

As filed with the Securities and Exchange Commission on March 28, 2024

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
- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 31, 2023
- OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
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 _____
For the transition period from _____ to _____

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)

Blandine Confort

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(Name, Telephone, E-mail and Address of Company Contact Person)

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

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
American Depositary Shares, each representing one Ordinary Share (Ordinary Shares, nominal value €0.13 per share)	EDAP	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**

[Table of Contents](#)

Outstanding shares of each of the issuer's classes of capital or common stock as of December 31, 2023: 37,103,779 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 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, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer", "accelerated filer" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ___ Accelerated filer X Non-accelerated filer ___ Emerging growth company ___

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards † provided pursuant to Section 13(a) of the Exchange Act. ___

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012. Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. X ___

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ___

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ___

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

TABLE OF CONTENTS

	Page
Presentation of Financial and Other Information	5
Cautionary Statement on Forward-looking Information	5
PART I	
Item 1. Identity of Directors, Senior Management and Advisors	6
Item 2. Offer Statistics and Expected Timetable	6
Item 3. Key Information	6
Item 4. Information on the Company	25
Item 4A. Unresolved Staff Comments	40
Item 5. Operating and Financial Review and Prospects	40
Item 6. Directors, Senior Management and Employees	47
Item 7. Major Shareholders and Related Party Transactions	56
Item 8. Financial Information	56
Item 9. The Offer and Listing	57
Item 10. Additional Information	57
Item 11. Quantitative and Qualitative Disclosures about Market Risk	67
Item 12. Description of Securities Other than Equity Securities	67
PART II	
Item 13. Defaults, Dividend Arrearages and Delinquencies	69
Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds	69
Item 15. Controls and Procedures	69
Item 16A. Audit Committee Financial Expert	71
Item 16B. Code of Ethics	71
Item 16C. Principal Account Fees and Services	72
Item 16D. Exemptions from the Listing Standards for Audit Committees	72
Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers	72
Item 16F. Change in Registrant's Certifying Accountant	73
Item 16G. Corporate Governance	73
Item 16H. Mine Safety Disclosure	74
Item 16I. Disclosure Regarding Foreign Jurisdictions That Prevent Inspections	74
Item 16J. Insider Trading Policies	74
Item 16K. Cybersecurity	74
PART III	
Item 17. Financial Statements	75
Item 18. Financial Statements	75
Item 19. Exhibits	75

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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 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®, Ablatherm®, Ablasonic®, Ablapak® and 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 applicable federal securities laws, including 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,” “can,” “contemplate,” “could,” “plan,” “intend,” “is designed to,” “may,” “might,” “potential,” “objective,” “target,” “project,” “predict,” “forecast,” “ambition,” “aim,” “guideline,” “should,” “will,” “estimate,” “expect” and “anticipate,” or the negative of these and 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:

- risks associated with the current worldwide inflationary environment, uncertain worldwide economic, political and financial environment, geopolitical instability, climate change impact, pandemics and each of their related impacts on our business operations;
- the success of our High Intensity Focused Ultrasound (“HIFU”) technology;
- the uncertainty of market acceptance for our HIFU devices;
- the clinical and regulatory status of our devices in various geographical territories;
- the uncertainty in the regulatory agencies review and approval process for any of our devices and changes in their recommendations and guidance;
- the impact of government regulation, particularly relating to public healthcare systems and the commercial distribution of medical devices;
- effects of intense competition in the markets in which we operate;
- the uncertainty of reimbursement status of procedures performed with our products and their level of reimbursement;
- the market potential for our HIFU devices;
- dependence on our strategic suppliers and distribution partners;
- difficulties to attract and recruit high-level experts in software, design, and development of high technology devices such as our HIFU products
- any event or other occurrence that would interrupt operations at our primary production facility;
- reliance on patents, licenses and key proprietary technologies;
- cybersecurity risks and incidents,
- 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 cyclical nature of demand for medical devices;
- risks relating to ownership of our securities; and
- risks relating to securities litigations 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*,” or further discussion of the risks and uncertainties that may cause such differences to occur. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified time frame or at all. Moreover, 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. These forward-looking statements are based upon information, assumptions and estimates available to us as of the date of this annual report, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information.

You should read this annual report and the documents that we reference in this annual report and have filed as exhibits completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

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

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.”

Summary of Key Risks

Our business and our industry are subject to numerous risks described in the following risk factors and elsewhere in this annual report, Investors should carefully consider these risks before making a decision to invest in our securities.

The main risk factors relating to the Company and its business operations are grouped into the seven categories listed below. The most important risk factors have been identified and assessed considering the likelihood of occurrence and the possible negative effect on the Company, in each case also taking into account corrective actions and risk management measures that have been put in place. The occurrence of new events, whether internal or external to the Company, is therefore likely to modify this ranking in the future.

Risks Relating to our Business, Financial Position and Capital Needs

- The worldwide inflationary environment could have a material adverse effect on our business, results of operations and financial condition.
- Our future revenue and income growth depends, among other things, on implementing our business strategy, which largely depends on the success of our HIFU technology, and our capacity to scale our operations to manage and sustain our future growth.
- Our cash flow is highly dependent on cyclical demand for our products.
- Our results of operations have fluctuated significantly from quarter to quarter in the past and may continue to do so in the future, as we experience long and variable product sales cycles which are long and seasonal and are partly dependent on access to sufficient financing.

Risks Related to our Product Candidates and the Industry in which we Operate

- If we do not successfully optimize and operate our sales, marketing, and potential future distribution channels or we do not effectively expand and update our infrastructure, our operating results may be negatively impacted.
- New device developments and introductions may adversely impact our financial results.
- 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.
- Our clinical trials related to 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.
- The commercial success of our products depends on whether procedures performed by those products are eligible for reimbursement approved by national health authorities and third-party payers.
- HIFU technology may not be adopted by the medical community and may never become a standard of care and we may be unable to generate sufficient revenue to sustain our business.
- Competition in the markets in which we operate is intense and is expected to increase in the future, and there is a substantial risk our products or service offerings could become obsolete or uncompetitive.

Risks Related to our Organization and Operations

- We face a significant risk of exposure to product liability claims if the use of our products results in personal injury or death and our insurance coverage may be inadequate.
- We depend on a single site to manufacture our products, and any interruption of operations could have a material adverse effect on our business.
- For certain components or services, we depend on a small number of suppliers 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 utilize distributors for our sales abroad, which subjects us to a number of risks that could harm our business.
- We are a relatively small company with a limited number of products and staff. Sales fluctuations and employee turnover may adversely affect our business.
- The loss of key members of our executive management team could adversely affect our business.
- We may have difficulties in attracting and recruiting highly qualified experts in software, design and development of high technology devices.
- We have identified a material weakness in our internal control over financial reporting with respect to our U.S. subsidiary and if we fail to remediate this material weakness or if we experience additional material weaknesses in the future or otherwise fail to achieve an effective system of internal controls, we may not be able to report our financial results accurately or timely. In addition, the trading price of our securities may be adversely affected by a related negative market reaction.
- We are exposed to risks related to cybersecurity threats and incidents.
- The expansion of social media platforms and new technologies present risks and challenges for our business and reputation.

Risks Related to Intellectual Property Rights

- 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 and may prevent or delay our development and commercialization efforts.
- The U.S. laws relating to the patentability of certain inventions in the life sciences and medical technology industry is uncertain and rapidly changing, which may adversely impact our existing patents or our ability to obtain patents in the future.
- We may not be able to protect or enforce our intellectual property rights throughout the world.
- Our use of “open source” software could negatively affect our ability to sell our products and subject us to possible litigation.

Risks Relating to our Status as a Foreign Private Issuer or a French Company

- Our French and international operations expose us to additional costs, legal and regulatory risks, which could have a material adverse effect on our business, financial condition and 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.
- Our by-laws and French corporate law contain provisions that may delay or discourage a takeover attempt.
- The rights of shareholders in companies subject to French corporate law differ in material respects from the rights of shareholders of corporations incorporated in the United States.
- French law may limit the amount of dividends we are able to distribute, and we do not currently intend to pay dividends.

- We may lose our foreign private issuer status in the future, which could result in significant additional cost and expenses.
- 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.

Risks Related to Ownership of our Ordinary Shares and the ADSs

- Our securities may be affected by volume fluctuations, and may fluctuate significantly in price, causing investors to lose some or all of their investment.
- Holders of ADSs have fewer rights than shareholders and must act through the Depositary to exercise those rights.
- If securities or industry analysts do not publish research, or publish inaccurate or unfavorable research, about our business, our ADS price and trading volume could decline.
- We are subject to different corporate disclosure standards that may limit the information available to holders of our ADSs.
- Preferential subscription rights may not be available for U.S. persons.

