of more than ten votes.

In the case of beneficial ownership, the right to vote related to the share belongs to the beneficial owner in Ordinary General Meetings and to the bare owner in Extraordinary or Special General Meetings.

The joint owners of shares must be represented by only one among them or by a sole Agent.

Finally, the owner of the securities pledged again shall have the right to vote.

13) Minutes shall witness resolutions voted in General Meetings and shall contain the required comments on a special register kept in the registered office under the conditions provided here above and signed by the members of the Board Committee.

Copies or extracts of the minutes of the General Meeting are validly certified by the Chairman of the Board, a Director duly empowered to act as a Chief Executive Officer, or by the secretary of the meeting.

14) Shareholders exercise their rights related to communications and copies under the conditions provided by law.

15) The votes of the Shareholder attending to the meeting by means of videoconference or telecommunications, according to regulatory provisions, shall be taken into account for the calculation of the quorum and the majority of the said meeting.

ARTICLE 23 - EXTRAORDINARY GENERAL MEETINGS

The Extraordinary Shareholders' General Meeting is alone entitled to modify bylaws as far as all their provisions : any contrary clause shall be declared void. However, it may not increase shareholders' commitments subject to operations resulting from a regrouping of shares regularly carried out.

The Extraordinary Shareholders Meeting may only deliberate under the quorum criteria provided by the relevant provisions of the French Commercial Code.

Resolutions shall be adopted by the majority of two third of the voting rights of the attending or represented shareholders, including the shareholders voting by mail.

ARTICLE 24 - ORDINARY GENERAL MEETINGS

The Ordinary Shareholders' General Meeting takes all decisions except those which are of the competence of the Extraordinary Shareholders' General Meeting.

The Ordinary Shareholders Meeting may only deliberate under the quorum criteria provided by the relevant provisions of the French Commercial Code.

It shall act by a majority of votes owned by the attending or represented shareholders, including the shareholders voting by mail.

TITLE VII
INVENTORIES - PROFITS - RESERVES

ARTICLE 25 - COMPANY'S FISCAL YEAR

Each fiscal year shall cover a period of twelve months starting on January 1st and ending on next December 31st.

ARTICLE 26 - INVENTORY – ACCOUNTS

Regularly accounting of corporate operations is held in compliance with Law.

At the end of the each fiscal year, the Board draws up an inventory and the financial statements.

A management report is prepared on the situation of the Company over the last fiscal year, its expected evolution, the major events which occurred between the date of the end of the last fiscal year and the date on which the management report is prepared and on its activities in research and development.

All these documents are made available to the Auditors disposal according the provisions set forth by the law.

ARTICLE 27 - FIXING, ALLOCATION AND DISTRIBUTION OF PROFITS

On the profit of each fiscal year subject to reduction of the amount of the previous law, an amount equal to 5 % of it shall be allocated in order to constitute the legal funds ; such allocation is no longer compulsory when the said funds amount to 10 % of the registered capital ; should the amount of the legal funds become inferior of the registered capital, such allocation should have to be implemented.

The General Meeting may allocate any amount to the appropriation of all optional, ordinary or extraordinary funds or carrying it forward.

The profit of the fiscal year reduced by the amount of previous losses and by the amount to be allocated to the reserves according any legal provisions or bylaws and increased by the amount of the carried forward profit constitutes the distributable profit.

Further to the approval on the financial statement and the determination of the distributable amounts, the General Meeting decides the amount of the dividends to be distributed to the shareholders. The General Meeting may also decide on the distribution of amounts appropriated from the reserves it has available either to provide or complete dividends or as extraordinary distribution ; in such a case, the decision shall expressly indicate the reserve items from which the distributions are made. However, the dividends have to be priorly distributed from the distributable profit of the current fiscal year.

ARTICLE 28 - PAYMENT OF DIVIDENDS

The terms and conditions of payment of dividends voted by the General Meeting are decided by the relevant meeting or, failing such decision, by the Board. However, the payment must occur within a period which can not exceed nine months from the end of the fiscal year unless a court decision authorizes an extension of such time limit for payment.

Dividends which are not claimed within five years from their maturity date shall be bared.

TITLE VIII
EXTENSION - DISSOLUTION - WINDING UP

ARTICLE 29 - EXTENSION

At least one year prior to the expiration date of the Company, the Board must convene a Extraordinary Shareholders' General Meeting to decide the prorogation of the Company; such prorogation may not exceed 99 years.

Failing such Extraordinary Shareholders' General Meeting, any shareholder may fifteen days further to a formal notice sent to the Chairman of the Board, by registered letter remaining unsuccessful, request from the courts the appointment of a Agent in charge of convening the meeting here above.

ARTICLE 30 - DISSOLUTION

The Extraordinary Shareholders' Meeting may, at any time, decide the accelerated dissolution of the Company.

If - as a consequence of the losses showed by the Company's accounts, the net assets of the Company are reduced below one half of the registered capital of the Company, the Board of Directors must, within four months from the approval of the accounts showing this loss, convene an Extraordinary Shareholders' General Meeting in order to decide whether the Company should be dissolved before its statutory term.

If the dissolution is not declared, the registered capital must - at the latest at the closing of the second fiscal year following that which has showed the losses and subject to the legal provisions concerning the minimum capital of *sociétés anonymes* be reduced by an amount at least equal to the losses which could not be charged on reserves, if during that period the net assets have not been restored up to an amount at least equal to one half of the capital.

Failing such meeting of the Extraordinary Shareholders' General Meeting as well as when the meeting has not been able validly to take its resolutions, any person with an interest to do so may file a claim before a court for the dissolution of the Company.

The Company is in liquidation at the time of its dissolution, whatever the reason. Its legal personality remains for the needs of the liquidation until it is closed.

During the liquidation, the General Meeting keeps the same powers as when the Company existed.

The shares remain negotiable until the liquidation is closed.

The dissolution of the Company is opposable to third parties only as from the date when the dissolution is published at the Trade and Corporate Registry.

ARTICLE 31 - WINDING UP

The winding up of the Company shall be carried out under the conditions provided for sectuions L.237-1 to L.237-31 of the French Commercial Code and under the provisions of the decree of March 23rd, 1967 referred to for their application.

Further to the extinction of the liabilities, the reimbursement of the shares nominal (registered) capital shall be carried out. The liquidation bonus shall be distributed to the shareholders in a due proportion of their respective rights.

TITLE IX
DISPUTES - ELECTION OF DOMICILE

ARTICLE 32 - DISPUTES

Any disputes arising during the existence or the winding up of the Company either between the shareholders and the company or between the shareholders themselves and related to corporate matters shall be submitted to the Courts of the location of the registered office.

Bail Commercial

Entre :

MAISON ANTOINE BAUD

&

EDAP TMS FRANCE

Locaux situés :
4 rue du Dauphiné, bâtiment B - VAUX-EN-VELIN (69120)

Sommaire

Entre les Soussignées :

§ **La Société MAISON ANTOINE BAUD,**
Société Anonyme au capital de 3.096.336 €,
dont le siège social est à COURNON D'AUVERGNE (Puy de Dôme), Zone Industrielle les Acilloux,
Immatriculée au Registre du Commerce et des Sociétés de CLERMONT-FERRAND sous le numéro 855 201 521,

Représentée par Monsieur Patrick DUPRE, en sa qualité de Directeur Général de la société.

Ci-après dénommée "LE BAILLEUR",

D'une part.

Et

§ **La société EDAP TMS FRANCE**,
Société par actions simplifiée au capital de 6 818 751 €,
Dont le siège social est situé 4 rue du Dauphiné – Parc d'Activité La Poudrette Lamartine à VAUX-EN-VELIN (69120)
Immatriculée au Registre du Commerce et des Sociétés de LYON sous le numéro 394 804 447,

Représentée par Monsieur Eric Soyer, en sa qualité de Directeur Général.

Ci-après dénommée "LE PRENEUR",

Reconnaissant avoir été informée par la Société d'Avocats ID3 AVOCATS dès l'établissement du premier projet, conformément à la déontologie de la profession d'Avocat :

- ***que ID3 AVOCATS intervient en qualité de Conseil du seul Bailleur dans le cadre de la rédaction des présentes,***
- ***que la société EDAP TMS FRANCE a la possibilité d'être conseillée et de se faire assister par un autre avocat,***

Et déclarant qu'elle a pris acte de ces informations et ne souhaite pas bénéficier des conseils et de l'assistance d'un tiers, avocat ou non.

D'autre part.

Il a été préalablement exposé ce qui suit :

Aux termes d'un acte sous seing privé en date à Lyon (69) du 10 octobre 2002, la société MAISON ANTOINE BAUD a consenti un bail commercial à la société TMS, portant sur les locaux situés à VAUX-EN VELIN (69120), 4 rue du Dauphiné, pour une durée de neuf années à compter du 1er octobre 2002.

Aux termes de deux avenants en dates du 15 octobre 2002 et du 28 juin 2004, les parties ont complété la clause relative à l'assurance, ont supprimé de la surface louée le lot C3 à usage d'archives, représentant une superficie de 410 m² dans le bâtiment C, et ont ajouté le lot B2 représentant une superficie de 825 m² dans le bâtiment B, à compter du 30 juin 2004.

Le bail dont il est fait mention ci-dessus étant arrivé à expiration, les parties ont procédé à son renouvellement suivant acte sous seing privé en date du 1er novembre 2011, pour une durée de 9 ans à effet du 1er octobre 2011.

Aux termes d'un avenant en date du 27 mars 2012, les parties ont complété la clause « Assurance ».

Aux termes de différents échanges intervenus entre les Parties depuis cette date, le BAILLEUR a accepté de prendre en charge un ensemble de travaux offrant notamment une meilleure performance énergétique du bâtiment, sous réserve de la conclusion d'un nouveau bail aux conditions définies ci-après.

Ceci exposé, il a été convenu ce qui suit :

Résiliation amiable du bail en cours

Les Parties conviennent de résilier le bail conclu antérieurement entre elles, avec effet à la date d'entrée en vigueur des présentes telle qu'elle est définie à l'article 2 ci-après.

Cette résiliation est convenue sans indemnité de part ni d'autre.

Compte tenu du nouveau bail conclu par ailleurs entre les Parties aux conditions ci-après, incluant les locaux objet du bail d'origine, il ne sera procédé à aucune notification aux éventuels créanciers inscrits du PRENEUR.

Bail Commercial

Par les présentes, le BAILLEUR donne à bail à loyer, au profit du PRENEUR qui accepte, les biens immobiliers dont la désignation suit et situés à VAUX-EN-VELIN (69120).

Le bail a été consenti et accepté sous les charges, clauses et conditions suivantes que le PRENEUR s'est engagé à respecter sous peine de résiliation immédiate sans préjudice de toutes autres indemnités et dommages intérêts.

1. Désignation

Le local ci-après désigné, dépendant d'un Ensemble Immobilier sis à VAUX-EN-VELIN (69120), 4 rue du Dauphiné, bâtiment B, comprenant :

- Locaux à usage de bureaux et d'activité (lots B1, B6-B7, B4-B5, B3) d'une superficie totale d'environ 3 325 m² ;
- Locaux à usage de stockage d'archives (lot B2) d'une superficie d'environ 825 m².

Ainsi au surplus que le local sus-désigné existe et se comporte, avec toutes ses aisances et dépendances, sans exception ni réserve, et tel qu'il figure au plan demeuré ci-annexé (**ANNEXE 1**) après mention et visa des requérants.

Le PRENEUR déclare bien connaître les locaux pour les occuper depuis 2002.

2. Durée – Bail de 10 ans dont 9 ans ferme

Le présent bail est consenti et accepté pour une durée ferme commençant à courir le 1er juillet 2015, pour se terminer le 30 juin 2025.

Le présent bail étant conclu pour une durée ferme égale à dix ans, le PRENEUR n'aura pas la faculté de donner congé à l'expiration de chaque période triennale, ce qui est expressément accepté par lui et constitue une condition déterminante du consentement du BAILLEUR aux présentes. Il retrouvera cette faculté à l'échéance du bail.

Le BAILLEUR, en revanche, bénéficiera de cette faculté s'il entend invoquer les dispositions des articles L. 145-18, L. 145-21 et L.145-24 du Code de Commerce afin de construire ou de reconstruire l'immeuble existant, de le surélever ou d'exécuter des travaux prescrits ou autorisés dans le cadre d'une opération de restauration immobilière.

La partie qui souhaitera mettre fin au bail dans l'un ou l'autre des cas visés ci-avant devra donner congé par acte extrajudiciaire, ou lettre recommandée avec demande d'avis de réception, au moins six mois avant l'expiration de la période en cours.

3. Destination des lieux loués

Les locaux présentement loués devront servir exclusivement à l'activité du PRENEUR, savoir la recherche de dispositifs électroniques, informatiques pour le traitement des matériaux, études d'appareillages, fabrication, commercialisation d'appareils médicaux de haute technologie.

Les adjonctions d'activités connexes ou complémentaires ainsi que l'exercice dans les lieux loués d'une ou plusieurs activités différentes ne seront possibles que dans les conditions fixées aux articles L. 145-47 et L. 145-55 du Code de Commerce.

Il est expressément convenu entre les Parties que les lieux loués ne sont pas destinés à accueillir une activité dont les caractéristiques ou le mode d'exploitation seraient de nature à rendre applicable la règlementation relative aux installations classées pour la protection de l'environnement (ICPE).

Le PRENEUR s'oblige en conséquence à exercer son activité dans le respect de la règlementation applicable en la matière, actuelle ou future. Il veillera en particulier, en matière de stockage, à ne pas entreposer de produits entrant par leur nature dans la nomenclature ICPE, ou à ne pas dépasser les seuils fixés par celle-ci et conduisant à l'application de l'un des régimes instaurés par la règlementation en la matière.