General Risk Factors

- Our results of operations and financial condition could be adversely affected by the adverse economic changes, geopolitical developments, financial changes, and the impact of climate changes.
- We may issue additional securities that may be dilutive to our existing shareholders, in view of funding our new developments and accelerating our business expansion.
- We may acquire other companies or technologies, which could fail to result in a commercial product or net sales, divert our management's attention, result in additional dilution to our stockholders and otherwise disrupt our operations and harm our operating results.
- We may in the future be the target of securities class action or other litigation, which could be costly and time consuming to defend.

Risks Relating to Our Business, Financial Position and Capital Needs

The worldwide inflationary environment could have a material adverse effect on our business, results of operations and financial condition.

Current geopolitical instability including the conflict in Ukraine and the related sanctions and the conflict in Israel, and other factors including, but not limited to, global supply chain constraints, key components sourcing issues, increase in prices and disruptions of energy supply, and labor shortages, have led to higher worldwide inflation, which is likely, in turn, to lead to an increase in costs and may cause additional changes in tax and governmental policies. We may be unable to raise the prices of our devices and services in a higher inflationary environment and keep up with the rate of inflation. Such inflationary pressures may materially impact our business. We may not be able to adjust pricing, reduce our costs or implement counter measures quickly enough to offset cost increases. Our customers (i.e., hospitals and clinics) are also experiencing financial and operational pressures directly related to this inflationary environment, which may impact their ability or willingness to spend on capital equipment and this may have an adverse impact on our business, financial condition, results of operations, or cash flows.

Our future revenue and income growth depends, among other things, on implementing our business strategy, which largely depends on the success of our HIFU technology, and our capacity to scale our operations to manage and sustain our future growth.

Our business strategy depends on the success of our High Intensity Focused Ultrasound (“HIFU”) technology for future revenue growth and net profit generation. We are dependent on the successful development and commercialization of other product lines, such as devices based on HIFU but not limited to the Focal One System, to generate significant additional revenues and to achieve and sustain profitability in the future. To implement our business strategy, we need to (among other things) develop new applications for our HIFU technology, to improve our products and service offerings, and to educate physicians and patients about the clinical and cost benefits of our products, all of which we believe could increase acceptance of our products. Our focus is to primarily expand our HIFU business in the U.S. as HIFU is FDA approved for ablation of prostate tissue and reimbursed at an acceptable level. Although we are particularly dependent on the success of our HIFU technology to grow our business through our HIFU division, other revenues, generated by our Extracorporeal ShockWave Lithotripsy (“ESWL”) division and our Distribution (“Distribution”) division directly linked to the distribution of other complementary products on behalf of third-party medical companies, continue to contribute to our global revenue growth. While we anticipate potential renewals of distribution agreements with third parties, we have no assurance that our existing agreements will be renewed and any termination of distribution commitments from such medical third parties could have a material

adverse effect on our business, financial condition or results of operations. See Item 4, “*Information on the Company—Distribution Division—Distribution Division Sales and Distribution of Products.*”

In addition, there can be no assurance that we will be able to manage our future growth efficiently or profitably and actual revenue, operating margins and net income, or revenue, margin and net income growth, may be less than expected. If we are unable to scale our production capabilities efficiently or maintain pricing, we may fail to achieve expected operating margins, which would have a material and adverse effect on our operating results. Growth may also stress our ability to adequately manage our operations, quality of products, safety, and regulatory compliance. Failure to implement necessary procedures, equipment, or processes or to hire the necessary personnel in a timely and effective manner could result in higher costs or an inability to meet market demand and could have a material adverse impact on our business, results of operations, financial condition, and prospects. Additionally, our future growth will increase the demands placed on our third-party suppliers, and there is no guarantee that our suppliers will be able to support our anticipated growth. If growth significantly changes, it can negatively impact our cash reserves, and we may be required to obtain additional financing, which may increase indebtedness or result in dilution to shareholders. Further, there can be no assurance that we would be able to obtain additional financing on acceptable terms, if at all.

Although we achieved operational profitability in 2019 and 2020, we incurred operating losses in 2021, 2022 and 2023. We expect that our marketing, selling and research and development expenses will increase as we attempt to further develop and commercialize our HIFU devices and particularly with the acceleration of our U.S. HIFU expansion plan. In this respect, we may not 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 achieve profitability in the future. See Item 5, “*Operating and Financial Review and Prospects.*”

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

Our cash flow has historically been subject to significant fluctuations over the course of any given fiscal year due to cyclical demand for medical devices, in particular with hospital budgets being mostly spent at year-end, 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. 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 or distributors to meet their financial obligations to us, would reduce the funds available to us. In the future, our liquidity may be constrained, and our cash flows may be uncertain, negative or significantly different from period to period. Our cash flow is affected by increased expenses in clinical trials, sales efforts and other market costs related to implementing our expanded U.S. and global strategy which require significant additional resources. However, there is no assurance that this will result in an increase in the demand for our products and services.

Our results of operations have fluctuated significantly from quarter to quarter in the past and may continue to do so in the future, as we experience long and variable product sales cycles which are long and seasonal and are partly dependent on access to sufficient financing.

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, cyclical 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.

The sales cycle of our products is lengthy as our products are high value capital items for our customers to purchase and often requires the approval of multiple levels of management or Boards of hospitals, purchasing groups and, in some cases, government authorities. In addition, some sales are subject to a public tender offer process with many approvals which could be lengthy to obtain, and, as a result, hospitals may delay their purchase orders according to their timelines and budget allocations. It is difficult to predict the exact timing for closing product sales directly linked to the length of capital expenditure cycles.

In addition, our customers may rely on the credit market to secure dedicated lease financing to purchase or lease our equipment. Due to the limited availability of lending, we may be unable to access sufficient lease financing to support these transactions. 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. In addition, the current macro-economic environment with elevated or increasing interest rates as compared to prior years, may make lease financing less attractive and more difficult to implement for our customers.

Risks Related to our Product Candidates and the Industry in which we Operate

If we do not successfully optimize and operate our sales, marketing, and potential future distribution channels or we do not effectively expand and update our infrastructure, our operating results may be negatively impacted.

If we do not adequately predict market demand or otherwise optimize and operate our sales, marketing and potential future distribution channels successfully, it could result in excess or insufficient inventory or fulfillment capacity, increased costs, or immediate shortages in product or component supply, or harm our business in other ways. In addition, if we do not maintain adequate infrastructure to enable us to, among other things, manage our purchasing and inventory levels, it could negatively impact our cash flow and operating results.

Moreover, our future success will depend largely on our ability to continue to hire, train, retain and motivate skilled sales representatives or distributors with significant technical and clinical knowledge about our products. New hires require training, supervision and take time to achieve full productivity. If we fail to train and supervise new hires adequately, or if we experience a high turnover in our sales force or trained professionals in the future, we cannot be certain that we will maintain or increase our sales. If we are unable to expand our sales and marketing capabilities, we may not be able to effectively commercialize our HIFU devices or our other products and service offerings in development, which would adversely affect our business, results of operations, and financial condition.

New device developments and introductions may adversely impact our financial results.

From time to time, we develop and introduce new devices with enhanced features and extended or additional capabilities, targeting new clinical applications or improving existing approaches. The success of new device introductions depends on a number of factors including, but not limited to, timely and successful research and development, receipt of regulatory clearances or approvals, pricing, competition, market and consumer acceptance, manufacturing and supply costs, and the risk that new devices may have quality or other defects.

We invest in various research and development projects to expand our product offerings. Our research and development efforts are critical to our success, and our research and development projects may not be successful. We may be unable to develop and market new products successfully, and the products we invest in and develop may not be well received by customers or meet our expectations. Our research and development investments may not generate significant operating income or contribute to our future operating results for several years, and such contributions may not meet our expectations or even cover the costs of such investments. If we fail to effectively develop new products, obtain regulatory clearances or approvals and manage new product introductions in the future, our business, financial condition, results of operations, or cash flows could be materially and adversely impacted.

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, European Union and Japan. 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, we are required to obtain approval or clearance from the relevant regulatory agencies, including the U.S. Food and Drug Administration (“FDA”) with respect to the United States. The process of applying for regulatory approval or clearance is often lengthy and requires the expenditure of substantial resources. Further, there can be no assurance that we will receive the required approvals or clearance 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.

The regulatory agencies may not act favorably or quickly in their review of our submissions, or we may encounter significant difficulties in our efforts to obtain their clearance or approval, or to maintain our existing approvals, all of which could delay or preclude the sale of new or existing products in the related territories. 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”) and other standards for quality assurance and manufacturing process control under applicable regulatory authorities. Such standards may change or evolve, requiring that we change or evolve our manufacturing operations. We may not, always, comply with all applicable standards and, as a result, would be unable to manufacture our products for commercial sale or for clinical trial supply. 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 corrective or 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.

In the European Union, the regulation of medical devices is being updated by the European Medical Device Regulation (“MDR”) imposing stricter requirements on the conformity assessment and the commercialization of our products. A transition period to conform to MDR requirement has been adopted based on MDR classification of devices with a latest application date of December 31, 2028. The extension of the period during which the devices can be placed on the market is subject to certain conditions. To benefit from the new provisions, the manufacturer must have implemented and must maintain a Quality Management System that complies with the MDR requirements before May 26, 2024. An MDR compliance action plan has been put in place in preparation of MDR enforcement within the expected timelines. We are implementing operational actions to ensure our devices may be distributed on the European and international market and conform to MDR requirements, where applicable. However, the uncertainty of continuing healthcare changes, regulations, and our ability to maintain MDR compliance of our products may negatively affect our business.

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*.”

Our clinical trials related to 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 or clearance 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 in each intended use. 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. 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. The results from preclinical testing and early clinical trials may not predict the results that will be obtained in large-scale clinical trials. We could suffer significant setbacks in later-stage clinical trials, even after promising results in earlier trials. Furthermore, data obtained from a trial might be insufficient to demonstrate that our products are safe, and effective. 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, discussions with regulatory authorities to improve our clinical protocols may prove difficult and lengthy; see Item 4, “*Information on the Company—HIFU Division Clinical and Regulatory Status*.”
- slower than expected rates of patient recruitment and enrollment;
- inability to adequately monitor patients 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;
- that regulatory authorities conclude that our trial design is inadequate to demonstrate safety and efficacy.

The data we collect from our preclinical studies, current clinical trials, and other clinical trials may not be sufficient to support requested regulatory approval. Additionally, certain regulatory authorities may disagree with our interpretation of the data from our preclinical 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 preclinical 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/or efficacy of our products in our clinical trials, we will be unable to obtain regulatory approval to market our products.

Moreover, we may also be required to abandon previous strategies for regulatory approval or clearance, 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.

The commercial success of our products depends on whether procedures performed by those products are eligible for reimbursement approved by 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 for procedures performed with our products. In the United States, we are dependent upon favorable coverage and benefit decisions by Centers for Medicare and Medicaid Services (“CMS”) for Medicare reimbursement, state Medicaid agencies, individual managed care organizations, private insurers and other payers. With the support of the American Urological Association and the American Association of Clinical Urologists, the American Medical Association (“AMA”) established a new Category 1 CPT code for the ablation of malignant prostate tissue with HIFU technology, effective January 1, 2021. In late 2022, CMS published its final rules for the calendar year 2023 for ambulatory payment classification (“APC”) procedures and physician fee schedule, which established reimbursement rates that recognize both facility or hospital payment and physician professional service payments for HIFU procedures. CMS final rule included a reimbursement level close to surgery, effective on January 1, 2023. The 2024 final rule maintained APC 6 payment level. For private insurers, policy coverage decisions supporting coverage and reimbursement related to HIFU procedures are limited given that HIFU is a new technology. With expanded third party coverage decisions, our Focal One HIFU procedure will have broader market access in the United States. However, public or private payors may decide to limit coverage or reimbursement of HIFU technologies that are available to individuals, including potentially modifying existing guidance to further limit available coverage. Changes to coverage decisions, which may be revised from time to time, could negatively impact reimbursement for procedures performed using our devices and may result in a material adverse effect on our business, financial condition and results of operations. 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 and we cannot guarantee that a definitive reimbursement will be granted. See Item 4, “*Information on the Company—HIFU Division—HIFU Reimbursement Status.*” 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.

We cannot assure investors that expanded coverage decisions or additional reimbursement approvals will be obtained in the near future, if ever. If payor coverage or reimbursement for procedures related to our products is unavailable, limited in scope or amount, or if certain levels of public or private payor reimbursement or coverage policies change, it could have a material adverse effect on our business, financial condition and results of operations.

HIFU technology may not be adopted by the medical community and may never become a standard of care and we may be unable to generate sufficient revenue to sustain our business.

Our success depends on the market’s confidence that our HIFU devices can provide reliable, high-quality results or treatments and we believe that physicians are likely to be particularly sensitive to any test defects and errors in our devices. Our robotic 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 adoption by the medical community. Physician adoption depends, among other things, on evidence of the cost effectiveness of a therapy as compared to existing therapies and on adequate coverage policies supporting reimbursement from healthcare payers. 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 robotic HIFU devices do not achieve an adequate level of acceptance by physicians, patients, health care payers and the medical community and never become a standard of care, we may not generate or maintain positive cash flows and we may not become profitable or be able to sustain profitability. The failure of our current HIFU devices to perform as expected would significantly impair our reputation. 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.

Competition in the markets in which we operate is intense and is expected to increase in the future, and there is a substantial risk our products or service offerings could become obsolete or uncompetitive.

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.

In the markets that we target for our robotic HIFU products, competition comes from new market entrants and alternative therapies, as well as from current manufacturers of robotic medical devices. In the HIFU market, the Focal One system competes with all current treatments for localized tumors, including surgery, external beam radiotherapy, brachytherapy, irreversible electrocoagulation

and cryotherapy. See Item 4, “*Information on the Company—HIFU Division— HIFU Competition.*” In our ESWL division, we are also facing competition from lower priced laser systems. Item 4, “*Information on the Company—ESWL Division.*”

Many of our competitors have significantly greater financial, technical, research, marketing, sales, distribution and other resources than we have 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.

Risks Related to our Organization and 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 and our insurance coverage may be inadequate.

Our products are designed to be used safely in the treatment of severe afflictions 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 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, near Lyon, France. In the event of a significant interruption in the operations of our sole facility for any reason, such as fire, cyber-attack, supply disruption on a critical component, weather conditions, or other natural disaster or pandemic diseases such as the COVID-19 virus necessitating quarantine implementation or a failure to obtain or maintain required regulatory approvals, we would have no other means of manufacturing our products until we would be 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.

For certain components or services, we depend on a small number of suppliers 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 most of the components used in our products from a number of suppliers but rely on a small number of suppliers for some key components. In addition, we rely on a small number of suppliers for certain services. If the supply of these components or services were interrupted for any reason, including geopolitical tensions or instability, global supply chain failures, weather conditions, large scale cyber-attack or infrastructure disruption, a pandemic and implied restrictions, our manufacturing and marketing of the affected products would be delayed. Certain of these key suppliers may be exposed to variations in the costs of raw materials and components, and, consequently, may suffer issues or delays in sourcing these components, which would harm their business and operations. 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 for any reason, including higher energy, raw material or component prices, therefore causing additional charges for us and impacting our margins. We renegotiated a supply agreement concerning a key component for our HIFU devices as prices increased substantially following a strategic shift in our supplier’s marketing strategy. Such a substantial price increase will negatively impact our margins. We expect to continue to depend upon our suppliers for the foreseeable future, while we explore new sourcing alternatives. Failure to obtain adequate supplies of components or services in a timely manner and at an acceptable price could have a material adverse effect on our business, financial condition and results of operations.

We utilize distributors for our sales abroad, which subjects us to a number of risks that could harm our business.

We have developed strategic relationships with a number of distributors for sales and service of our devices in certain foreign countries where we are not directly represented by a subsidiary. If these relationships are terminated and not replaced, our revenues and/or ability to market or service our devices in the related territories could be adversely affected. Our distributors' actions may affect our ability to effectively market our devices in certain foreign countries if, for example, a distributor holds the regulatory authorizations in such countries and causes, by action or inaction, the suspension of such regulatory authorizations or sanctions for non-compliance. It may be difficult, expensive, and time consuming for us to re-establish reputation, market access or regulatory compliance in such cases. Moreover, our distributors must be in compliance with anti-corruption laws and applicable sanctions, such as the U.S. Foreign Corrupt Practices Act ("FCPA"), sanctions imposed by the U.S. Department of the Treasury's Office of Foreign Assets Control, the European Union, His Majesty's Treasury, or other governmental or supranational entities, and other local laws prohibiting corrupt payments to governmental officials or to customers and we may not be able to trace or be kept informed of such corruption. In addition, we may be named as a defendant in lawsuits against our distributors related to sales or service of our devices performed by these distributors. See our risk factor below: "*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.*"

We are a relatively small company with a limited number of products and staff. Sales fluctuations and employee turnover may adversely affect our business.

We are a relatively small company. Consequently, compared to larger companies, sales fluctuations could have a greater impact on our revenue and profitability on a quarter-to-quarter and year-to-year basis and delays in customer orders could cause our operating results to vary significantly from quarter-to-quarter and year-to-year. In addition, as a small company we have limited staff and are heavily reliant on certain key personnel to operate our business. If a key employee were to leave our company it could have a material impact on our business and the results of operations as we might not have sufficient depth in our staffing to fill the role that was previously being performed. A delay in filling the vacated position could put a strain on existing personnel or result in a failure to satisfy our contractual obligations or to effectively implement our internal controls, and materially harm our business.

The loss of key members of our executive management team could adversely affect our business.