Il pourra être convenu, sous réserve d'un accord conclu entre les Parties par voie d'avenant aux présentes, d'une dérogation aux deux paragraphes qui précèdent.

4. Charges et conditions

Le présent bail a été consenti et accepté sous les charges et conditions ordinaires et de droit et en outre sous celles suivantes que le PRENEUR s'oblige à exécuter sans pouvoir exiger aucune indemnité ni diminution de loyer :

4.1. État des lieux

Le PRENEUR reconnaît avoir pris les lieux loués dans leur état au jour de son entrée en jouissance, dans le cadre du bail initial dont il était titulaire, sans pouvoir exiger du BAILLEUR aucun travail de remise en état ou de réparation, ni lui faire aucune réclamation quelconque à ce sujet, et sans pouvoir exercer aucun recours contre le BAILLEUR pour quelque cause que ce soit intéressant l'état des locaux, étant rappelé que le PRENEUR les occupe depuis de nombreuses années.

A la date d'entrée en vigueur du présent bail, un état des lieux sera dressé contradictoirement et amiablement par les parties ou par un mandataire commun à frais partagés par moitié entre les Parties, dont chaque partie conservera un exemplaire ; à défaut, il sera établi par un huissier de justice, sur l'initiative de la partie la plus diligente, à frais partagés par moitié entre le BAILLEUR et le PRENEUR conformément à l'article L. 145-40-1 alinéa 2 du Code de Commerce.

4.2 Entretien et réparations

Le PRENEUR tiendra les lieux loués de façon constante en bon état de réparations et d'entretien. Il supportera toutes les réparations visées aux articles 1754 et 605 du code civil. Le PRENEUR devra, à ce titre, effectuer à ses frais toutes les réparations nécessaires quelle que soit leur nature, et prendra notamment à sa charge l'entretien du chauffage et, s'il en existe, de la climatisation des locaux sociaux et des bureaux, ainsi que l'entretien de toutes portes, rideaux de fermeture, huisseries, peinture, vitrerie, stores, etc. Il assumera le remplacement à ses frais des mêmes éléments, y compris pour cause de vétusté.

Le PRENEUR veillera, de même, à maintenir les locaux hors gel pendant les périodes de froid. Le BAILLEUR ne pourra être recherché en responsabilité en cas de sinistre ou dégradation des matériels et des biens dus au gel dans l'enceinte des locaux clos et couverts.

Le BAILLEUR quant à lui, sera tenu exclusivement aux grosses réparations telles que définies à l'article 606 du Code civil, soit limitativement :

- « celles des gros murs et des voûtes, le rétablissement des poutres et des couvertures entières.
- Celui des digues et des murs de soutènement et de clôture aussi en entier ».

Toutes les autres réparations étant des réparations d'entretien aux termes du même texte, elles seront à la charge du PRENEUR qui s'y oblige. En outre, conformément à l'article R.145-35 paragraphe 5° du Code de commerce, le PRENEUR aura à sa charge l'ensemble des dépenses correspondant à des grosses réparations visées à l'article 606 du Code civil et se rapportant à des travaux d'embellissement dont le montant excède le coût du remplacement à l'identique.

Le PRENEUR souffrira et laissera faire, sans prétendre à aucune indemnité ni réduction de loyer, toutes les réparations que le BAILLEUR serait amené à faire en vertu de l'alinéa précédent, la durée des travaux excédât-elle vingt-et-un jours. Il devra déposer à ses frais et sans délai, tous agencements, enseignes et autres installations sur la façade de l'immeuble, dont l'enlèvement sera nécessaire à l'exécution de ces travaux.

Toutefois, le BAILLEUR s'oblige à accomplir ces travaux dans les meilleurs délais, et en concertation avec le PRENEUR, de façon à limiter autant que possible les troubles susceptibles d'être causés par ces travaux sur l'exploitation de l'activité du PRENEUR.

Sauf au BAILLEUR à avoir souscrit des contrats de maintenance et de contrôle pour l'immeuble complet et l'ensemble des PRENEURS, le PRENEUR est informé qu'il doit, à période régulière, faire procéder aux contrôles de conformité légaux ou prescrits, dans la mesure où le local qu'il occupe est concerné par l'un des domaines suivants :

- Désenfumage,
- Matériel d'extinction incendie (Bornes, RIA, extincteur),
- Alarmes et détection (Incendie, anti intrusion, etc.)
- Portes sectionales,
- Portes automatiques,
- Nettoyage des chéneaux et toiture,
- Installation électrique,
- Eclairage de sécurité,
- Ascenseur,
- Curage des réseaux d'évacuation des eaux usées,
- Etc…

Il devra, dès réception des procès-verbaux conformes, les porter à la connaissance du BAILLEUR.

Il fournira aussi, chaque année une attestation du renouvellement des contrats d'assurance attachés au local.

Le PRENEUR veillera à contracter, auprès de ses fournisseurs d'énergie (Electricité, Gaz, etc…) des contrats de puissances et de définitions techniques conformes aux caractéristiques des installations existantes ou à réaliser par le BAILLEUR. Au cas où le PRENEUR n'aurait pas respecté cette obligation, le BAILLEUR ne pourra être recherché pour défaut de délivrance.

4.3 Travaux du PRENEUR

Le PRENEUR ne pourra faire dans les lieux loués, sans l'autorisation expresse et par écrit du BAILLEUR, aucune démolition, aucune transformation, aucun percement de mur ou de cloison, aucun changement de distribution, ni aucune surélévation. Ces travaux s'ils sont autorisés auront lieu sous la surveillance de l'architecte du BAILLEUR dont les honoraires éventuels seront à la charge du PRENEUR.

Les travaux de transformation ou d'amélioration qui seront faits par le PRENEUR sans l'autorisation du BAILLEUR ne donneront lieu par ce dernier à aucune indemnité au profit du PRENEUR. La présente disposition ne pourra cependant en aucun cas s'interpréter comme une autorisation tacite de la part du BAILLEUR de procéder à de tels travaux, ce dernier se réservant la possibilité de demander à tout moment la remise des lieux en l'état primitif en cas de travaux non autorisés.

Même autorisés, les travaux de transformation d'aménagement ou d'amélioration faits par le PRENEUR ne donneront lieu à aucune indemnité de la part du BAILLEUR au départ du PRENEUR.

En toute hypothèse, le PRENEUR ne pourra, en fin de jouissance, reprendre aucun des éléments ou matériels qu'il aurait incorporés au bien loué à l'occasion d'une amélioration ou d'un embellissement, si ces éléments ou matériels ne peuvent être détachés sans être fracturés, détériorés ou sans briser ou détériorer la partie du fonds à laquelle ils sont attachés. Cette disposition ne fera cependant pas obstacle au droit du BAILLEUR de demander la remise des lieux en l'état primitif pour le cas où les travaux ou améliorations auraient été exécutés sans son autorisation.

Au cas où les travaux seraient soumis à un formalisme particulier (par exemple une autorisation de travaux), le PRENEUR s’oblige à remettre au BAILLEUR copie de l’ensemble des pièces déposées auprès des autorités compétentes (mairie ou autre). Il s’oblige de même à tenir le BAILLEUR informé des réponses reçues dans le cadre de ces procédures, par l’envoi au BAILLEUR d’une copie des courriers et actes correspondants.

Le BAILLEUR autorise d'ores et déjà le PRENEUR à faire réaliser, à ses frais, par une société qualifiée, des travaux d’aménagement intérieur, selon le descriptif de travaux annexé aux présentes (**ANNEXE 2**). Nonobstant cette autorisation de principe, la mise en Œuvre de ces travaux devra intervenir dans le respect des stipulations du présent article.

4.4 Travaux du BAILLEUR

De son côté, le BAILLEUR s’oblige à réaliser les travaux suivants :

- Rebardage du bâtiment comprenant le relookage de la façade et la réisolation de l’ensemble ;
- Reprise de l’étanchéité des toitures et des éclairages zénithaux et des désenfumages, avec complément d’isolation ;
- Changement de l'auvent et du sol de l’entrée principale et pose d’un auvent au-dessus de l’issue de secours donnant sur la rue du Dauphinée ;

- Réfection du système de traitement de l'air, chaud et froid, y compris installation de déstratificateurs dans les zones le nécessitant.

Le tout suivant descriptif joint en annexe (**ANNEXE 3**).

Ces travaux devront être réalisés sous un délai de 3 mois à compter de la date de signature des présentes.

4.5 Travaux imposés par l'administration

Le PRENEUR supportera seul la charge de toutes transformations, améliorations ou aménagements et plus généralement de tous travaux de mise en conformité liés à l'activité exercée dans les lieux par le PRENEUR (en particulier en matière d'installations classées pour la protection de l'environnement), quelles qu'en soient la nature et la durée, qui seraient imposés par une quelconque disposition législative ou réglementaire ou norme existante ou à venir en matière d'hygiène, de sécurité, de salubrité et pour toutes autres causes, le BAILLEUR assumant les autres travaux imposés par l'autorité administrative en raison de l'état général de l'immeuble et indépendamment de l'activité du PRENEUR.

Le PRENEUR est d'ores et déjà autorisé à effectuer de tels travaux, sous la réserve de justifier préalablement de leur caractère obligatoire au regard d'une injonction ou prescription réglementaire, ces travaux devant avoir lieu sous la surveillance de l'architecte du BAILLEUR dont les honoraires seront à la charge du PRENEUR

A défaut de convention contraire, ces travaux resteront la propriété du BAILLEUR en fin de jouissance, sans indemnité.

De convention expresse entre les Parties, les travaux de mise en conformité des lieux loués avec la règlementation, liés à l'activité exercée par le PRENEUR, et qui seraient mis à la charge du BAILLEUR comme relevant des grosses réparations visées à l'article 606 du Code civil, seront pris en charge par le BAILLEUR aux conditions et dans les limites fixées à l'article 4.2. des présentes. La plus-value apportée aux lieux loués du fait de cette prise en charge par le BAILLEUR de travaux de mise en conformité liés à l'activité du PRENEUR donnera lieu à une majoration du loyer, laquelle constitue une condition essentielle et déterminante du consentement du BAILLEUR aux présentes.

Celle-ci sera égale, sur une base annuelle hors taxes, à la valeur globale hors taxes desdits travaux, divisée par leur durée d'amortissement dans la comptabilité du BAILLEUR. Le montant correspondant sera incorporé au loyer dont il fera partie intégrante à compter du premier jour du mois suivant celui de l'achèvement des travaux. Par exemple, la réalisation par le BAILLEUR de travaux pour un montant global de 7.000 € HT, amortissables dans sa comptabilité sur une durée de 7 ans, donnera lieu à une majoration annuelle de loyer égale à 1.000 € HT. Celle-ci étant incorporée au loyer, elle sera soumise aux conditions de paiement et de révision applicables en vertu des articles 5 et 6 du présent bail.

4.6 Autorisations administratives - Législation relative aux installations classées pour la protection de l'environnement (ICPE) – Législation relative aux déchets

Le PRENEUR devra faire son affaire personnelle pendant toute la durée du bail et ses éventuels renouvellements de toutes les autorisations administratives nécessaires à l'exercice des activités prévues dans le local loué, la responsabilité du BAILLEUR, non plus que son obligation de délivrance, ne pouvant être mises en cause à cet égard.

4.6.1. Législation relative aux ICPE

Le PRENEUR déclare par ailleurs avoir procédé à toutes démarches auprès des autorités compétentes et en particulier auprès de la DREAL, dont il ressort que l'installation qu'il doit exploiter ne sera pas soumise à l'un des régimes spéciaux (autorisation, enregistrement ou déclaration) prévus par la loi.

Il déclare faire son affaire de toute conséquence (en particulier l'impossibilité d'exploiter) si cette conclusion se révélait inexacte, en s'interdisant de mettre en cause la responsabilité du bailleur à ce sujet, pour défaut de délivrance ou pour toute autre raison.

Il reconnaît en outre que conformément à l'article 3 des présentes, et sous les précisions qu'il contient, les lieux loués ne sont pas destinés à accueillir une activité dont les caractéristiques ou le mode d'exploitation seraient de nature à rendre applicable la règlementation relative aux installations classées pour la protection de l'environnement (ICPE).

Le PRENEUR déclare faire son affaire de cette situation et reconnaît en outre avoir été alerté par les rédacteurs des présentes de l'importance des vérifications à opérer en la matière, dès lors que si l'installation se révélait, en vertu de la législation actuelle ou future, et/ou en fonction de l'évolution de l'activité du PRENEUR, tenant par exemple à l'évolution des volumes de marchandises détenues en stocks, soumise à l'une des procédures prévues par la loi, il appartiendrait au PRENEUR d'assumer une possible limitation dans l'exercice de son activité, voire une impossibilité de la poursuivre dans les lieux loués, sans que la responsabilité du BAILLEUR puisse être mise en cause à ce sujet, pour défaut de délivrance ou pour toute autre raison.

Le PRENEUR se tiendra à jour de toute évolution de la législation en matière publique et environnementale.

4.6.2. Législation relative aux déchets

Si une activité spécifique pouvant entraîner des risques de pollution notamment dans le sol est exercée dans les locaux donnés en location, le PRENEUR assumera la charge dans le strict respect de la législation –actuelle et future – applicable à ce type d'activité et d'installation, de l'élimination des déchets et de la récupération des matériaux de façon à éviter tout effet nocif, et afin que le BAILLEUR ne puisse jamais être recherché en raison de dommages causés à autrui.