Our success in implementing our business strategy depends largely on the skills, experience and performance of key members of our executive management team and others in key management positions. The collective efforts of each of these people, and others collaborating with them as a team, are critical to us. As a result of the difficulty in locating qualified personnel and new management, the loss or incapacity of existing members of our executive management team could adversely affect our operations. If we were to lose one or more of these key employees, we could experience difficulties in finding qualified successors, competing effectively, developing our technologies and implementing our business strategy.

In addition, we rely on collaborators, consultants and advisors, including scientific and clinical advisors, to assist us in formulating our research and development and commercialization strategy. Our collaborators, consultants and advisors are generally employed by employers other than us and may have commitments, or conflict of interest, or be subject to other agreements with other entities that may limit their availability to us.

We may have difficulties in attracting and recruiting highly qualified experts in software, design and development of high technology devices.

Our devices require highly qualified individuals with a high-level of expertise and experience in design, software, mechanics and electronics. We are highly dependent on our ability to attract and retain qualified personnel and engineers to develop our devices. In addition, the learning curve required to master our systems is lengthy and, if we do not find qualified experts and engineers, we may not be able to meet our development schedule and obtain market approval in due time, which in time may delay market introduction of new products. Failure to recruit and attract experts in a timely manner may have a material adverse effect on our development, business, financial condition and results of operations.

We have identified a material weakness in our internal control over financial reporting with respect to our U.S. subsidiary and if we fail to remediate this material weakness or if we experience additional material weaknesses in the future or otherwise fail to achieve an effective system of internal controls, we may not be able to report our financial results accurately or timely. In addition, the trading price of our securities may be adversely affected.

As a publicly traded company, we are subject to the reporting requirements of the Exchange Act and the Sarbanes-Oxley Act of 2002. We have incurred, and expect to continue to incur, significant continuing costs, including accounting fees and staffing costs, to maintain compliance with the internal control requirements of the Sarbanes-Oxley Act of 2002. As described in Item 15, we have identified one material weakness with respect to internal controls in our U.S. subsidiary, Edap Technomed Inc: an ineffective design and implementation of the subsidiary's control over the recording of third-party vendor invoices. This was due to insufficient resources in the finance department of the subsidiary and IT environment limitations. Our management has concluded that, as a result, our internal control over financial reporting was not effective as of December 31, 2023. Nevertheless, we have concluded that this material weakness did not result in a material misstatement of the consolidated financial statements for the year ended December 31, 2023, or require a restatement of consolidated financial statements with respect to any prior period previously reported by the Company.

Although we have initiated remediation actions to address this material weakness, as a small company, we may have insufficient personnel to allow us to segregate duties, and consistently execute the Company's internal controls.

Furthermore, the ongoing requirements of the Sarbanes-Oxley Act may place a strain on our systems and resources. Our management is required to evaluate the effectiveness of our internal control over financial reporting as of each year-end, and we are required to disclose management's assessment of the effectiveness of our internal control over financial reporting, including any material weakness in our internal control over financial reporting.

Our internal control over financial reporting has been designed to provide our management and Board of Directors with reasonable assurance regarding the preparation and fair presentation of our consolidated financial statements. On an on-going basis, we are reviewing, documenting and testing our internal control procedures. To maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, and as our business develops, additional resources and management oversight may be required.

In an effort to remediate the material weakness that was identified as of December 31, 2023, and to enhance our overall control environment, we hired new resources in 2023 and plan to hire additional resources in 2024. We are also working at deploying another IT system in our U.S. subsidiary and already hired an IT VP Manager to supervise such deployment. We believe this will allow us to remediate this material weakness in the short term. See Item 15, "Controls and Procedures."

Any failure to complete our assessment of our internal control over financial reporting, to remediate any material weaknesses that we have identified or may identify in the future, and any failure to implement new or improved controls, or difficulties encountered in their implementation, could harm our operating results, cause us to fail to meet our reporting obligations or result in material misstatements in our financial statements. Any failure to maintain adequate internal controls over financial reporting and provide accurate financial statements may subject us to litigation, render future financings more difficult or expensive, and could cause the trading price of our securities to decrease substantially. Inferior controls and procedures could cause investors to lose confidence in our reported financial information, which may give rise to securities claims and have a negative effect on the value of our securities. Any such failure could also adversely affect the results of the periodic management evaluations of our internal controls and, in the case of a failure to remediate any material weaknesses that we have identified or may identify in the future, would adversely affect the annual auditor attestation reports regarding the effectiveness of our internal control over financial reporting that are required under Section 404 of the Sarbanes-Oxley Act of 2002.

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 also rely in part on the reliability of certain tested third parties' cybersecurity measures, including firewalls, virus solutions and backup solutions. Cybersecurity incidents, such as breaches of data security, disruptions of information technology systems and cyber threats, 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. Like many companies, we may experience certain of these incidents given that the

external cyber-attack threat continues to grow in part due to a perceived increased vulnerability associated with partly remote working conditions. While we have protocols in place to protect against such threats, we may fail to identify all threats like fraudulent payment requests that we may receive in the future and may inadvertently provide payment in connection with such requests, which may have a material adverse effect on our business, financial condition or results of operations.

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 incidents, and government and regulatory oversight of associated risks, continue to grow, we may be required to expend additional resources to enhance or expand upon the security measures we currently maintain. Nevertheless, with the current ongoing conflict between Russia and Ukraine and the related political uncertainty, there is an increased possibility that cybersecurity incidents or cyberattacks may occur and impact our results of operations.

There can be no assurance that our efforts or those of our third-party service providers to implement adequate security and control measures would be sufficient to protect against breakdowns, service disruption, data deterioration or loss in the event of a system malfunction, or prevent data from being stolen or corrupted in the event of a cyber-attack, security breach, industrial espionage attacks or insider threat attacks which could result in financial, legal, business or reputational harm. 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.

The expansion of social media platforms and new technologies present risks and challenges for our business and reputation.

We increasingly rely on social media and new technologies to communicate about our products and technologies. The use of these media requires specific attention. Unauthorized communications, such as press releases or posts on social media, purported to be issued by the Company, may contain information that is false or otherwise damaging and could have an adverse impact on our stock price. Negative or inaccurate posts or comments about the Company, our business, directors or officers on any social networking website could seriously damage our reputation. In addition, our employees and partners may use social media and mobile technologies inappropriately, which may give rise to liability for the Company, or which could lead to breaches of data security, loss of trade secrets or other intellectual property or public disclosure of sensitive information, including information about our employees, clinical trials or customers. Such uses of social media, mobile technologies, or information technology more generally could have a material adverse effect on our reputation, business, financial condition and results of operations.

Risks Related to Intellectual Property Rights

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 and may prevent or delay our development and commercialization efforts.

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. We or our licensors may be subject to claims that former employees, collaborators or other third parties have an interest in our owned or in-licensed patents, trade secrets or other intellectual property as an inventor or co-inventor. 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. We may receive letters from third parties drawing our attention to their patent rights, or patent grant contestations may be filed. Third parties also may challenge our patents before administrative bodies in the United States or abroad. Such mechanisms include re-examination, post-grant review, *inter partes* review, interference proceedings, derivation proceedings, and equivalent proceedings in foreign jurisdictions (e.g., opposition proceedings). Such proceedings could result in the revocation or cancellation of or amendment to our patents in such a way that they no longer cover our product candidates and existing products or provide any competitive advantage. The outcome of future such challenges is unpredictable, and the loss of patent protection could have a material adverse impact on our business, financial condition and result of operations.

If third parties, including our competitors, believe that our products or technologies infringe, misappropriate or otherwise violate their intellectual property rights, such third parties may seek to enforce against us their intellectual property rights, including patent rights, by filing against us an intellectual property-related lawsuit, including a patent infringement lawsuit. Even if we believe third-party intellectual property claims are without merit, there is no assurance that a court would find in our favor on questions of infringement, validity, enforceability, or priority. If any third parties were to assert these or any other patents against us and we are unable to successfully defend against any such assertions, we may be required, including by court order, to cease the development and commercialization of the infringing products or technology and we may be required to redesign such products and technologies so they

do not infringe such patents, which may not be possible or may require substantial monetary expenditures and time. We could also be required to pay damages, which could be significant, including treble damages and attorneys' fees if we are found to have willfully infringed such patents. We could also be required to obtain a license to such patents to continue the development and commercialization of the infringing product or technology. However, such a license may not be available on commercially reasonable terms or at all, including because certain of these patents may be held by or exclusively licensed to our competitors. Even if such a license were available, it may require substantial payments or cross-licenses under our intellectual property rights, and it may only be available on a nonexclusive basis, in which case third parties, including our competitors, could use the same licensed intellectual property to compete with us. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operation and prospects.

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. 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—ESWL Division—ESWL Division Patents and Intellectual Property*."

We own or co-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. 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 and/or our ESWL medical equipment, either in the United States or in foreign markets.

Patents have a limited lifespan. In the United States, if all maintenance fees are timely paid, the natural expiration of a utility patent is generally 20 years from its earliest U.S. non-provisional filing date. While extensions may be available, the life of a patent, and the protection it affords, is limited, and certain of our patents may also expire and fall into the public domain, as has already occurred with certain patents in the HIFU division's patent portfolio. See Item 4, "*Information on the Company—HIFU Division—HIFU Division Patents and Intellectual Property*."

As is common in the life sciences and medical industry, we engage the services of consultants and independent contractors to assist us in the development of our products. We 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. We also rely on copyright protection. Litigation may be necessary to protect trade secrets, know-how or copyrights 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.

U.S. laws relating to the patentability of certain inventions in the life sciences and medical technology industry are uncertain and rapidly changing, which may adversely impact our existing patents or our ability to obtain patents in the future.

Changes in either the patent laws or interpretation of the patent laws in the United States or in other jurisdictions could increase the uncertainties and costs surrounding the prosecution of patent applications and the enforcement or defense of issued patents. For instance, under the Leahy-Smith America Invents Act (the "America Invents Act"), enacted in September 2011, the United States transitioned to a first inventor to file system in which, assuming that other requirements for patentability are met, the first inventor to file a patent application is entitled to the patent on an invention regardless of whether a third party was the first to invent the claimed invention. These changes include allowing third-party submission of prior art to the United States Patent and Trademark Office ("USPTO") during patent prosecution and additional procedures to challenge the validity of a patent through USPTO administered post-grant proceedings, including post-grant review, inter partes review, and derivation proceedings.

Various courts, including the U.S. Supreme Court, have rendered decisions that impact the scope of patentability of certain inventions or discoveries relating to life sciences and medical technology. Specifically, these decisions stand for the proposition that patent claims that recite laws of nature, natural phenomena, and abstract ideas are not themselves patentable unless those patent claims have sufficient additional features that provide practical assurance that the processes are genuine inventive applications of those laws, phenomena, and abstract ideas. What constitutes a “sufficient” additional feature is somewhat uncertain. Furthermore, in view of these decisions, since December 2014, the USPTO has published and continues to publish revised guidelines for patent examiners to apply when examining process claims for patent eligibility.

In addition, U.S. Supreme Court rulings have narrowed the scope of patent protection available in certain circumstances and weakened the rights of patent owners in certain situations. In addition to some degree of uncertainty with regard to the Company’s ability to obtain patents in the future, this combination of events has created a degree of uncertainty with respect to the value of patents, once obtained. Depending on relevant laws enacted by the U.S. Congress, and decisions by the federal courts and the USPTO, the laws and regulations governing patents could change in unpredictable ways that may have a material adverse effect on our ability to obtain new patents and to defend and enforce our existing patents and patents that we might obtain in the future.

Our patent portfolio may be negatively impacted by current uncertainties in the state of the law, new court rulings or changes in guidance or procedures issued by the USPTO or other similar patent offices around the world. From time to time, the U.S. Supreme Court, other federal courts, the U.S. Congress or the USPTO may change the standards of patentability, scope and validity of patents within the life sciences and medical technology and any such changes, or any similar adverse changes in the patent laws of other jurisdictions, could have a negative impact on our business, financial condition, prospects and results of operations.

We may not be able to protect or enforce our intellectual property rights throughout the world.

Filing, prosecuting and defending patents and trademarks on all of our current or our planned products throughout the world would be prohibitively expensive to us. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products and, further, may export otherwise infringing products to territories where we have patent protection but where enforcement is not as strong as in the U.S. or France. These products may compete with our products in jurisdictions where we do not have any issued patents and our patent claims or other intellectual property rights may not be effective or sufficient to prevent them from competing. Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents and other intellectual property protection, particularly those relating to the healthcare sector, which could make it difficult for us to stop the infringement of our patents or marketing of competing products in violation of our patents or other intellectual property. Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial cost and divert our efforts and attention from other aspects of our business.

Our use of “open source” software could negatively affect our ability to sell our products and subject us to possible litigation.

Our products incorporate so-called “open source” software, and we may incorporate additional open source software in the future. Open source software is generally licensed by its authors or other third parties under open source licenses. According to certain of these licenses, we may be subject to certain conditions, including requirements that we offer our products that incorporate the open source software for no cost, that we make available source code for modifications or derivative works we create based upon, incorporating or using the open source software and/or that we license such modifications or derivative works under the terms of the particular open source license. If an author or other third party that distributes such open source software were to allege that we had not complied with the conditions of one or more of these licenses, we could be required to incur significant legal expenses defending against such allegations and could be subject to significant damages, enjoined from the sale of our products that contained the open source software and required to comply with the foregoing conditions, which could disrupt the distribution and sale of our products.

Risks Related to our Status as a Foreign Private Issuer or a French Company

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

We have significant French and international operations. We have direct distribution channels in almost 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 regulations include, among others, U.S. laws such as 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. We have adopted a Code of Ethics that requires employees to comply with applicable laws and regulations and particularly

with the applicable provisions of the French law known as the Sapin II law, and the related implementing decrees, and notably the requirements of Article 8 of the law, which requires the establishment of a whistle-blowing policy. EDAP employees can raise any issue by reporting on our hotline at alerteprofessionnelle@edap-tms.com. These numerous and sometimes conflicting laws and regulations include, among others, data privacy requirements, labor relations laws, tax laws, anti-competition regulations, “Know Your Customer” requirements, import and trade restrictions, export requirements.

We are also subject to healthcare laws and regulations pertaining to physician payment transparency, privacy, and data protection regulations. These regulations include, but are not limited to (i) the U.S. federal Health Insurance Portability and Accountability Act (“HIPAA”) of 1996, as amended by the Health Information Technology for Economic and Clinical Health Act, which governs the conduct of certain electronic healthcare transactions and protects the security and privacy of protected health information; (ii) the U.S. federal Physician Payment Sunshine Act (the “Sunshine Act”), which requires manufacturers of medical devices for which payment is available under Medicare, Medicaid, to report annually to the CMS information related to payments or other “transfers of value” made to physicians, (iii) two main sets of laws enacted in France about transparency requirements: “The French Anti-Gift Law” –updated in 2020 and 2022- which regulates the provision of gifts, discounts and other incentives to physicians and the “Bertrand law” which imposes disclosure obligations on companies relating to benefits and remunerations granted to, and agreements concluded with, physicians and (iv) the provisions of the French Public Health Code relating to the processing and/or hosting of health-related personal data. Any failure to comply with these regulations may have a material adverse effect on our business, financial condition and results of operations.

Furthermore, in addition to HIPAA we are subject to other data privacy and protection laws and regulations that apply to the collection, transmission, storage and use of personally identifying information, which among other things, impose certain requirements relating to the privacy, security and transmission of personal information. The legislative and regulatory landscape for privacy and data protection continues to evolve in jurisdictions worldwide, and there has been an increasing focus on privacy and data protection issues with the potential to affect our business. There are numerous European, French, U.S. federal and U.S. state laws and regulations related to the privacy and security of personal information. For example, in the European Union, the collection and use of personal data is governed by the provisions of the General Data Protection Regulation (“GDPR”) which took effect in May 2018. The GDPR significantly increases the level of data protection and imposes a greater compliance burden on companies. In particular, it treats clinical data as personal data, requiring us or our subcontractors to implement more extensive procedures in the collection and processing of clinical trial data. Furthermore, the GDPR significantly increases the level of sanctions for non-compliance. The European Union data protection authorities have the power to impose administrative fines of up to a maximum of €20 million or 4% of our consolidated revenues for the preceding fiscal year, whichever is higher. The GDPR is also supplemented by the provisions of the French data protection act (Law No. 78-17 of January 6, 1978), in particular in respect of the processing of personal data in the field of healthcare.

Given the high level of complexity of these laws, and the fact that we do business in regions where regulatory compliance is less robust, including in Russia and parts of Asia, there is a risk that we may inadvertently breach some provisions, for example, through fraudulent or negligent behavior of individual employees or business partners, our failure to comply with certain formal documentation requirements, or otherwise. See “— General Risk Factors—*Our results of operations and financial condition could be adversely affected by the adverse economic, geopolitical and financial environment, and the impact of climate change.*” Our success depends, in part, on our ability to anticipate these risks and manage these challenges. We have a decentralized international sales organization, and this structure may make 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 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 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 2023, 60% of our total costs of sales and operating expenses were denominated in euro, while 55% of our revenue was 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, 2023, 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 by-laws and French corporate law contain provisions that may delay or discourage a takeover attempt.