En application des articles L.541-1 à L.541-4 du Code de l'environnement, toute personne qui produit ou qui détient des déchets dans des conditions de nature à produire des effets nocifs sur le sol, la flore et la faune, à dégrader les sites ou les paysages, à polluer l'air ou les eaux, à engendrer des bruits et des odeurs et, d'une façon générale, à porter atteinte à la santé de l'homme et à l'environnement, est tenue d'en faire assurer la gestion et l'élimination, dans des conditions propres à éviter lesdits effets.

A cet égard, le PRENEUR, considéré comme le détenteur des déchets, y compris s'ils sont incorporés à l'immeuble, s'engage à respecter la réglementation en vigueur (et notamment les dispositions de l'article L 514-2 du Code de l'environnement) et à réaliser en cours de bail toute démarche qui serait rendue nécessaire par une nouvelle réglementation en matière de déchets.

En outre, au départ du PRENEUR, celui-ci s'engage à procéder ou à faire procéder à l'évacuation de ses déchets, de sorte que le BAILLEUR ne soit jamais inquiété à ce sujet. A cet effet, il fera procéder à un audit des sols souillés et supportera tous les coûts qui seraient liés aux mesures que l'autorité Administrative pourrait décider.

Au départ du PRENEUR, la remise des lieux loués sera constatée dans un état des lieux contradictoire, auquel seront annexées la copie des bordereaux de suivi des déchets et les factures des sociétés ayant procédé à leur enlèvement et à leur transport. Le BAILLEUR accusera réception de ces éléments si le PRENEUR en fait la demande, sans toutefois préjuger de la bonne évacuation effective de l'ensemble des déchets.

4.7 Constructions

Le PRENEUR ne pourra édifier sur les lieux loués aucune construction nouvelle sans l'autorisation expresse et par écrit du BAILLEUR.

Le BAILLEUR se réserve le droit de demander, tant au cours du bail qu'à son expiration, la démolition de toutes les constructions qui auraient été édifiées par le PRENEUR sans son autorisation ; le non-exercice par le BAILLEUR de la faculté par lui réservée de demander la démolition de telles constructions pendant le cours du bail ne pourra s'interpréter comme une acceptation tacite des constructions édifiées par le PRENEUR, le BAILLEUR gardant la possibilité de demander la démolition desdites constructions à la fin du bail ou au départ du PRENEUR et aux frais de ce dernier.

En cas d'autorisation, les travaux seront exécutés sous la surveillance de l'architecte du BAILLEUR dont les honoraires seront à la charge du PRENEUR.

Toute construction nouvelle qui serait faite par le PRENEUR ne deviendra la propriété du BAILLEUR qu'au départ du PRENEUR.

L'accession, quand elle se réalisera, ne donnera lieu au paiement d'aucune indemnité au PRENEUR.

4.8 Enseignes

Dans la limite des lois et règlements, du règlement de copropriété s'il en existe et de l'autorisation de la commune si elle est requise, le PRENEUR pourra installer une enseigne lumineuse, des stores, marquises ou toutes plaques sur la façade de l'immeuble après avoir obtenu l'agrément préalable et écrit du BAILLEUR sur les plans et travaux d'implantation. Le PRENEUR prendra à sa charge l'ensemble des démarches et demandes d'autorisation requises par la législation en vigueur, et reconnaît que la responsabilité du BAILLEUR ne pourra en aucun cas être engagée en cas de refus d'autorisation pour une cause quelconque. Les décisions obtenues par le PRENEUR en la matière seront notifiées au BAILLEUR par LRAR dans les quinze jours de leur réception par le PRENEUR.

Il assumera seul les frais et taxes afférents à la pose et à l'entretien de ces installations.

Le PRENEUR respectera les tailles, formes et dispositions matérielles des enseignes en place dans l'environnement des lieux loués. S'il existe un matériel commun d'information de la clientèle dans l'environnement commercial des lieux loués, le PRENEUR remboursera au BAILLEUR ou à toute entreprise chargée des travaux correspondants, le coût de modification dudit matériel lié à sa présence sur le site.

En outre, il veillera à ce que les travaux y afférents ne mettent pas en péril la pérennité des installations et bâtiments existants sur le site, ni la sécurité des biens et des personnes, ni les structures de bâtiments et clôtures existants. Il veillera de même à ce que ces installations soient toujours solidement maintenues et sera seul responsable des accidents que leur pose ou leur existence pourrait occasionner de sorte que le BAILLEUR ne puisse en aucun cas voir sa responsabilité engagée.

En fin de jouissance, il appartiendra au PRENEUR de désinstaller, à ses frais, les enseignes posées et de remettre les lieux loués en état.

4.9 Restitution des locaux en fin de jouissance – Etat des lieux

A l'expiration des relations contractuelles, soit en fin de jouissance, le PRENEUR devra rendre les locaux en bon état, et avoir réalisé l'ensemble des travaux mis à sa charge aux termes du présent bail.

Conformément à l'article L. 145-40-1 du Code de Commerce, un état des lieux sera établi contradictoirement et amiablement par les Parties ou par un tiers mandaté par eux.

Si l'état des lieux ne peut être établi dans les conditions prévues à l'alinéa qui précède, il sera établi par un huissier de justice, sur l'initiative de la partie la plus diligente, à frais partagés par moitié entre le bailleur et le locataire.

4.10 Recours divers

Le PRENEUR s'interdit tout recours en demande de diminution de loyers auprès du BAILLEUR du fait notamment de l'interruption dans le fonctionnement des réseaux, ou dans la distribution des fluides de toute nature, vols ou dégradations survenus dans les locaux loués.

4.11 Inobservation des obligations

En cas d'inobservation par le PRENEUR des obligations mises à sa charge aux termes du bail ou de ses documents annexes s'il y a lieu, le BAILLEUR ou son mandataire aura la faculté, quinze jours après une simple notification par lettre recommandée avec accusé de réception restée infructueuse, de faire exécuter l'obligation méconnue ou de faire réparer les conséquences de sa carence par toute personne de son choix, aux frais, risques et périls du PRENEUR. Les frais de cette intervention s'ajoutant de plein droit au premier terme suivant.

Le BAILLEUR se réserve en outre la faculté, dans ce cas, d'invoquer le bénéfice de la clause résolutoire ci-après stipulée.

4.12 Cession

Le PRENEUR ne pourra céder son droit au présent bail, y compris à l'acquéreur de son fonds de commerce ou de son entreprise, qu'après avoir reçu l'accord préalable et écrit du BAILLEUR.

A cette fin, le PRENEUR devra informer le BAILLEUR par lettre recommandée avec demande d'avis de réception de son intention de céder son droit au présent bail et l'appeler à concourir à l'acte, trente jours au moins avant la signature de l'acte.

Cette demande d'agrément devra préciser les nom et adresse de l'acquéreur, l'objet et les modalités de la cession ainsi que les lieu, jour et heure prévus pour la signature de l'acte de cession. Elle devra s'accompagner du projet d'acte de cession. Le BAILLEUR pourra demander au PRENEUR toute information complémentaire utile à sa décision.

Le silence gardé par le BAILLEUR pendant un délai de vingt jours après réception de la demande d'agrément vaudra acceptation du cessionnaire proposé.

En revanche, l'absence du BAILLEUR dûment convoqué au jour de la signature de l'acte, n'empêchera pas la cession dès lors que le cessionnaire proposé aura été préalablement agréé.

La cession devra intervenir par acte sous seing privé ou notarié dont une copie, un exemplaire original ou une expédition, selon le cas, sera signifié au BAILLEUR, conformément aux dispositions de l'article 1690 du Code civil, dans les plus brefs délais, sans frais pour lui.

En toute hypothèse, la cession ne pourra intervenir que si les charges et conditions du présent bail ont été exécutées et notamment, si aucun loyer ne reste dû.

Le PRENEUR sera garant et répondant solidaire du cessionnaire, et des cessionnaires successifs, pour le paiement des loyers, charges et accessoires, et de toutes les autres indemnités qui pourraient être mises à la charge du cessionnaire ainsi que de l'exécution des stipulations du bail, pour une durée égale à la durée restante du présent bail, augmentée le cas échéant d'une durée complémentaire, la garantie du PRENEUR ne pouvant en tout état de cause être inférieure à 3 ans à compter de la date de cession du bail.

En cas de cessions successives, le PRENEUR restera garant de tous les cessionnaires pour la période mentionnée à l'alinéa qui précède.

Les stipulations qui précèdent s'appliquent à tous les cas de cession, sous quelque forme que ce soit, notamment en cas de fusion ou de scission de sociétés, en cas de transmission universelle de patrimoine d'une société réalisée dans les conditions prévues à l'article 1844-5 du code civil ou en cas d'apport d'une partie de l'actif d'une société réalisé dans les conditions prévues aux articles L.236-6-1, L. 236-22 et L. 236-24 du Code de Commerce.

4.13 Sous-location – Location-gérance

Le PRENEUR ne pourra sous-louer, en tout ou en partie, les biens loués sans l'autorisation expresse et écrite du BAILLEUR.

Par dérogation à l'alinéa qui précède, le PRENEUR est autorisé à sous-louer partiellement les locaux à toute société appartenant au groupe du PRENEUR sous réserve d'accord exprès et préalable du BAILLEUR. Le PRENEUR demeurera tenu au paiement de l'intégralité des loyers, sans préjudice du droit du BAILLEUR d'exiger le paiement du loyer directement par le sous-locataire. Il est expressément convenu entre le BAILLEUR et le PRENEUR qu'il y a indivisibilité des locaux loués, et toute sous location partielle devra préciser que l'ensemble des locaux loués forme un tout indivisible. Le BAILLEUR ne sera tenu à aucun renouvellement du ou des contrats de sous-location, le PRENEUR devant faire son affaire de l'éviction de tout sous locataire. Le PRENEUR répond seul des conséquences des sous locations ainsi consenties et notamment concernant la remise en état des lieux, si besoin est, aussi bien lors de l'installation de tout sous-locataire que lors de son départ.

Le PRENEUR ne pourra donner en location-gérance son fonds de commerce, sauf accord préalable et exprès du BAILLEUR. Dans tous les cas, le PRENEUR demeurera tenu au paiement de l'intégralité des loyers, sans préjudice du droit du BAILLEUR d'exiger le paiement du loyer directement par le locataire-gérant.

4.14 Occupation - Jouissance

Le PRENEUR devra jouir des biens loués en bon père de famille suivant leur destination.

Il veillera à ne rien faire ni laisser faire qui puisse apporter un trouble de jouissance au voisinage, notamment quant aux bruits, odeurs et fumées et, d'une façon générale, ne devra commettre aucun abus de jouissance.

Il ne pourra rien faire ni laisser faire qui puisse détériorer les lieux loués et devra, sous peine d'être personnellement responsable, prévenir le BAILLEUR sans retard et par écrit, de toute atteinte qui serait portée à sa propriété et de toute dégradation ou détérioration qui viendrait à être causée aux biens loués et qui rendrait nécessaires des travaux incombant au BAILLEUR.

Il garnira les lieux loués et les tiendra constamment garnis de meubles et matériels en valeur et quantité suffisantes pour répondre du paiement exact des loyers et de l'accomplissement des charges et conditions du présent bail.

5. Contributions et prestations diverses

5.1 Contributions et charges diverses

Le PRENEUR paiera les contributions personnelles, mobilières, cotisation foncière des entreprises, taxes locatives et autres de toute nature, le concernant personnellement ou relatives à son activité, auxquelles les locataires sont ou pourront être assujettis. Il devra satisfaire à toutes les charges de ville et règlements sanitaires, de voirie, d'hygiène, de salubrité ou de police, ainsi qu'à celles qui pourraient être imposées par tous plans d'urbanisme ou d'aménagement, de manière que le BAILLEUR ne puisse jamais être inquiété ou recherché à ce sujet.

Il poursuivra s'il le souhaite tous les contrats, compatibles avec son activité, concernant l'abonnement à l'eau, au gaz, à l'électricité ou autres qui auraient pu être souscrits par le BAILLEUR ou le précédent locataire. Les contrats souscrits par le PRENEUR auprès de ses fournisseurs d'énergie (Electricité, Gaz, etc…) devront être conformes aux caractéristiques de puissances et de définitions techniques des installations existantes ou à réaliser par le BAILLEUR.

Le PRENEUR ne pourra prétendre à aucune diminution de loyer ou indemnité en cas de suppression temporaire ou réduction des services collectifs notamment pour l'eau, le gaz, l'électricité, le téléphone.

5.2 Prestations complémentaires

Le BAILLEUR a développé des compétences particulières en matière de prestations liées à l'immobilier, et concernant tant la gestion administrative et opérationnelle des dossiers relatifs à un ensemble immobilier (communication, suivi des travaux, extensions, procédures administratives, etc.) que l'étude de projets d'implantation.

Il pourra dans ce cadre, en fonction des demandes du PRENEUR, réaliser pour celui-ci un certain nombre de prestations, dont la nature et les conditions financières feront l'objet d'une convention particulière arrêtée d'un commun accord des parties.

5.3 Assurances

Le BAILLEUR assurera la totalité de l'ensemble immobilier en valeur de reconstruction à neuf, notamment contre les risques d'incendie, d'explosion, foudre, dommages électriques, tempête, ouragan, cyclone, dégât des eaux, chute d'appareils de navigation aérienne, sabotage, catastrophes naturelles, émeutes, mouvements populaires, actes de terrorisme, ainsi que sa responsabilité civile (du fait de ses bâtiments et/ou de ses préposés…), auprès d'une ou plusieurs compagnies notoirement solvables, et maintiendra ces assurances pendant toute la durée du bail.

Le PRENEUR, sera tenu de contracter auprès d'une ou plusieurs compagnies d'assurances notoirement solvables, une ou plusieurs polices d'assurances garantissant notamment les risques d'incendie, d'explosion, foudre, dommages électriques, tempête, ouragan, cyclone, dégâts des eaux, chutes d'appareils de navigation aérienne, sabotage, catastrophes naturelles, émeutes, mouvements populaires, actes de terrorisme, pour couvrir le mobilier, le matériel, les marchandises qui pourraient garnir les lieux loués, ainsi que le recours des voisins et des tiers, les risques de responsabilité civile inhérents à son activité professionnelle (hors risques locatifs).

Il devra maintenir ces assurances pendant toute la durée du bail et justifiera de l'acquit des primes à toute réquisition du BAILLEUR.

Le BAILLEUR et ses assureurs renoncent à tous recours envers le PRENEUR et ses assureurs.

Réciproquement, le PRENEUR et ses assureurs renoncent à tous recours contre le BAILLEUR et ses assureurs.

Si l'activité exercée par le PRENEUR entraîne, soit pour le BAILLEUR, soit pour des colocataires, soit pour les voisins (ou toute autre partie intéressée) des surprimes d'assurance, le PRENEUR sera tenu au remboursement desdites surprimes, sur simple demande et justification du BAILLEUR.

5.4 Visite des lieux

Le PRENEUR devra laisser le BAILLEUR, son architecte, tous entrepreneurs, ouvriers et toutes personnes autorisées par lui, pénétrer dans les lieux loués pour constater leur état, moyennant information préalable du PRENEUR, de manière en particulier à permettre au PRENEUR d'assurer le respect de toute obligation de confidentialité dont il serait tenu vis à vis de ces clients. Les visites auront lieu de 08h00 à 12h30 et de 14h00 à 18h30, les jours ouvrés, en présence du PRENEUR ou de l'un de ses représentants.

Il devra laisser visiter les lieux par le BAILLEUR ou d'éventuels locataires en fin de bail ou en cas de résiliation, pendant une période de six mois précédant la date prévue pour le départ du PRENEUR. Ces visites pourront avoir lieu les jours ouvrés de 08h00 à 12h30 et de 14h00 à 18h30. Il en sera de même pour d'éventuels acquéreurs en cas de mise en vente des biens loués. Le PRENEUR devra souffrir l'apposition d'écriteaux ou d'affiches aux emplacements convenant au BAILLEUR, pendant ces mêmes périodes.

Enfin, à défaut pour les Parties d'avoir dressé un état des lieux contradictoire à l'entrée en jouissance, le PRENEUR s'oblige à laisser visiter les lieux par tout huissier de justice mandaté à cet effet, aux périodes visées à l'alinéa qui précède. A défaut pour le PRENEUR de respecter cette obligation, il sera réputé avoir reçu les lieux loués en parfait état de réparations locatives, sans préjudice de tout autre recours du BAILLEUR, et en particulier de la mise en jeu de la clause résolutoire stipulée ci-après.

6. Loyer

6.1. Loyer de base

Le présent bail est consenti et accepté moyennant un loyer annuel de trois cent trois mille cinquante-neuf Euros et soixante centimes (303 059.60€) hors taxes, hors charges et hors foncier.

Tous les paiements auront lieu au domicile du BAILLEUR ou en tout autre endroit indiqué par lui, par prélèvement automatique, ce qui est expressément accepté par le PRENEUR qui s'y oblige.

Copie du mandat de prélèvement SEPA fourni au BAILLEUR par le PRENEUR, dûment complété, figure en annexe des présentes (**ANNEXE 4**).

Le PRENEUR s'oblige à payer ledit loyer au BAILLEUR, majoré de la TVA au taux en vigueur, trimestriellement et d'avance, en quatre termes égaux, les 1er janvier, 1er avril, 1er juillet et 1er octobre de chaque année. Le premier paiement interviendra le 1er juillet 2015.

6.2. Surloyers à la charge du PRENEUR

En contrepartie des travaux suivants pris en charge par le BAILLEUR, le PRENEUR s'oblige à payer à titre de surloyers, pendant toute la durée ferme du présent bail, soit pour une période de neuf ans, les montants annuels ci-après :

- Travaux de chauffage et de climatisation : surloyer égal à un montant annuel initial fixé à 9.000 € HT
- Travaux de rénovation de l'aspect du bâtiment (relooking) : surloyer égal à un montant annuel initial fixé à 9.000 € HT

Ces montants seront payés aux mêmes dates et conditions que le loyer mais ne seront pas soumis à révision.

6.3. Complément de loyer en contrepartie de l'amélioration de la performance énergétique des lieux loués

Ainsi qu'il a été dit plus haut à l'article « Travaux du BAILLEUR », ce dernier s'est engagé à réaliser un ensemble de travaux d'isolation et d'étanchéité des lieux loués ayant vocation à améliorer la performance énergétique des lieux loués.

Les Parties sont convenues qu'à titre de complément de loyer, et en contrepartie de cette prestation fournie par le BAILLEUR, le PRENEUR lui versera annuellement un montant correspondant à la moitié des économies d'énergies réalisées par lui du fait des travaux réalisés par le BAILLEUR. Ce complément de loyer, de convention expresse, sera dû pour la durée du présent bail et de son premier renouvellement.

Pour la détermination de ce montant, les Parties ont fait établir un rapport par la société BETALM, bureau d'études techniques notamment spécialisé en génie climatique, rendu en octobre 2014, auquel elles se réfèrent expressément. Copie dudit rapport figure en annexe (**ANNEXE 5**).

Il est rappelé qu'aux termes de l'étude réalisée par la société BETALM, celle-ci :

> *« n'a pas pour objectif d'établir les économies réelles perçues sur les factures énergétiques du locataire, mais de modéliser la part d'économies réalisée imputable aux travaux d'économie d'énergies, normalisée suivant les conditions climatiques.*
>
> *Ainsi, les consommations relevées sur factures seront corrigées du climat, c'est-à-dire normalisées en prenant en compte le climat de la période prise en compte et une consommation dite « de référence », établie par rapport au climat moyen, appelé DJU trentenaires et au diagnostic précédent.*
>
> *Il sera alors fait la différence entre les consommations de « référence » et les consommations relevées « normalisées » pour ainsi établir l'économie d'énergie imputable aux travaux de rénovation énergétique. »*

Les Parties conviennent expressément de se référer aux méthodes exposées par la société BETALM dans son rapport, pour le calcul des économies d'énergie (gaz et électricité).

Le complément de loyer dû par le PRENEUR sera égal à 50% du montant des économies constatées en application desdites méthodes, formules et modes de calcul, établies sur une base annuelle commençant à courir à compter du 1er jour du mois suivant la fin des travaux du BAILLEUR en matière d'amélioration de la performance énergétique des lieux loués.

Le PRENEUR s'oblige à fournir sans délai au BAILLEUR les factures correspondant à sa consommation réelle sur chaque période de référence (gaz et électricité).

Le montant ainsi déterminé sera majoré de la TVA au taux en vigueur. Ce complément de loyer, compte tenu de ses modalités de calcul, ne sera pas soumis à la révision annuelle prévue à l'article 7 ci-après. Il sera facturé chaque année par le BAILLEUR à réception des justificatifs correspondants, et au plus tard 3 mois après la fin de la période annuelle de référence.

7. Révision du loyer

Les parties conviennent expressément que le loyer sera réévalué chaque année, à la date anniversaire de la date d'effet du présent bail, en fonction de la variation annuelle de l'indice du coût de la construction tel qu'il est établi par l'Institut National de la Statistique et des Études Économiques. Pour le calcul de cette variation à la première date anniversaire des présentes, il est expressément convenu que l'indice de base initial à prendre en considération sera celui du 4ème trimestre 2014, soit 1.625; l'indice de référence sera celui du même trimestre de l'année 2015. La révision annuelle interviendra ensuite en fonction de la variation annuelle de l'indice du 1er trimestre, sur la base de la formule suivante :

$$\text{Loyer révisé} = \text{Loyer suivant dernière fixation} \times \frac{\text{Indice du 1er trimestre de l'année de révision}}{\text{Indice du 1er trimestre de l'année précédente}}$$

L'indexation prendra effet sans que les parties soient tenues à aucune notification préalable. En cas de retard dans la publication de l'indice, le PRENEUR sera tenu de payer à titre provisionnel un loyer égal à celui du trimestre précédent ; l'ajustement sera effectué dès la publication de l'indice.

Il est expressément convenu entre les parties que cette variation ne pourra entraîner une diminution du montant du loyer. En cas de baisse de l'indice, le loyer sera maintenu au montant en cours à la date de révision, ce qui est expressément accepté par le PRENEUR.

Tout nouvel indice qui pourrait se substituer à l'indice de référence du présent bail s'appliquera mutatis mutandis au présent bail.

8. Dépôt de garantie

Pour garantir l'exécution des obligations incombant au PRENEUR, celui-ci s'est obligé à verser la somme de 75.764,90 € au BAILLEUR correspondant à un terme trimestriel du loyer de base, à titre de dépôt de garantie Une somme de même montant ayant d'ores et déjà été versée au BAILLEUR dans le cadre du précédent bail conclu entre les parties, elle reste entre les mains du BAILLEUR conformément à ce qui précède.

Ce dépôt de garantie est remis au BAILLEUR à titre de gage avec dépossession dans les termes des articles 2341 et suivants du Code civil. Conformément à l'alinéa 2 de l'article 2341 du Code civil, les parties au présent bail conviennent de ce que le BAILLEUR sera dispensé de tenir la somme donnée en gage séparée des choses de même nature lui appartenant, à charge pour lui de restituer cette somme aux termes du bail.

Ce gage est expressément affecté à garantir l'exécution par le PRENEUR des charges et obligations lui incombant en vertu du présent bail, ainsi que le paiement de toutes sommes dont il pourrait être débiteur à un titre quelconque en fin de bail.

Le PRENEUR ne pourra donc s'en prévaloir pour le paiement d'un terme de loyer, ou de toute autre somme due au BAILLEUR en cours de bail. De convention expresse entre les parties, ce dépôt de garantie ne sera pas productif d'intérêts.

A chaque réajustement du loyer, le dépôt de garantie sera immédiatement augmenté, dans les mêmes proportions, de manière à correspondre à un trimestre de loyer en principal. En conséquence, le PRENEUR versera lors du premier terme de loyer révisé, la somme nécessaire pour ajuster ce dépôt de garantie.

Il est précisé que si, pour quelque cause que ce soit, le dépôt de garantie est utilisé par le BAILLEUR, le PRENEUR aura l'obligation d'en reconstituer le montant ci-dessus convenu.

Le dépôt de garantie restera aux mains du BAILLEUR pendant toute la durée du bail et sera remboursé au PRENEUR en fin de jouissance, après libération des lieux et remise des clés, justification du paiement de toutes taxes ou impôts, exécution des réparations à sa charge, et déduction faite, le cas échéant, de toute somme due, ou qui pourrait être réclamée au BAILLEUR à quelque titre que ce soit.

A la demande du PRENEUR, acceptée par le BAILLEUR, une garantie à première demande fournie par un établissement bancaire notoirement solvable, portant sur un semestre de loyer et fournie pour toute la durée du bail et de ses éventuels renouvellements, pourra être substituée au dépôt de garantie, sous réserve qu'elle soit conforme au modèle annexé aux présentes et après agrément exprès du BAILLEUR sur les termes de la garantie et l'établissement garant.

9. Charges, taxes et prestations diverses

9.1. Catégories de charges, taxes et prestations diverses

En sus du loyer ci-dessus stipulé, le PRENEUR supportera les coûts et dépenses définis ci-après :

9.1.1. Prestations communes, au prorata des surfaces louées :

L'ensemble des prestations communes correspondent à des dépenses engagées pour le PRENEUR ou, en cas de pluralité de locataires au sein l'ensemble où sont situés les locaux loués, pour compte commun de l'ensemble des PRENEURS, qu'il s'agisse de dépenses engagées par le BAILLEUR ou tout autre organe de gestion.

Elles sont le cas échéant réparties, entre les différentes locataires de l'ensemble immobilier au sein duquel sont situés les lieux loués, au prorata des surfaces louées telles qu'elles sont définies au paragraphe « Désignation ci-avant ».

Elles comprennent notamment, sans que cette liste soit limitative, les dépenses le cas échéant exposées pour :

- L'entretien courant des parties communes (nettoyage, enlèvement des déchets, etc) ;
- l'entretien, le fonctionnement, les réparations et rénovations de toute nature des parties, installations réseaux et équipements communs, tant en ce qui concerne les structures, les sols, les divers réseaux, les décorations, les circulations extérieures, les espaces verts, les éclairages, les signalisations, etc…
- la sécurité contre l'incendie, notamment les dépenses nécessaires pour respecter la réglementation ou les exigences des contrats d'assurance tels que les contrôles du réseau d'extinction, y compris, le cas échéant, dans les parties privatives ;
- le chauffage, la réfrigération ou ventilation des parties à usage commun ;
- l'éclairage et l'eau des parties à usage commun, et autres dépenses les concernant qui ne peuvent être affectées à une catégorie ci-dessus (notamment les primes d'assurance relatives à l'immeuble et aux risques civils du propriétaire, les frais nécessités par le fonctionnement de la gestion de l'ensemble immobilier : honoraires de syndic, matériels, fournitures, courrier, téléphone, frais divers) ;
- les surprimes d'assurances qui seraient mises à la charge du BAILLEUR par son Assureur pour assurer les lieux loués, à raison de l'activité exercée par le PRENEUR, ou de la renonciation à recours consentie par le Bailleur ;

- les dépenses d'amortissement, acquisition, location, renouvellement (éventuellement en leasing ou crédit-bail) ou réparation des parties, installations, éléments ou réseaux à usage commun, ainsi que les travaux résultant de la mise aux normes, actuelles ou futures, notamment en matière d'hygiène et de sécurité fixées par les autorités administratives et ce, nonobstant les dispositions de l'article 1719-2 du Code civil ; le tout à la seule exclusion des grosses réparations limitativement énumérées par l'article 606 du Code civil dont le coût sera assumé par le BAILLEUR dans la limite du remplacement à l'identique, les dépenses liées à des travaux d'embellissement excédant ce coût étant supportées par le PRENEUR qui s'y oblige.
- Le gardiennage et/ou la surveillance de l'ensemble immobilier.