Provisions contained in our bylaws and French corporate law could make it more difficult for a third party to acquire our company, even if doing so might be beneficial to its shareholders. In addition, provisions of its bylaws impose various procedural and other requirements, which could make it more difficult for shareholders to affect certain corporate actions. These provisions include the following:

- under French law, a non-resident of France, as well as any French entity controlled by non-residents of France, may have to file a declaration for statistical purposes with the Bank of France (*Banque de France*) within 20 working days following the date of certain direct foreign investments in us, including any purchase of our ADSs. Such filings are required in connection with investments exceeding €15,000,000 that lead to the acquisition of at least 10% of our share capital or voting rights or cross such 10% threshold;
- under French law, certain investments in a French company relating to certain strategic industries by individuals or entities not residents in a Member State of the EU are subject to prior authorization of the Ministry of Economy;
- a merger (i.e., in a French law context, a share for share exchange following which our company would be dissolved into the acquiring entity and our shareholders would become shareholders of the acquiring entity) of our company into a company incorporated in the European Union would require the approval of the Company's Board of Directors, as well as a two-thirds majority of the votes held by the shareholders present, represented by proxy or voting by mail at the relevant meeting;
- a merger of our company into a company incorporated outside of the European Union would require 100% of our shareholders to approve it;
- under French law, a cash merger is treated as a share purchase and would require the consent of each participating shareholder;
- our shareholders may in the future grant our Board of Directors broad authorizations to increase our share capital or to issue additional ordinary shares or other securities (for example, warrants) to our shareholders, the public or qualified investors, including as a possible defense following the launching of a tender offer for our ordinary shares;
- our shareholders have preferential subscription rights proportional to their shareholding in our company on the issuance by us of any additional shares or securities giving the right, immediately or in the future, to new shares for cash or a set-off of cash debts, which rights may only be waived by the extraordinary general meeting (by a two-thirds majority vote) of our shareholders or on an individual basis by each shareholder;
- our Board of Directors can only be convened by its chair or, when no Board meeting has been held for more than two consecutive months, by directors representing at least one-third of the total number of directors;
- our Board of Directors has the right to appoint members to fill a vacancy created by the resignation or death of a member of the Board for the remaining duration of such member's term of office, and subject to the approval by the shareholders of such appointment at the next shareholders' meeting, which prevents shareholders from having the sole right to fill vacancies on our Board of Directors;
- approval of at least a majority of the votes held by shareholders present, represented by a proxy, or voting by mail at the relevant ordinary shareholders' general meeting is required to remove members of the Board of Directors with or without cause;
- pursuant to French law, our by-laws, including the sections relating to the number of members of the Board of Directors, and election and removal of members of the Board of Directors from office may only be modified by a resolution adopted by two-thirds of the votes of our shareholders present, represented by a proxy or voting by mail at the meeting.

The rights of shareholders in companies subject to French corporate law differ in material respects from the rights of shareholders of corporations incorporated in the United States.

We are a French company with limited liability. Our corporate affairs are governed by our by-laws and by the laws governing companies incorporated in France. The rights of shareholders and the responsibilities of members of our Board are in many ways different from the rights and obligations of shareholders in companies governed by the laws of U.S. jurisdictions. For example, in the performance of its duties, our Board of Directors is required by French law to consider the interests of our company, our shareholders, our employees and other stakeholders, rather than solely our shareholders and/or creditors. It is possible that some of these parties will have interests that are different from, or in addition to, the interests of our shareholders.

French law may limit the amount of dividends we are able to distribute, and we do not intend to pay cash dividends for the foreseeable future.

We currently intend to retain our future earnings, if any, to finance the further development and expansion of our business and do not intend to pay cash dividends in the foreseeable future. Any future determination to pay dividends will be at the discretion of our Board of Directors and will depend on our financial condition, results of operations, capital requirements, and future agreements and financing instruments, business prospects and such other factors as our Board of Directors deems relevant.

Further, under French law, the determination of whether we have been sufficiently profitable to pay dividends is made based on our statutory financial statements prepared and presented in accordance with applicable French regulations. Therefore, we may be more restricted in our ability to declare dividends than companies not based in France.

We may lose our foreign private issuer status in the future, which could result in significant additional costs and expenses.

While we currently qualify as a foreign private issuer, the determination of foreign private issuer status is made annually on the last business day of an issuer's most recently completed second fiscal quarter and, accordingly, the next determination will be made with respect to us on June 30, 2024, which would require us to comply with all of the periodic disclosure and current reporting requirements of the Exchange Act applicable to U.S. domestic issuers as of January 1, 2025. We could lose our foreign private issuer status in the future if we fail to meet the requirements necessary to maintain our foreign private issuer status as of the relevant determination date. In order to maintain our current status as a foreign private issuer, either (a) a majority of our ordinary shares or ADSs must be either directly or indirectly owned of record by non-residents of the United States or (b)(i) a majority of our executive officers or directors may not be U.S. citizens or residents, (ii) more than 50% of our assets cannot be located in the United States and (iii) our business must not be administered principally inside the United States. If we lost this status, we would be required to comply with the Exchange Act reporting and other requirements applicable to U.S. domestic issuers, which are more detailed and extensive than the requirements for foreign private issuers and have shorter deadlines, including with respect to annual and quarterly reports. In particular, Form 10-Q requires quarterly financial statements subject to auditor review. As of December 31, 2023, approximately 70% of our outstanding ordinary shares were held by U.S. residents and the other criteria may be triggered in the future to reflect changes in our business.

The regulatory and compliance obligations and costs to us under U.S. securities laws as a U.S. domestic issuer may be significantly more than obligations and costs we currently incur as a foreign private issuer. If we are not a foreign private issuer, we will be required to file periodic reports and registration statements on U.S. domestic issuer forms with the SEC, which are more detailed and extensive in certain respects than the forms available to a foreign private issuer. We would be required under current SEC rules to modify certain of our policies to comply with corporate governance practices associated with U.S. domestic issuers. In addition, we may lose our ability to rely upon exemptions from certain corporate governance requirements on U.S. stock exchanges that are available to foreign private issuers such as the ones described above and exemptions from procedural requirements related to the solicitation of proxies.

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.

Risks Relating to Ownership of our Ordinary Shares and the ADSs

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

Our ADSs, each of which represents one ordinary share, are traded on The Nasdaq Global Market. The average daily trading volume of our ADSs in 2023 was approximately 96,000, the high and low bid price of our ADSs for the last two fiscal years ended on December 31, 2023, and December 31, 2022, was \$12.65 and \$11.53, and \$3.60 and \$5.54, 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, the average daily trading volume of our ADSs in December 2022 was

101,126 as opposed to 217,979 for the same period of 2023. 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, general market and economic conditions and results of operations being below analysts' or investors' expectations. Any downward pressure on the price of ADSs caused by the sale of ADSs could also encourage short sales of our ADS 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.

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

In addition, periods of volatility in the market price of a company's securities often trigger securities class action litigation. 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.

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 the 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.

If securities or industry analysts do not publish research, or publish inaccurate or unfavorable research, about our business, our ADS price and trading volume could decline.

The trading market for our ADSs will depend, in part, on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who cover us downgrade our securities or publish inaccurate or unfavorable research about our business, our ADS price would likely decline. In addition, if our operating results fail to meet the expectations of our investors or forecasts of research analysts, our ADS price would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, demand for our ADSs could decrease, which might cause our ADS price and trading volume to decline.

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.

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.

General Risk Factors

Our results of operations and financial condition could be adversely affected by the adverse economic changes, geopolitical developments, financial changes, and the impact of climate changes.

As of the date of filing of this report, the global economy remains impacted by geopolitical tensions and instability and, in particular, the conflict between Russia and Ukraine and the conflict in the Middle East. We have little to no business in the Middle East.

Since February 24, 2022, Russia has engaged in a military conflict against Ukraine. It is difficult to predict the consequences and outcomes of such military action, which could lead to significant disruptions, including impacts on the prices and supply of energy resources, on purchases from customers who may defer their orders or change their purchase preferences. Should such military conflict continue, it may entail instability in financial markets and impact political and economic situations in Europe and worldwide. Russia's military action against Ukraine has led to implementation of sanctions by the United States, the European Union, the United Kingdom, Canada, Switzerland, Japan, and other countries against Russia, Belarus, the Crimea Region of Ukraine, the so-called Donetsk People's Republic, and the so-called Luhansk People's Republic.

In response to these international sanctions, Russian authorities have also imposed significant currency control and restrictive measures. As the situation is evolving, and additional sanctions may be implemented, such new restrictions could adversely affect the global economy, prices and energy supply, financial markets, supply chains, and could adversely affect our business, financial condition, and results of operations. As we evaluated the impact of such measures on our business, in 2022, we decided to definitively close our representative office in Moscow to avoid further difficulties in maintaining a direct administrative and operational activity in Russia. Net sales in Russia are not significant as they represented approximately 1.5% in 2022 and 0.8% in 2023 of our consolidated revenues. Our sales in Russia are historically subject to significant variation and long purchase order periods. We have an established exclusive distribution agreement with a business partner with significant experience in marketing and distributing medical equipment in Russia. This partnership will allow us to continue offering a HIFU solution to Russian patients and to maintain our existing installed base in Russia. To date, we have not experienced any material disruptions in our business with Russia, but we cannot predict outcomes that such conflict may have on our future results of operations.