Ces différents postes comprennent tous les frais nécessaires pour l'exécution des prestations qu'ils recouvrent et notamment les dépenses de personnel, de contrats de fournitures, rechanges ou matériaux, de location, d'équipement des personnels, l'électricité, l'eau et le carburant, les impôts ou taxes, les honoraires, les primes d'assurances, les dépenses, redevances et charges relatives à l'inclusion de l'immeuble (même postérieurement aux présentes) dans les groupements tels qu'associations syndicales, associations de quartier, union des syndicats, ainsi que toute dépense relative aux enseignes situées aux abords de cet ensemble même sur des immeubles ou emplacements n'en dépendant pas directement.

Enfin, les impôts fonciers et taxes connexes grevant les parties à usage commun seront à la charge du PRENEUR dont la contribution sera en pratique établie sur la base de sa quote-part des prestations communes telle qu'elle est définie aux présentes, et facturée en même temps que les impôts fonciers et taxes connexes grevant les parties à usage non commun.

9.1.2. Fournitures individuelles, suivant consommation :

- Sauf à ce que les abonnements soient directement établis au nom du PRENEUR : Frais d'éclairage, d'électricité, d'eau, de gaz, de chauffage et/ou climatisation, de ventilation, de nettoyage, et plus généralement toutes consommations du PRENEUR de quelque nature qu'elles soient.

9.1.3. Impôts, taxes et autres charges :

- Taxe d'enlèvement des ordures ménagères, taxe de balayage, toute nouvelle contribution, taxe municipale ou autres, sous quelque dénomination que ce soit et pouvant être mise à la charge des locataires ;
- Taxe foncière afférente aux locaux loués, incluant la quote-part des parties communes affectée au PRENEUR ;
- Impôts, taxes et redevances liés à l'usage du local ou de l'immeuble ou à un service dont le PRENEUR bénéficie directement ou indirectement ;
- Surprimes d'assurances qui seraient mises à la charge du BAILLEUR par son Assureur, à raison de l'activité exercée par le PRENEUR, et/ou de toute renonciation à recours consentie par le BAILLEUR, pour assurer les lieux loués.
- Prestations de direction, d'administration et de gestion engagés par le BAILLEUR évaluées forfaitairement à 3 % du montant du loyer hors taxes et hors charges.

9.2. Information du PRENEUR

Conformément à l'article L. 145-40-2 du Code de Commerce, le BAILLEUR a communiqué au PRENEUR qui le reconnaît :

- Un état prévisionnel des travaux qu'il envisage de réaliser dans les trois années suivantes, assorti d'un budget prévisionnel ;
- Un état récapitulatif des travaux qu'il a réalisés dans les trois années précédentes, précisant leur coût.

Copie de ces états figure en annexe des présentes (**ANNEXE 6**).

Le BAILLEUR adressera au PRENEUR un état récapitulatif annuel de l'inventaire des catégories de charges, impôts, taxes et redevances liés au présent bail, dans les conditions fixées par la règlementation en vigueur. A défaut de mention particulière, l'arrêté annuel des charges vaudra inventaire entre les Parties.

Il informera également le PRENEUR :

- des charges, impôts, taxes et redevances nouveaux ;
- des travaux visés aux 1° et 2° de l'article L. 145-40-2 du Code de Commerce, suivant la périodicité prévue par ce texte ;
- s'agissant d'un ensemble immobilier comportant plusieurs locataires, de tout élément susceptible de modifier la répartition des charges entre locataires.

9.3. Provision sur charges, taxes et prestations diverses

Pour le paiement des charges de prestations communes (le cas échéant hors fluides et énergie) et des impôts, taxes et autres charges visés à l'article 9.1.3., évalués à titre prévisionnel à la somme totale de 60.691,79 € HT pour l'année, le PRENEUR versera au BAILLEUR lors de chaque terme une provision de 18.207,54 € tenant compte de l'incidence de la TVA au taux actuel de 20%, à valoir sur le compte définitif desdites charges, lequel devra être arrêté au moins une fois l'an. Le solde en plus ou en moins sera régularisé sur le terme qui suivra l'arrêté de ce compte.

Ce montant de 60.691,79 € HT (72.830,15 € TTC) correspond au décompte prévisionnel suivant :

- Prestations de direction : 9.091,79 € HT (10.910,15 € TTC) ;
- Charges de prestations communes : 6.000 € HT (7.200 € TTC) ;
- Taxe foncière (base 2014) : 45.600 € HT (54.720 € TTC).

En cas de variation à la hausse ou à la baisse du taux de TVA, ces montants seront majorés ou minorés d'autant.

Le premier appel de charges interviendra au paiement des premiers loyers, et une régularisation interviendra à la date anniversaire de signature des présentes.

10. Clause résolutoire

Il est expressément convenu qu'à défaut de paiement d'un seul terme à son échéance exacte ou d'exécution d'une seule de ses clauses et un mois après un simple commandement de payer ou une sommation d'exécuter, rappelant la présente clause et resté infructueux, le présent bail sera résilié de plein droit si bon semble au BAILLEUR, sans qu'il soit besoin de former aucune demande en justice. Dans cette hypothèse, comme en cas de résiliation pour une quelconque cause imputable au PRENEUR, ce dernier devra au BAILLEUR une somme correspondant à trois mois de loyer à titre de premiers dommages-intérêts ; cette somme s'imputera s'il y a lieu, sur le dépôt de garantie.

Dans le cas où le PRENEUR ou tout occupant de son chef se refuserait à évacuer les lieux, l'expulsion pourra avoir lieu sans délai, sur simple ordonnance de référé rendue par le Président du Tribunal de Grande Instance de la situation des biens.

11. Déclarations

Déclarations du bailleur & du preneur :

Le BAILLEUR déclare :

- § qu'il n'est sous l'empire d'aucune restriction conventionnelle ou légale du droit de contracter le présent bail commercial.
- § qu'à sa connaissance, les biens loués ne font l'objet d'aucune mesure d'expropriation en cours, que ces biens ne sont pas situés dans un secteur de rénovation et plus généralement qu'aucune mesure actuelle d'urbanisme n'est susceptible de remettre en cause la jouissance résultant du présent bail.
- § qu'aucun commandement de saisie immobilière ou autre ne lui a été signifié concernant les biens loués.

Le PRENEUR déclare :

- § qu'il n'est sous l'empire d'aucune restriction conventionnelle ou légale du droit de contracter le présent bail commercial ;
- § qu'il n'est pas et n'a jamais été en procédure de sauvegarde, en état de redressement ou de liquidation judiciaire et ne pas être en état de cessation des paiements.

Risques naturels, miniers et technologiques

En application des articles L.125-5 et R.125-26 du Code de l'environnement, le BAILLEUR déclare que les locaux loués ne dépendent pas d'un immeuble situé dans le périmètre d'un plan de prévention des risques naturels, miniers ou technologiques.

En application des articles L.125-5 et R.125-26 du Code de l'environnement, le BAILLEUR déclare que les locaux loués dépendent d'un immeuble situé dans une zone de sismicité de niveau 2.

Afin de le constater, le BAILLEUR annexe aux présentes un état des risques naturels et technologiques établi depuis moins de six mois d'après le modèle défini par l'arrêté du 19 mars 2013 (**ANNEXE 7**).

En outre, le BAILLEUR déclare que les locaux loués dépendent d'un immeuble qui n'a subi aucun sinistre, donnant lieu au versement d'une indemnité en application des articles L.125-2 ou L.128-2 du Code des assurances, du fait d'une catastrophe technologique ou naturelle.

Diagnostic de performance énergétique

Compte tenu de son occupation des lieux depuis de nombreuses années, et des importants travaux d'isolation à réaliser par le BAILLEUR, le PRENEUR dispense expressément ce dernier de la production du diagnostic de performance énergétique.

Déclaration fiscale

Conformément à l'article 260 du Code Général des Impôts, le BAILLEUR confirme son option pour l'assujettissement du présent bail à la taxe sur la valeur ajoutée, le PRENEUR s'oblige à payer au BAILLEUR, en sus de loyer fixé hors taxes, et lors du paiement de chaque terme de ce loyer, le montant de cette taxe.

La présente option sera confirmée par courrier adressé aux services des Impôts.

12. Enregistrement

Les parties requièrent l'enregistrement des présentes.

13. Frais

Les frais et droits des présentes et de leurs suites seront supportés par le PRENEUR qui s'y oblige. Le PRENEUR remboursera au BAILLEUR une quote-part égale à 1.750 € HT sur les honoraires de rédaction des présentes.

14. Élection de domicile

Pour l'exécution des présentes les parties font élection de domicile en leur siège social respectif, tel qu'indiqué en tête des présentes.

Fait en trois exemplaires,
A
Le

LE BAILLEUR MAISON ANTOINE BAUD M. Patrick DUPRE	**LE PRENEUR** EDAP TMS FRANCE M. Eric SOYER

Cadre réservé à l'enregistrement

Annexes :

1. **Plan**
2. **Travaux du Preneur**
3. **Travaux du Bailleur**
4. **Mandat SEPA**
5. **Rapport établi par la Société BETALM**
6. **Etats prévisionnel et récapitulatifs des travaux visés à l'article L. 145-40-2 du Code de Commerce**
7. **Dossier ERNMT**

Exhibit 4.2

Commercial Lease

By and between:

MAISON ANTOINE BAUD

&

EDAP TMS FRANCE

Premises located at:
4 rue du Dauphiné, bâtiment B - VAUX-EN-VELIN (69120)

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THE BELOW MENTIONED PARTIES:

§ **MAISON ANTOINE BAUD,**
a public limited company with a share capital of EUR 3,096,336,
with its offices at COURNON D'AUVERGNE (Puy de Dôme), Zone Industrielle les Acilloux,
Entered into the CLERMONT-FERRAND Trade and Companies Register under number 855 201 521,

represented by Mr Patrick DUPRE acting as the General Director of the said company,

hereinafter referred to as the "LANDLORD",

ON THE ONE PART,

and

§ **EDAP TMS FRANCE,**
a simplified public limited company with a share capital of EUR 6,818,751,
with its offices at 4 rue du Dauphiné – Parc d'Activité La Poudrette Lamartine à VAUX-EN-VELIN (69120),
Entered into the LYON Trade and Companies Register under number 394 804 447,

represented by Mr Erik Soyer acting as the General Director,

hereinafter referred to as the "TENANT",

The above-mentioned company acknowledges to have been advised by ID3 AVOCATS, upon the development of the first project, in accordance with legal professional ethics, as follows:

- ***that ID3 AVOCATS has advised the Landlord with respect to the drafting of this Agreement;***
- ***that EDAP TMS FRANCE has the opportunity to be advised and assisted by another lawyer.***

The company further declares that it has taken note of such information and does not intend to seek advice or assistance of a third party, be it a lawyer or not.

ON THE OTHER PART,

It was previously agreed as follows:

Under an agreement made in Lyon (69) as of 10 October 2002, MAISON ANTOINE BAUD leased to TMS premises situated in VAUX-IN BOND (69120) 4 rue du Dauphiné, for an initial term of nine years commencing on 1 October 2002.

Under two amendments dated 15 October 2002 and 28 June 2004, respectively, the parties supplemented the provisions regarding insurance, excluded from the leased space part C3 intended to be used as archives, covering an area of 410 sqm in Building C, and added part B2 covering an area of 825 sqm in Building B, as of 30 June 2004.

Upon expiry of the lease referred to above, the Parties agreed to renew the lease, under an agreement dated 1 November 2011, for a subsequent term of nine years commencing on 1 October 2011.

The Parties supplemented the "Insurance" clause under an amendment dated 27 March 2012.

According to different arrangements made by the Parties thereafter, the Landlord agreed to deal with all the work and also offered better energy performance of the building, provided that a new lease is executed subject to the terms and conditions set out below.

Now therefore, it is agreed as follows:

Amicable termination of the existing lease

The Parties agree to terminate the lease previously made between them, with effect as of the effective date of this Agreement as defined in Article 2 below.

Such termination is effected without any Party being indemnified therefor.

Given a new lease made between the Parties subject to the terms and conditions set forth below, regarding the premises being the object of the initial lease, no notification will be made to Tenant's registered creditors, if any.

Commercial Lease

The Landlord hereby leases to the Tenant and the Tenant hereby leases and takes from the Landlord the property described below, situated in VAUX-EN-VELIN (69120).

The lease is granted and accepted subject to the terms and conditions that the TENANT is obliged to comply with or otherwise the lease shall be terminated without prejudice to any other remedies and damages.

1. Description of the Leased Premises

The below-described premises are part of the property situated in VAUX-EN-VELIN (69120), 4 rue du Dauphiné, Building B, and comprise:

- Premises for office and business purposes (Parts B1, B6 to B7, B4 to B5, B3) with a total area of approx. 3.325 sqm;
- Premises for archive storage purposes (Part B2) with an area of approx. 825 sqm.

Furthermore, the above-described premises, together with all easements and appurtenances, without any exceptions or reservations, conform with the plan attached hereto (**SCHEDULE 1).**

The TENANT declares to have known the premises which it has occupied since 2002.

2. Lease Term – 10 years, of which 9 years fixed

This lease is made for a fixed term commencing on 1 July 2015 and ending on 30 June 2025.

This lease is made for a fixed term of ten years, and the TENANT shall not be entitled to terminate this Agreement at the end of each three-year period, which is expressly acknowledged by the same and constitutes an essential condition without which the LANDLORD would not have entered into this Agreement. The Tenant shall be entitled to terminate this Agreement at the end of the lease.

The LANDLORD shall be entitled to terminate this Agreement if it invokes Articles L. 145-18, L. 145-21 and L.145-24 of the French Commercial Code in order to build, rebuild or extend the existing building or to carry out such works as may be required or permitted as part of the property renovation.

The party intending to terminate the lease in either of the cases referred to above shall give notice by extrajudicial document or registered letter, return receipt requested, at least six months prior the expiry of the applicable period.

3. Use of the Leased Premises

The premises which are currently leased will be used by the TENANT exclusively to carry out its business of researching electronic and computer devices for the treatment of materials, equipment, manufacturing and marketing of high-tech medical devices.

The TENANT may only carry out other related or additional activities or one or more different activities if the conditions set out in Articles L. 145-47 and L. 145-55 of the French Commercial Code are satisfied.

It is expressly agreed between the Parties that the leased premises may not be used to carry out any activity whose nature would make it necessary to apply regulations concerning installations classified for environmental protection purposes (ICPE).

The TENANT agrees to carry out its business in compliance with all applicable regulations, whether current or future. It specifically agrees, as regards storage, not to store any products which fall within the scope of ICPE classification or not to exceed the thresholds specified therein and which would lead to the application of one of the systems established by applicable regulations.

The Parties may agree, in a written amendment to this Agreement, to derogate from the preceding two paragraphs.

4. Terms and Conditions

This lease is granted and accepted subject to the terms and conditions that are customarily applied in such agreement, and such terms which the TENANT has agreed to abide by without being entitled to seek compensation or reduction of rent:

4.1. Delivery and Acceptance Report

The TENANT acknowledges to have accepted the leased premises in the condition in which they were on the day when it took possession of them under the initial lease, without being entitled to request the LANDLORD to carry out any improvements or repairs or to make any related claims, and also without being entitled to exercise any remedy against the LANDLORD for any reason whatsoever, with respect to the condition of the premises, given the fact that the TENANT has occupied the premises for years

On the effective date of this lease, a delivery and acceptance report shall be drawn up jointly by the Parties or by their joint representative, save that the related costs will be borne equally by the Parties. Each Party may retain one copy; otherwise, the challenging Party may apply to a judicial officer [huissier de justice] to draw up such report and the related costs will be borne equally by the LANDLORD and TENANT, in accordance with Article L. 145-40-1 paragraph 2 of the French Commercial Code.

4.2 Maintenance and Repairs

The TENANT shall at all times keep the leased premises in good state of repair. It shall make all repairs referred to in Articles 1754 and 605 of the French Civil Code. To that end, the TENANT shall, at its sole expense, make and all necessary repairs, whatever their nature, and in particular procure maintenance of heating and air conditioning, if any, in offices and social rooms and maintenance of all doors, shutters, frames, paintings, glazing, blinds, etc. The TENANT shall replace the same elements at its sole expense, also if they get deteriorated due to wear and tear.

The TENANT further agrees to protect the premises against frost during cold periods. The LANDLORD shall not be held liable in case of loss of or damage to materials and goods caused by frost in the closed and roofed premises.

The LANDLORD shall only be responsible for major repairs referred to in Article 606 of the French Civil Code, i.e.:

- "gable walls and vaults, reinstallation of beams and coverings"
- dikes, supporting walls and fences."

All other maintenance repairs within the meaning of the same provision shall be made by the TENANT who consents thereto. In addition, pursuant to Article R.145-35 paragraph 5 of the French Commercial Code, the TENANT shall bear all expenses associated with major repairs referred to in Article 606 of the French Civil Code relating to improvements that exceed the replacement cost.

The TENANT shall suffer or permit to be done, without seeking any damages or reduction of rent, any repairs that the LANDLORD would be required to make in accordance with the preceding paragraph, should the works last more than twenty-one days. It shall remove, at its expense and without delay, all fixtures, signs and other installations on the façade of the building, the removal of which may be required in order to carry out such works.

However, the LANDLORD is obliged to carry out the works as soon as reasonably practicable and in consultation with the TENANT, so as to interfere with the conduct of TENANT's business to the least possible extent.

Unless the LANDLORD signs contracts of maintenance and management of the entire building and all TENANTS, the TENANT shall, at regular intervals, carry out compliance checks required by law to the extent that the premises which it occupies are affected by one of the following areas:

- Smoke extraction,
- Fire extinguishing equipment (outdoor hydrants, indoor fire hydrants, fire extinguishers),
- Alarms and detection systems (fire, burglary, etc.)
- Sectional door,
- Automatic door,
- Cleaning eaves drip and roof,
- Electrical wiring system,
- Emergency lighting,
- Elevators,
- Cleaning of sewage drain system,
- etc.

The TENANT shall provide the Landlord with relevant certificates of conformity as soon as it obtains the same.

The TENANT shall also provide the LANDLORD, annually, with evidence of renewal of insurance policies pertaining to the premises.

The TENANT shall enter into, with its energy providers (electricity, gas, etc.), contracts concerning powers and technical parameters which must conform to the characteristics of the existing systems or those that are to be installed by the LANDLORD. If the TENANT fails to comply with the above obligation, the LANDLORD shall not be held liable for failure to deliver the premises.

4.3 TENANT's Works

The TENANT may not make any demolition, alterations, drilling of walls or partition walls, expand or change the layout of the leased premises without the express written consent of the LANDLORD. Such works, if authorised by the LANDLORD, shall be carried out under the supervision of the LANDLORD's architect and the related costs shall be borne by the TENANT.

No alterations or improvements made by the TENANT without the Landlord's consent shall give rise to the LANDLORD's right to seek damages against the TENANT. This provision, however, shall in no case be interpreted as the LANDLORD's implied consent to the execution of such works. The LANDLORD reserves the right to request, at any time, that the premises be restored to their former condition if any such works are executed without its consent.

Even if authorised by the LANDLORD, no alterations, adaptations or improvements made by the TENANT shall give rise to the LANDLORD's right to seek any damages from the TENANT.

The TENANT may in no event, at the end of the lease term, take any of the items or materials that it has attached to the leased property at the time of making improvements or renovation, if those elements or materials may not be separated without being broken or otherwise damaged or without breaking or otherwise damaging the foundation to which they are attached. This provision shall be without prejudice to the LANDLORD's right to demand that the premises be restored to the former condition if the works or improvements are carried out or made without its consent.

If special requirements are to be complied to allow the works to be carried out (such as a permit for works), the TENANT is obliged to provide the LANDLORD with a copy of all documents filed with the competent authorities (local or otherwise). It further undertakes to keep the LANDLORD informed of any responses received in this respect by providing the LANDLORD with a copy of any correspondence.

The LANDLORD hereby authorises the TENANT to procure, at its sole expense, a qualified company to carry out interior design work, according to the description of works attached hereto (**SCHEDULE 2**). Notwithstanding the above authorisation, such works must be carried out in accordance with this article.

4.4 LANDLORD’s Works

The LANDLORD agrees to carry out the following works:

- Cladding of the building with restyling of the façade and reinsulation;
- Resealing of roofs, skylights and heat and smoke vents, with additional insulation;
- Replacement of the awning and floor at the main entrance and installation of an awning above the emergency exit facing Dauphinée Street;
- Modification of the air (hot and cold) handling unit, including installation of destratification fans, where necessary.

The description of the following works is attached hereto (**SCHEDULE 3**).

Such works should be completed within three months following the date of this Agreement.

4.5 Works Required by Authorities

The TENANT shall bear the costs of any alterations, improvements or adaptations and, more generally, any other work related to business carried out in the premises by the TENANT (especially with respect to installations classified for environment protection purposes), whatever their nature and duration, which would be required in order to comply with any law or regulation, health, safety or other standards, whether existing now or in the future. The LANDLORD shall carry out any other works as may be required by governmental authorities because of the general condition of the building and regardless of the TENANT's business.

The TENANT is hereby authorised to carry out such works provided that it has demonstrated that these are required under a court or administrative decision, save that such works must be carried out under the supervision of the LANDLORD's architect whose fees shall be charged to the TENANT.

Except as otherwise agreed, such works shall remain the property of the LANDLORD at the end of lease term, without any compensation.

The Parties expressly agree that the costs of any work required to bring the leased premises in line with the regulations, related to business carried out by the TENANT, and which would otherwise be borne by the LANDLORD as falling within the scope of major repairs referred to in Article 606 the French Civil Code, shall be borne by the TENANT, subject to the terms and within the limits set out in Article 4.2. hereof. The added value of the leased premises due to the LANDLORD bearing the costs of such works related to the TENANT's business shall result in an increase in the rent, which is an essential and determining condition without which the LANDLORD would not have entered into this Agreement.

This will be equal, on an annual basis excluding taxes, to the total value (exclusive of taxes) of the said works, divided by their depreciation period specified in the accounts of the LANDLORD. The corresponding amount will be included in and form an integral part of the rent as of the first day of the month following completion of the works. For example, the completion of works by the LANDLORD for a total amount of EUR 7,000 (exclusive of taxes), to be depreciated throughout a seven-year period, will result in an annual increase of rent equal to 1,000 EUR (exclusive of taxes). The latter being included in the rent, it will be subject to payment and review terms specified in Articles 5 and 6 hereof.

4.6 Administrative approvals – legislation relating to installations classified for environmental protection purposes (ICPE) – legislation relating to waste

The TENANT shall, throughout the term of this lease and any renewals thereof, be personally liable for obtaining and maintaining any and all administrative approvals required for the conduct of business in the leased premises. Neither the LANDLORD's liability nor obligation to deliver the leased premises may be challenged in this respect.

4.6.1. Legislation relating to ICPE

The TENANT states that it has made all filings with and taken all steps required by the competent authorities and in particular the DREAL, which indicates that the installation to be operated by the same will not be subject to any special restrictions (approvals, registrations or declarations) provided by law.

The TENANT agrees to bear any consequences (especially the inability to use), if the above statement proves incorrect, by refraining from holding the LANDLORD liable, whether for failure to deliver or otherwise.

It further acknowledges that, pursuant to Article 3 hereof, the leased premises may not be used to carry out any activity whose nature would make it necessary to apply regulations concerning installations classified for environmental protection purposes (ICPE).

The Lessee declares to be well aware of this situation and further acknowledges to have been advised by the drafters of this Agreement of the importance of checks to be made in this respect, so that if the installation proves, under the existing or future legislation, and/or with respect to the development of the TENANT's business, consisting for example in a change in volumes of goods held in stock, to be subject to one of the procedures provided by law, the TENANT shall be obliged to limit the scope of or even cease its business, without the LANDLORD being held liable for failure to deliver the premises or otherwise.

The TENANT agrees to keep up with any changes in legislation concerning public and environmental matters.

4.6.2. Legislation relating to waste

If any specific business likely to cause pollution risks, in particular soil contamination, is carried out in the leased premises, the TENANT shall, in strict compliance with the existing and future legislation applicable to this type of business and installations, remove waste and recover materials so as to avoid any adverse effect and to prevent the LANDLORD from being held liable for any damage caused to third parties.

Pursuant to Articles L.541-1 to L.541-4 of the French Environmental Code, any person who produces or holds waste under conditions which are likely to produce harmful effects on soil, flora and fauna, to cause damage to areas or landscape, to pollute air or water, to cause noise and odours and, in general, to harm human health and the environment, is required to arrange for management and disposal of such waste under conditions allowing for such effects to be avoided.

In this regard, the TENANT considered to be the waste holder, even if such waste is found in the building, agrees to comply with applicable regulations (in particular Article L 514-2 of the French Environmental Code) and to take, throughout the lease term, any steps that may be required by new regulations on waste.

The TENANT further undertakes to dispose or to cause its waste to be disposed of so that no claims may be raised against the LANDLORD at any time. To this end, it shall cause contaminated soil to be inspected and shall bear any costs related to the measures that may be decided by any administrative authority.

Upon the TENANT's departure, the surrender of the leased premises shall be confirmed in a relevant report to be accompanied by a copy of the hazardous waste monitoring forms and invoices issued by companies engaged in the waste removal and transport. The LANDLORD shall acknowledge receipt of these documents if the TENANT so requests, without prejudice to the effective disposal of all waste.

4.7 Structures

The TENANT may not make any new structures in the leased premises without the express written consent of the LANDLORD.

The LANDLORD reserves the right to request, both during the lease and upon its expiration, the removal of any structures made by the TENANT without the LANDLORD's approval. No failure by the LANDLORD to exercise the said right to request the removal of such structures during the lease term shall operate as an implied approval of the structures made by the TENANT. The LANDLORD shall retain the right to request the removal of said structures at the end of the lease or upon the departure of the TENANT and at the latter's expense.

Such works, if authorised by the LANDLORD, shall be carried out under the supervision of the LANDLORD’s architect and the related costs shall be borne by the TENANT.

No new structure made by the TENANT shall become the property of the LANDLORD until such time as the TENANT vacates the leased premises.

No assignment, if effected, shall give rise to the TENANT'S right to seek damages.

4.8 Signage

Subject to applicable laws and regulations and co-ownership regulations, if any, and with the approval of local authorities, if required, the TENANT may install illuminated signs, blinds, awnings and plates on the façade of the building after obtaining the prior written approval of the LANDLORD with respect to the plans and implementation work. The TENANT shall take all steps and obtain all approvals required by law, and acknowledges that the LANDLORD shall in no event be held liable if such approval is refused for any reason. The TENANT shall give notice to the LANDLORD, by registered letter against acknowledgment of receipt, of any decision obtained by the TENANT within fifteen days of receipt of the same.