Moreover, uncertain global climate change may result in certain types of more intense and more frequent natural disasters including, but not limited to hurricanes, wildfires or flooding or sustained periods of extreme weather. Such extreme disasters could imply risks to our facilities and disrupt our supply chain and may cause us to incur additional operational costs. Such intense events may also trigger internet security threats or damage to global communication networks that would harm our global operations and our customers' operations. Climate change may also result in new regulatory or legal obligations to address the effects of climate change on the environment or the effect of our operations and those of other companies on the environment. Such new obligations could cause increased compliance costs to meet any new regulatory or legal requirements and may adversely affect sourcing, manufacturing operations, and the distribution of our products. Such natural disasters could have a material adverse impact on our business, financial condition, results of operations, or cash flows.

We may also be unable to meet the future criteria used by rating agencies in their environmental, social and governance (“ESG”) assessments process, leading to a downgrading in our rating. Financial investments in companies which perform well in ESG assessments are increasingly popular, and major institutional investors have made known their interest in investing in such companies. Depending on ESG assessments and on the rapidly changing views on acceptable levels of action across a range of ESG topics from investors, we may be unable to meet society’s or investors’ expectations on these matters, which may cause reputational harm, or disappoint the expectations of our stakeholders, and we may face increased compliance or other costs and demand for securities issued by us and our ability to participate in the debt and equity markets may decrease.

We may issue additional securities that may be dilutive to our existing shareholders, in view of funding our new developments and accelerating our business expansion.

Our operations have consumed substantial amounts of cash since inception. We expect to use our cash resources to develop and further commercialize our products, develop new products, and for working capital and general corporate purposes. We may require additional capital to further develop and commercialize our products and to develop new products. In addition, our operating plans may change because of many factors that may currently be unknown to us, and we may need to seek additional funds sooner than planned.

On June 30, 2021, our shareholders adopted resolutions allowing the Board of Directors to issue 2,000,000 new shares under the form of subscription options and 200,000 free shares to motivate and reward the teams dedicated to successfully implementing our worldwide activities, particularly in the United States. Based on the June 30, 2021, resolutions, a total of 1,357,000 subscription options were granted in 2021, 2022 and 2023, under certain conditions, to the employees. Based on the June 30, 2021 resolutions, a total of 101,500 free shares were granted in 2021 and 2022, under certain conditions, to the employees. On June 30, 2022, our shareholders also adopted a resolution allowing the Board of Directors to issue 600,000 free shares to incentivize worldwide teams in charge of our operations. This new resolution superseded the June 2021 resolution authorizing the issuance of 200,000 free shares, cancelling the unused portion of the 2021 resolution. Based on the June 30, 2022 resolution, as of December 31, 2023, a total of 491,500 free shares were granted, under certain conditions, to the employees. As of December 31, 2023 we have 108,500 free shares and 643,000 subscription options remaining under our existing resolutions. Under French law, only our employees with an employment contract and corporate officers, such as the Chief Executive Officer and the Chairman of the Board of Directors (*mandataires sociaux*) may receive free shares. Non-executive directors may not receive free shares.

On June 30, 2023, our shareholders renewed and extended resolutions allowing the Board of Directors to issue new shares in an aggregate maximum amount of 10 million shares in order to meet any fundraising opportunities that may be necessary to finance our further developments and to address any potential strategic opportunities for our long-term growth. As of December 31, 2023 no shares have been issued related to this resolution.

We cannot guarantee that future financing will be available in sufficient amounts or on terms acceptable to us, if at all. 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. Moreover, the availability of additional capital, whether debt or equity from private capital sources (including banks) or the public capital markets, fluctuates as our financial condition and industry or market conditions in general change. There may be times when the private capital markets and the public debt or equity markets lack sufficient liquidity or when our securities cannot be sold at attractive prices, in which case we would not be able to access capital from these sources on favorable terms, if at all. We can give no assurance as to the terms or availability of additional capital.

We may acquire other companies or technologies, which could fail to result in a commercial product or net sales, divert our management’s attention, result in additional dilution to our stockholders and otherwise disrupt our operations and harm our operating results.

We may in the future seek to acquire or invest in businesses, applications, or technologies that we believe could complement or expand our portfolio, enhance our technical capabilities or otherwise offer growth opportunities. However, we cannot assure that we would be able to successfully complete any acquisition we choose to pursue, or that we would be able to successfully integrate any acquired business, product or technology in a cost-effective and non-disruptive manner. The pursuit of potential acquisitions may divert the attention of management and cause us to incur various costs and expenses in identifying, investigating and pursuing suitable acquisitions, whether or not they are consummated. We may not be able to identify desirable acquisition targets or be successful in entering into an agreement with any target or obtain the expected benefits of any acquisition or investment.

To date, the growth of our operations has been largely organic, and we have limited experience in acquiring other businesses or technologies. We may not be able to successfully integrate any acquired personnel, operations and technologies, or effectively manage the combined business following an acquisition. Acquisitions could also result in dilutive issuances of equity securities, the use of our available cash, or the incurrence of debt, which could harm our operating results. In addition, if an acquired business fails to meet our expectations, our operating results, business and financial condition may suffer.

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 their 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.

Any 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.

Item 4. Information on the Company

General

We develop, manufacture, promote and distribute advanced minimally invasive ultrasound technologies for both diagnosis and treatment of urological disease. We have introduced the Focal One® Robotic HIFU (high-intensity focused ultrasound) system around the world including Europe, U.S., Latin America, and parts of Asia. With the addition of the ExactVu™ Micro-Ultrasound system, we offer customers a complete solution from diagnosis to treatment of prostate disease. We also produce and distribute systems for the treatment of urinary tract stones. These technologies include the Sonolith® i-move lithotripter system based on Extracorporeal ShockWave Lithotripsy (ESWL) technology and advanced surgical laser systems.

History and Development of the Company

Our legal name is EDAP TMS S.A., and our commercial name is Focal One®. In 2023, we elevated the Focal One brand name to further support our growing global sales and marketing activities. This change reflects our focus on our Focal One robotic HIFU system and enhances our visibility in targeted markets.

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, located at 251 Little Falls Drive, Wilmington, DE19808-1674, United States, is our agent for service of process in the United States. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding the Company's electronic filings with the SEC. Such electronic filings can be found by visiting the SEC website at <http://www.sec.gov> or the Company's website at <http://www.edap-tms.com>, section "Investor Relations."

In January 2021, U.S. CPT Code Category 1 reimbursement for HIFU became effective. In addition to reimbursement for the facility, the CMS established reimbursement for physicians performing ablation of malignant prostate tissue with HIFU in the United States.

In April 2021, we completed a successful public offering of common stock in the form of ADSs that raised gross proceeds of \$28,012,500 or €23,250,747. We have used most of this funding to further build up our U.S. clinical, sales and marketing infrastructure.

In June 2021, after completing our capital increase, and in line with our strategy to expand our HIFU activities in the U.S., we hired medical technology industry veteran Ryan Rhodes as Chief Executive Officer of EDAP Technomed Inc., the Company's U.S. subsidiary.

In September 2022, we completed a successful public offering of common stock in the form of ADSs that raised gross proceeds of \$23,000,003 or €23,913,314. We intend to use the majority of this funding to further expand and continue executing our U.S. Focal One growth initiatives while, in parallel, exploring new indications and other market development opportunities.

On May 1, 2023, Ryan Rhodes succeeded Marc Oczachowski as Chief Executive Officer of the Company to lead the Company's global strategy and accelerate the Company's development.

On January 1, 2024, Ken Mobeck was appointed as Global Chief Financial Officer and François Dietsch was appointed as Global Chief Accounting Officer, to pursue ongoing alignment in our organization and enable the Company to remain focused on executing our current growth strategy while also increasing our visibility among U.S. investors.

Reimbursement Update and Clinical Indication Expansion

On November 1, 2022, the U.S. CMS released its final outpatient prospective payment system ("OPPS") reimbursement rule for calendar year 2023, which became effective on January 1, 2023. The final rule increased the reimbursement level of Focal One Robotic HIFU to an Ambulatory Payment Classification (APC) level 6, similar to surgery, as compared to APC level 5 which was previously in place. This represented a 90% increase in reimbursement. On November 1, 2023, the U.S. CMS released its final OPPS reimbursement rule for calendar year 2024 maintaining the reimbursement level for HIFU as an APC Level 6 procedure.

In November 2022, following the completion of a Phase II study evaluating Focal One HIFU as a potential treatment for deep infiltrating endometriosis, we received approval from French authorities to initiate a Phase III randomized, controlled clinical trial evaluating Focal One HIFU as a potential treatment option for such pathology. This study will enroll 60 patients across nine centers in France, with 30 patients randomized to each group. The primary efficacy endpoint is acute pelvic pain evolution three months post procedure. At the conclusion of the study, patients in the simulated treatment group who received no treatment will be given the option to be treated with HIFU. As of December 31, 2023, 57 patients have been included in the follow-up study.