The TENANT shall only bear the costs and fees relating to the installation and maintenance of such systems.

The TENANT shall respect the sizes, shapes and material provisions of any signage in place in the environment of the leased premises. If there are any common advertising materials in the commercial environment of the leased premises, the TENANT shall reimburse the LANDLORD or any company executing related work for the cost of modification of the material resulting from its presence.

In addition, it shall ensure that the related work does not pose any threat to the sustainability of the installations and existing buildings in the area, safety of property and persons, or to the structure of the existing buildings and fences. It shall also ensure that such structures are at all times securely installed and shall be solely liable for any damage occasioned by their installation or existence, to the effect that the LANDLORD may in no event be held liable therefor.

At the end of the lease, the TENANT shall remove, at its expense, any signs erected by the same and restore the premises to their former condition.

4.9 Surrender of Premises at the End of Lease – Delivery and Acceptance Report

At the expiration of the contractual relationship or the end of lease, the TENANT shall surrender the premises in good condition, after having completed all the work required of it under this lease.

Pursuant to Article L. 145-40-1 of the French Commercial Code, a delivery and acceptance report shall be drawn up jointly by the parties or by a third party authorised by them.

If the report cannot be drawn up in accordance with the preceding paragraph, the challenging Party may apply to a judicial officer to draw up such report and the related costs shall be borne equally by the LANDLORD and TENANT.

4.10 Other Remedies

The TENANT agrees not to demand a reduction in rent from the LANDLORD, in particular due to any interruption in the operation of networks or distribution of fluids of any kind, theft or damage occurred in the leased premises.

4.11 Breach of Obligations

In the event of breach by the TENANT of its obligations under this Lease Agreement or any schedules, if applicable, the LANDLORD or its authorised representative may, if such breach is not remedied after two weeks of the TENANT being requested to remedy by registered letter against acknowledgment of receipt, to have such obligations performed or breach remedied by any person of its choice, at the expense and risk of the TENANT. The costs of such action shall be added automatically to the immediately following rent.

Furthermore, the LANDLORD reserves the right, in such case, to avail itself of the cancellation clause stipulated below.

4.12 Assignment

The TENANT shall not assign any of its rights under this lease, including to the purchaser of its business, unless with the prior written consent of the LANDLORD.

To this end, the TENANT shall inform the LANDLORD by registered letter against acknowledgment of receipt of its intention to assign its rights hereunder and shall call upon it to join the signing of an agreement, at least thirty days in advance.

Such request shall indicate the name and address of the assignee, object and terms of assignment and the place, date and time scheduled for the signing of the assignment agreement. It shall be accompanied by a draft assignment agreement. The LANDLORD may demand that the TENANT provide any additional information relevant to its decision.

Failure by the LANDLORD to respond within twenty days of receipt of the request for approval shall operate as an acceptance of the proposed assignee.

However, failure by the LANDLORD duly summoned to appear on the date of signing of the agreement shall not prevent the assignment provided that the proposed assignee shall have been approved.

The assignment must be evidenced in a private document or notarial deed, of which a copy or original, as the case may be, shall be delivered to the LANDLORD in accordance with Article 1690 of the French Civil Code, without delay and at no charge.

The assignment may in no event be effected unless the terms and conditions hereof are complied with and in particular as long as no rent is outstanding.

The TENANT shall be jointly and severally liable as a guarantor with its assignee and any successive assignees, for the payment of rents, charges and incidental costs, and any other compensation payable by the assignee and for the performance of the terms and conditions hereof for a period equal to the remaining term of this lease and any renewal thereof. The TENANT's guarantee shall in no event be shorter than 3 years from the date of assignment of the lease.

In case of successive assignments, the TENANT shall remain liable for all assignees throughout the period mentioned in the preceding paragraph.

The foregoing provisions apply to all cases of assignment in any form whatsoever, including in case of merger or demerger of companies, universal transmission of a company's property made in accordance with Article 1844-5 of the French Civil Code or in case of contribution of part of the assets of a company made in accordance with Articles L.236-6-1, L. 236-22 and L. 236 -24 of the French Commercial Code.

4.13 Subletting – Lease Management

The TENANT may not sublet all or any part of the leased premises without the express written consent of the LANDLORD.

Notwithstanding the preceding paragraph, the TENANT may partially sublet the premises to any company belonging to the TENANT's group subject to the prior express consent of the LANDLORD. The TENANT shall remain liable to pay all the rents, without prejudice to the LANDLORD's right to require payment of rent from the subtenant. The LANDLORD and the TENANT expressly agree that the leased premises are indivisible and any partial lease should specify that the leased premises form an indivisible whole. The LANDLORD is not obliged to renew any sub-lease and the TENANT shall be solely liable for the eviction of the subtenant. The TENANT shall be solely liable for the consequences of any sublease made, and in particular with respect to the restoration of the premises to their previous condition, if necessary, at the time when such subtenant takes possession of and vacates the premises.

The TENANT may not have its business managed under a management agreement without the express prior consent of the LANDLORD. In all cases the TENANT shall remain liable to pay all the rents, without prejudice to the LANDLORD's right to require payment of rent directly from the manager.

4.14 Occupancy - Quiet Enjoyment

The TENANT shall use the leased premises with due diligence, having regard to their intended purpose.

The TENANT shall not do or permit to be done anything that might interfere with the use of premises by other tenants, particularly with regard to noise, odours and smoke and, more generally, anything that would disturb quiet enjoyment by others.

The TENANT shall not do or permit to be done anything that might cause damage to the leased premises and shall give prompt written notice to the LANDLORD of any damage or destruction caused to the leased premises and which would cause the LANDLORD to carry out necessary work. If the TENANT fails to give such notice to the LANDLORD, it shall be solely liable for any such damage or destruction.

The TENANT shall at all times keep the leased premises filled with fixtures and furnishings in such quantities and of such value as may be required to pay the rent and to comply with the terms and conditions of this lease.

5. Taxes and Other Charges

5.1 Taxes and Other Charges

The TENANT shall be liable for and shall pay any personal property, real property, cotisation foncière des enterprises [local corporate property tax since 2010 based on property’s rental value], rental and other taxes of any kind, applicable to it personally or relating to its business, which ordinarily are or may be levied on tenants. It shall settle any local, health and safety, refuse collection and administrative charges, as well as those that might be imposed by urban or local area development plans, so that no claims may be raised against the LANDLORD or that the LANDLORD may not be held liable therefor.

The TENANT may continue all contracts, consistent with its business, for the supply of water, gas, electricity or other utilities that could have been made by the LANDLORD or previous tenant. Contracts made by the TENANT with its energy providers (electricity, gas, etc.) must conform to power characteristics and technical parameters of the existing systems or those that are to be installed by the LANDLORD.

The TENANT may not claim any abatement of rent or compensation for temporary suspension or reduction of use of utilities, including water, gas, electricity, telephone.

5.2 Additional Services

The LANDLORD has developed particular expertise in services relating to the property, both with respect to administrative and operational management of issues relating to the property (correspondence, monitoring of works, extensions, administrative procedures, etc.) and the development of implementation designs.

It may render to the TENANT, according to the latter's needs, a number of services whose nature and financial conditions will be specified in a special agreement between the Parties.

5.3 Insurance

The LANDLORD shall insure the whole property, at replacement cost, particularly against fire, explosion, lightning, electrical damage, storm, hurricane, cyclone, water damage, falling air navigation devices, sabotage, natural disasters, riots, civil commotion, acts of terrorism and civil liability (with respect to its buildings and/or employees), with one or more reputable insurance companies and shall maintain such insurance throughout the lease term.

The TENANT shall take out, with one or more reputable insurance companies, one or more insurance policies covering the risk of fire, explosion, lightning, electrical damage, storm, hurricane, cyclone, water damage, falling air navigation devices, sabotage, natural disasters, riots, civil commotion, acts of terrorism, with respect to fixtures, furnishings and goods in the leased premises, as well as with respect to claims raised by neighbours and third parties, risks of civil liability inherent in the TENANT's business (excluding rental risks).

The TENANT shall maintain insurance policies throughout the lease term and furnish evidence of payment of the corresponding premiums whenever the LANDLORD so requests.

The LANDLORD and its insurers waive any claims that they may have against the TENANT and its insurers.

The TENANT and its insurers waive any claims that they may have against the LANDLORD and its insurers.

If business carried out by the TENANT in the leased premises causes either the LANDLORD, co-tenants or tenants of adjoining premises (or any other interested person) to pay additional insurance premiums, the TENANT shall reimburse the same for such premiums, at the LANDLORD's reasonable request.

5.4 Inspection of Premises

The TENANT shall permit the LANDLORD, its architects, contractors, workmen and all persons authorised by the same, to enter upon the leased premises to inspect their condition, upon reasonable notice to the TENANT, in particular so as to allow the TENANT to comply with any confidentiality undertaking that it may have to its customers. Such inspections may take place between 8 am and 12.30 pm and between 2 pm and 6.30 pm on weekdays, in the presence of the TENANT or one of its representatives.

The TENANT shall allow the premises to be visited by the LANDLORD or prospective tenants at the end of the lease or in the event of termination, during a period of six months preceding the date set for the TENANT to vacate the premises. Such visits may take place on weekdays between 8 am and 12.30 pm and between 2 pm and 06.30 pm. The same applies to prospective purchasers in the case of sale of the leased assets. The TENANT shall allow any boards or posters to be affixed in locations suitable to the LANDLORD, during the same periods.

If the Parties fail to draw up a delivery and acceptance report at the time the TENANT took possession of the premises, the TENANT shall allow the premises to be inspected by any judicial officer appointed for this purpose, during the periods referred to in the preceding paragraph. If the TENANT fails to fulfil this obligation, it shall be deemed to have taken possession of the premises in a good state of repair, without prejudice to any other remedy that the LANDLORD may have, and in particular to the cancellation clause stipulated below.

6. Rent

6.1. Base Rent

This lease has been approved and agreed for an annual rent of three hundred three thousand and fifty-nine euros and sixty cents (EUR 303,059.60) exclusive of taxes, charges and property taxes.

All payments shall be made to the LANDLORD's registered office or to any other place indicated by the LANDLORD, by direct debit, to which the TENANT expressly consents.

Copy of a duly completed SEPA Direct Debit Mandate furnished to the LANDLORD by the TENANT is attached hereto (**SCHEDULE 4**).

The TENANT agrees to pay the rent to the LANDLORD plus VAT at the applicable rate, quarterly in advance, in four equal instalments, on 1 January, 1 April, 1 July and 1 October each year. The first payment shall be made on 1 July 2015.

6.2. Additional rental charges payable by the TENANT

In consideration of the following services rendered by the LANDLORD, the TENANT shall pay annually, as additional rental charges, throughout the fixed term of this lease or for a period of nine years, the amounts specified below:

- Heating and air conditioning: charges equal to an initial annual amount of EUR 9,000 (exclusive of taxes)
- Renovation of the building (relooking): charges equal to an initial annual amount of EUR 9,000 (exclusive of taxes)

Such amounts will be paid on the same dates and conditions as the rent, but will not be subject to adjustment.

6.3. Additional Rent for Improvement of the Energy Performance of the Leased Premises

As it has been stipulated in Article "LANDLORD's works" above, the LANDLORD agrees to carry out any insulation and waterproofing of the leased premises aimed at improving the energy performance of the leased premises.

The Parties agree that, as additional rent, and in consideration for the service provided by the LANDLORD, the TENANT shall pay the LANDLORD annually an amount equal to half of the energy savings made by the same because of the work carried out by the LANDLORD. The Parties expressly agree that such additional rent shall be payable throughout the term of this lease and its first renewal.

For the purposes of determining said amount, the Parties caused a report to be prepared by BETALM, an engineering design office specialising in HVAC, in October 2014, to which they make an express reference. Copy of the report is attached hereto (**SCHEDULE 5**).

According to the research conducted by BETALM, BETALM:

"does not seek to make actual savings made on energy bills issued to the tenant, but rather to model a portion of savings made due to energy conservation works, normalized according to climate conditions.

Thus, energy consumption stated on the bills will be adjusted for climate conditions, that is normalized by taking into account the climate of the period concerned and so-called "reference" consumption, established on the basis of the average climate, called long-term degree days (DJU) for a thirty-day period and previous forecast.

This will give a difference between "reference" and "normalized" consumption which will enable us to establish energy savings attributable to energy conservation."

The Parties expressly agree to refer to the methods presented by BETALM in its report for the purposes of calculating energy savings (gas and electricity).

The additional rent payable by the TENANT shall be equal to 50% of savings calculated using the above-mentioned methods and formulas, established on an annual basis commencing from the first day of the month following completion by the LANDLORD of works aimed at improving the energy performance of the leased premises.

The TENANT shall promptly provide the LANDLORD with bills corresponding to the actual consumption for each reference period (gas and electricity).

The resulting amount shall be increased by VAT at the applicable rate. This additional rent, taking into account its method of calculation, shall not be subject to an annual adjustment stipulated in Article 7 below. It shall be invoiced annually by the LANDLORD upon receipt of relevant supporting documents, and no later than three months after the end of the annual reference period.

7. Rent Adjustment

The Parties expressly agree that the rent will be adjusted annually on the anniversary of the effective date of this lease, according to the annual change in the index of construction costs as determined by the National Institute for Statistics and Economic Studies. In order to calculate such change on the first anniversary date hereof, it is expressly agreed that the initial base index to be considered will be that prevailing in Q4 2014 or 1.625; the reference index will be that of the same quarter of 2015. The next annual adjustment will be based on the annual change in the index for the first quarter, calculated using the following formula:

$$\text{Adjusted rent} = \text{rent following the last calculation} \times \frac{\text{index for the first quarter of the year to which the adjustment relates}}{\text{index for the first quarter of the previous year}}$$

Indexation will take effect without the parties being given prior notice thereof. If the publication of the index is delayed, the TENANT shall temporarily pay the rent equal to that applied in the previous quarter; any adjustment will be made as soon as the index is published.

The Parties expressly agree that such change may in no event lead to the rent being reduced. If the index falls, the rent shall be maintained at an amount applicable at the adjustment date, to which the TENANT expressly consents.

Any new index that might replace the reference index shall apply mutatis mutandis to this lease.

8. Security Deposit

To secure the full and faithful performance by the TENANT of its obligations hereunder, the TENANT is obliged to deposit with the LANDLORD the sum of EUR 75,764.90 corresponding to a quarterly base rent, as a security deposit. The said amount has already been paid to the LANDLORD under the initial lease between the Parties and remains with the LANDLORD in accordance with the foregoing.

The security deposit is provided to the LANDLORD as a pledge with transfer of title defined in Article 2341 et seq. of the French Civil Code. Pursuant to Article 2341 (2) of the French Civil Code, the parties to this lease agree that the LANDLORD shall be released from the obligation to keep the amount deposited with it as a pledge separated from similar things owned by it, provided that it shall return the said amount in accordance with this lease.

The pledge is specifically established to secure the performance by the TENANT of all terms, covenants and obligations under this lease and the payment of all sums as may be due from it for any reason whatsoever at the end of the lease.

The TENANT may not, therefore, apply the deposit to pay the rent or any other amount due to the LANDLORD during the lease. The Parties expressly agree that the security deposit shall not bear interest.

Upon each adjustment of the rent, the security deposit will be immediately increased by the same amount, so that it corresponds to a three-month's principal rent. Consequently, the TENANT shall, during the first period of the adjusted rent, pay an amount necessary to adjust the security deposit.

If the security deposit is applied by the LANFLORD for any reason whatsoever, the TENANT shall restore it to the agreed amount.

The security deposit shall remain with the LANDLORD throughout the lease term and shall be returned to the TENANT at the end of the lease, upon surrender of the premises and delivery of the keys, production of proof of payment of all taxes or charges, completion of repairs at TENANT's expense and deduction, if any, of monies which may then be due and payable or which may demanded from the LANDLORD for any reason whatsoever.

At the request of the TENANT, accepted by the LANDLORD, a first demand guarantee issued by a reputable bank, covering a six-month rent and applicable during the lease term and any renewal thereof, may replace the security deposit, as long as it is issued in the form attached hereto and with the express consent of the LANDLORD as regards the terms of the guarantee and the guarantor.

9. Charges, Taxes and Different Services

9.1. Types of Charges, Taxes and Different Services

In addition to the rent stipulated above, the TENANT shall bear the costs and expenses mentioned below:

9.1.1. Common costs, on a pro rata basis to the leased areas:

All common costs are costs incurred by the TENANT or, if there is more than one tenant in the building where the leased premises are situated, jointly by all tenants, whether they are incurred by the LANDLORD or any other authority.

They are shared among the tenants of the building in which the leased premises are situated, in proportion to the leased areas specified under the "Description of the Leased Premises" above.

They include, without limitation, the costs of the following:

- Day-to-day maintenance of common areas (cleaning, refuse collection, etc.);
- maintenance, operation, repairs and renovations of all kinds of parts, common systems and facilities, both in terms of structures, floors, different networks, decorations, exterior routes, green spaces, lighting, signage, etc.
- security against fire, including expenses necessary to comply with regulations or requirements specified in insurance contracts such as extinction system controls, including, where appropriate, in exclusive use areas;
- heating, air conditioning and ventilating of common areas;
- lighting and water for common areas, and other related expenses for which cannot be assigned to the above-listed category (including insurance premiums for the building and owner's civil liability, charges incurred in connection with the property management: property manager's fees, materials, supplies, correspondence, telephone, other expenses);
- additional insurance premiums charged to the LANDLORD by its insurer to insure the leased premises, due to business carried out by the TENANT or the waiver of recourse consented to by the LANDLORD;
- depreciation expense, acquisition, lease, renewal (possibly operating or finance lease) or repair of parts, installations, elements or systems intended for common use, as well as the work resulting from bringing into line with standards, whether present or future, including with respect to health and safety, as required by administrative authorities. Notwithstanding Article 1719-2 of the French Civil Code; with the sole exception of major repairs listed exhaustively in Article 606 of the French Civil Code, the costs of which shall be borne by the LANDLORD within the limits of replacement; any expenses related to improvement work exceeding the above costs shall be borne by the TENANT who consents thereto.

- Surveillance and/or monitoring of the property.

The above items include all costs necessary for the provision of services to which they relate, including staff, supply contracts, spare parts or materials, rental, staff equipment, electricity, water and fuel, taxes or levies, fees, insurance premiums, expenses, charges and fees relating to the inclusion of the building (even after the date hereof) in groups such as homeowners' associations, neighbourhood associations, as well as any expenses relating to signs located on the exterior parts of the building, even on the buildings or structures that do not form part thereof.

Property taxes and related charges levied on common areas shall be charged to the TENANT whose share will be calculated on the basis of its share of common costs defined herein, and invoiced along with property taxes and related charges levied on exclusive use areas.

9.1.2. Supply of utilities according to the consumption:

- Unless utilities are billed directly to the TENANT: lighting, electricity, water, gas, heating and/or air conditioning, ventilation, cleaning and, more generally, any utilities consumed by the TENANT.

9.1.3. Taxes and Other Charges:

- Refuse collection tax, sweeping and all new contributions, municipal or other taxes, of any description whatsoever, which may be charged to tenants;
- property tax relating to the leased premises, including the share of common costs charged to the TENANT;
- Taxes, fees and charges related to the use of the premises or the building or services which are used by the TENANT directly or indirectly;
- Additional insurance premiums charged to the LANDLORD by its insurer to insure the leased premises, due to business carried out by the TENANT and/or any waiver of recourse consented to by the LANDLORD, in order to insure the leased premises.
- Costs of management and administration services incurred by the LANDLORD, calculated a flat rate of 3% of the rent, exclusive of taxes and charges.

9.2. Advice to the TENANT

Pursuant to Article L. 145-40-2 of the French Commercial Code, the LANDLORD has advised the TENANT and the latter acknowledges to have been advised of the following:

- Report on the work to be carried out in the consecutive three years, specifying an estimated budget;
- Summary report on the work carried out in the previous three years, specifying the cost of such work.

Copies of the said reports are attached hereto (**SCHEDULE 6**).

The LANDLORD shall forward to the TENANT an annual report on the categories of expenses, taxes, charges and fees relating to this lease, in accordance with applicable regulations. Unless otherwise specified, an annual statement of costs shall be treated as an inventory.

The LANDLORD has also informed the TENANT of the following:

- new charges, taxes and fees;
- work referred to in paragraphs 1 and 2 of Article L. 145-40-2 of the French Commercial Code, at the intervals specified therein;
- if there is more than one tenant in the building, any factors likely to affect the allocation of costs among tenants.

9.3. Provisions for Charges, Taxes and Different Services

As part of common costs (except for fluids and energy, where applicable), taxes and other charges referred to in Article 9.1.3., estimated at the total amount of EUR 60,691.79 (exclusive of taxes) per year, the TENANT shall pay the LANDLORD, with each rent instalment, an advance amounting to EUR 18,207.54, taking into account VAT at the applicable rate of 20%, to be credited towards the final account of said charges, which must be settled at least once a year. The balance in plus or in minus shall be accounted for against the next rent instalment which becomes due.

The amount of EUR 60,691.79 exclusive of taxes (EUR 72,830.15 inclusive of taxes) shall be credited towards:

- Management services: EUR 9,091.79 exclusive of taxes (EUR 10,910.15 inclusive of taxes);
- Common costs: EUR 6,000 exclusive of taxes (EUR 7,200 inclusive of taxes);
- Property tax (2014 base): EUR 45,600 exclusive of taxes (EUR 54,720 inclusive of taxes).

If the VAT rate increases or decreases, the above-mentioned amounts will be increased or decreased accordingly.

The first request for payment of costs shall be made upon payment of the first rent instalment and regularisation shall take place on the anniversary of this lease.

10. Cancellation Clause

It is expressly agreed that if the TENANT fails to pay any amount when due or comply with any term or condition of this lease and does not remedy such breach within one month of being served with a notice to remedy the breach making a reference to this clause, this lease shall be terminated automatically at the LANDLORD's option, without the need to take legal action. In such case, as in the case of termination for any reason attributable to the TENANT, the TENANT shall pay the LANDLORD an amount equal to three month's rent as initial damages; such amount shall be deducted, if applicable, from the security deposit.

If the TENANT or any occupant authorised by the same refuses to vacate the leased premises, they may be removed without delay, under an interim order issued by the President of the Court of First Instance for the location of the property.

11. Representations

Landlord's and Tenant's Representations

The LANDLORD represents that:

§ it is not bound by any contractual or legal restriction which would prevent it from entering into this lease;

- to the best of its knowledge, the leased premises are not subject to any pending expropriation proceedings, that the premises are not located in any renovation zone and, more generally, that no zoning plans are likely to disturb the enjoyment resulting from this lease;
- no order of attachment or any other order relating to the property has been served on it.

The TENANT represents that:

§ it is not bound by any contractual or legal restriction which would prevent it from entering into this lease;

§ it is not and has never been subject to reorganisation, receivership or bankruptcy' nor has it become unable to pay its debts.

Natural and Technological Risks

Pursuant to Articles L.125-5 and R125-26 of the French Environmental Code, the LANDLORD represents that the leased premises are not part of any building located within the perimeter of a natural and technological risk prevention plan.

Pursuant to Articles L.125-5 and R125-26 of the French Environmental Code, the LANDLORD represents that the leased premises are part of a building located in a seismic zone level 2.

The LANDLORD has attached hereto a report on natural and technological risks prepared for a period of less than six months in accordance with the form specified in the decree of 19 March 2013 (**SCHEDULE 7**).

In addition, the LANDLORD represents that the leased premises are part of a building that has not been affected by any accident which would give rise to the payment of indemnity in accordance with Articles L.125-2 and L.128-2 of the French Insurance Code, due to technological or natural disaster.

Energy Performance Certificate

Given the TENANT's long-term occupancy of the premises and extensive insulation work to be carried out by the LANDLORD, the TENANT expressly releases the LANDLORD from the obligation to produce an energy performance certificate.

Tax Regime

Pursuant to Article 260 of the French Tax Code, the LANDLORD confirms that it has opted for VAT. The TENANT agrees to pay the applicable amount of VAT to the LANDLORD in addition to the agreed rent exclusive of taxes, and upon payment of the rent.

The above-mentioned option shall be confirmed by letter sent to competent tax authorities.

12. Registration

The Parties require this lease to be registered.

13. Costs

The costs and fees related to this Agreement shall be borne by the TENANT who consents thereto. The TENANT shall reimburse the LANDLORD for an amount equal to EUR 1,750 exclusive of taxes on account of the fee chargeable on this Agreement.

14. Address for Services

The Parties choose their addresses for service, for all purposes of this Agreement, to be in their respective registered offices stated in the introduction above.

Made in three counterparts,
Place:
Date:

LANDLORD MAISON ANTOINE BAUD Mr Patrick DUPRE	**TENANT** EDAP TMS FRANCE Mr Eric SOYER

To be completed by registration authorities

Schedules:

1. **Plan**
2. **Tenant's Works**
3. **Landlord's Works**
4. **SEPA Mandate**
5. **Report prepared by BETALM**
6. **Reports on the work referred to in Article L. 145-40-2 of the French Commercial Code**
7. **ERNMT documents**

EXHIBIT 8.1.

LIST OF EDAP TMS S.A. SUBSIDIARIES
(as of April 4, 2016)

Name of Subsidiary	Juridiction of Incorporation
EDAP TMS France S.A.S.	France
EDAP Technomed S.r.l.	Italy
EDAP Technomed, Inc.	United States
EDAP Technomed Co. Ltd.	Japan
EDAP Technomed Sdn Bhd	Malaysia
EDAP TMS GmbH	Germany

EXHIBIT 12.1

Annual Certification
Pursuant to Section 302 of Sarbanes-Oxley Act of 2002

I, Marc Oczachowski, certify that:

1. I have reviewed this annual report on Form 20-F of EDAP TMS S.A.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Dated: April 4, 2016

/s/ MARC OCZACHOWSKI
Title: Chief Executive Officer

EXHIBIT 12.2

Annual Certification
Pursuant to Section 302 of Sarbanes-Oxley Act of 2002

I, François Dietsch, certify that:

1. I have reviewed this annual report on Form 20-F of EDAP TMS S.A.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Dated: April 4, 2016

/s/ FRANCOIS DIETSCH
Title: Chief Financial Officer

EXHIBIT 13.1

Annual Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of EDAP TMS S.A. (the "Company"), does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 20-F for the year ended December 31, 2015 (the "Annual Report") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 4, 2016

/s/ MARC OCZACHOWSKI
Marc Oczachowski
Chief Executive Officer

Dated: April 4, 2016

/s/ FRANCOIS DIETSCH
François Dietsch
Chief Financial Officer

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act has been provided to EDAP TMS S.A. and will be retained by EDAP TMS S.A. and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 15.1

CONSENT OF INDEPENDENT AUDITORS

We hereby consent to the incorporation by reference in the Registration Statement on Form F-3 No. 333-195435 and on Form S-8 No. 333-188112 of EDAP TMS S.A. of our report dated April 4, 2016, relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 20-F.

Lyon, France, April 4, 2016

PricewaterhouseCoopers Audit

Represented by
/s/ Elisabeth L'hermite
Elisabeth L'hermite