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 Company's financial statements, 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 the Company.

Our activity is organized in three divisions: HIFU, ESWL and Distribution. Through these three divisions, we develop, produce, market and distribute non-invasive medical systems, mainly for diagnosing and treating urological disease. The HIFU division includes sales of Focal One, related consumables and services. The ESWL division includes revenues generated by servicing the existing installed base of the EDAP family of lithotripters. The Distribution division includes the sale of complementary products such as ExactVu 29 MHz micro-ultrasound systems, surgical lasers, and other products from third parties.

Our global strategy is to expand our HIFU activities in the U.S. and worldwide to accelerate Focal One Robotic HIFU adoption. We are also focusing our efforts in the development of HIFU for the treatment of other medical conditions beyond prostate disease. We are leveraging our Distribution and ESWL divisions to help optimize our global development to further support the expansion of our HIFU strategy.

Our three divisions operate in Europe, the Americas, Asia and the rest of the world. Total net sales for the HIFU division (net contributions to total consolidated sales) were €20.6 million, €15.6 million and €9.9 million for 2023, 2022 and 2021, respectively. Those sales are generated in Europe, the United States and the rest of the world, excluding certain countries in Asia, such as Japan, where our HIFU systems are not approved yet. Total net sales for the ESWL division were €9.9 million, €11.6 million and €11.0 million, each for 2023, 2022 and 2021, respectively. Total net sales for the Distribution division were €29.9 million, €27.9 million and €23.1 million, each for 2023, 2022 and 2021, respectively.

See Note 29 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 Focal One robotic systems based on HIFU technology for the minimally invasive treatment of urological and other clinical indications. Our HIFU business is cyclical and generally linked to lengthy hospital decisions and investment processes. Hence, our quarterly revenues are often impacted and fluctuate according to these parameters, generally resulting in higher purchasing activity in the last quarter of the year. The HIFU division contributed €20.6 million to our consolidated net sales during the fiscal year ended December 31, 2023.

HIFU Division Business Overview

As of December 31, 2023, the HIFU division had an active installed base of 107 Focal One systems, including 52 in the U.S.

The HIFU technology developed by this division 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. This treatment option eliminates the need for incisions, transfusions and overnight hospital stay while minimizing complications. The Focal One Robotic HIFU system can also be used for patients who are not candidates for conventional surgery or who have failed a radiotherapy treatment regimen.

In addition to selling HIFU systems, the HIFU division also records revenues driven from sales of (i) disposables, (ii) equipment leases (iii) Revenue-Per-Procedure (“RPP”) and (iv) equipment service contracts.

In certain regions of the world, we offer a HIFU mobile treatment option, which provides access to our Focal One HIFU systems without requiring hospitals and clinics to make an up-front investment in the equipment. Instead, hospitals and clinics perform treatments using these systems and remunerate us on an RPP basis (i.e., based on 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 Focal One system.

In addition, the HIFU division also generates revenues from net sales of maintenance services associated to our installed Focal One HIFU systems.

HIFU Division Business Strategy

The HIFU division’s business strategy is to capitalize on its deep expertise in HIFU to achieve long-term growth as a leader in the development, manufacturing, marketing and distribution of minimally invasive therapeutic ultrasound systems for urological and other indications. The HIFU division believes that minimally invasive treatments using HIFU could provide an alternative to current more invasive therapies while reducing costs and lowering morbidity. The key elements of the HIFU division’s strategy are:

- *To Provide Minimally Invasive Solutions to Treat Localized Prostate Cancer using HIFU.* Building upon our established position in the urology market, our HIFU division is striving to become the leading provider of our minimally invasive HIFU treatment option for prostate cancer. We believe that there is a large market opportunity due to the increased incidence rate linked to the aging male population. Additional screenings combined with increased testing has led to more patient awareness about prostate cancer and relevant treatment options. We also believe, for patients that fit certain criteria, HIFU could represent an excellent 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 that destroy the tumor only (focal therapy) while continuously controlling the disease, HIFU and its focused approach is well positioned to address this market. The HIFU division intends to achieve this through a direct sales network in the U.S and Europe as well as through selected distributors in the rest of the world. Our strategy is to accelerate Focal One Robotic HIFU adoption in the U.S. now that the technology has a CPT code and an established level 6 reimbursement. We are currently focused on building out our commercial team in order to offer this minimally invasive option to U.S. prostate cancer patients at a broader level to expand our market presence worldwide. Continued investment is key for effective patient and physician education through focused communication and training programs. The HIFU division has built strong clinical credibility based on clinical articles published in peer-reviewed journals.
- *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 in the treatment of other medical conditions beyond prostate cancer. The HIFU division is currently developing HIFU for the treatment of endometriosis and is exploring various other applications such as benign prostate hyperplasia and conducting clinical research on treatment of cancer in solid organs such as the liver

and pancreas, where HIFU could provide an alternative to current therapies. In 2023, the HIFU division expenses grew by 46% compared to 2022 on research and development (“R&D”) projects to develop HIFU applications beyond prostate cancer. The division is considering increasing levels of R&D spending in 2024 and future years to strengthen its technological leadership in HIFU and expand its application beyond urology.

HIFU Products

Currently, we have commercialized Focal One, an image guided, robotic HIFU system dedicated to delivering focal therapy for the management of prostate cancer. Focal One combines three essential components to efficiently perform a focal treatment of localized prostate cancer: (i) high-quality imaging to localize tumors with the use of imported MRI imaging information combined with real-time ultrasound imaging, (ii) high precision of HIFU treatment focused on the identified target areas and (iii) the ability to provide immediate feedback on the delivery of treatment utilizing contrast-enhanced ultrasound imaging.

HIFU Division Patents and Intellectual Property

As of December 31, 2023, the HIFU division’s patent portfolio contained a total of 33 granted, owned or co-owned patents consisting of seven granted patents in the United States, 10 patents in the European Union, eight patents in Japan and eight patents in China. These patents belong to 10 groups of patents covering technologies related to therapeutic ultrasound principles, systems and associated software.

Additional owned or co-owned patent applications covering certain other aspects of our HIFU technology, including one international patent applications under the Patent Cooperation Treaty, two patent applications in the United States, four patent applications in the European Union, two patent applications in Japan and two patent applications in China, are currently pending before the relevant patent offices.

Our ongoing research and development objectives are to maintain our leadership position in the management of prostate cancer and to extend the HIFU technology to new clinical applications and for future development of new therapeutic ultrasound systems. These research projects are conducted in cooperation and collaboration with the French National Institute for Health and Medical Research (“INSERM”) which gives rise in some cases to the filing of patent applications, followed by the grant of co-owned patents. We have entered into license agreements with INSERM related to certain patents co-owned with INSERM whereby we commit to pay an amount of royalties to INSERM based on a fixed rate of the net revenues generated from the sales of HIFU systems using co-owned patents. Under these agreements, which last for the life of each co-owned patent, we have the exclusive right to the commercial use of the co-owned patents, including the right to out-license such commercial rights. We have an option to obtain an exclusive license from INSERM relating to other patents co-owned with INSERM.

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 these patents or patent applications, if issued, will provide effective protection for the HIFU division’s proprietary rights in such technology. HIFU systems, 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

Based on clinical study results, we obtained a CE Marking for Focal One in June 2013, which allowed us to market the Focal One in the European Union and in worldwide territories where CE Marking is required. On March 15, 2023, the European regulation N°2023/607 extended the validity of our Focal One CE certificate until December 31, 2028. Ablatherm systems previously placed on the market are maintained for use according to applicable regulation. The Focal One is the only HIFU system now being commercialized to potential new customers in Europe and territories covered by CE Marking.

Clinical and Regulatory Status in the United States

In November 2015, we received 510(k) clearance from the FDA to market Ablatherm Integrated Imaging HIFU in the U.S. for the ablation of prostate tissue. In October 2017, we were granted a 510(k) clearance for our Ablatherm Fusion system.

On June 7, 2018, based on Ablatherm clearance and European pre-market and post-market clinical data, we obtained FDA 510(k) clearance for our Focal One system.

Clinical and Regulatory Status in Japan

We have initiated discussions with the Japanese authorities (PMDA) on the best process to apply to obtain Japanese approval for our Focal One system. We will need to conduct a clinical trial in Japan to obtain clearance for the Focal One system. The process of requesting approval to market the Focal One in Japan may be long and may never result in the approval to market the Focal One in Japan. See Item 3, “*Risk Factors—Our future revenue growth and income depend, among other things, on the success of our HIFU technology*” and “*— Our clinical trials related to 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.*”

Clinical and Regulatory Status in China

We are currently reviewing our regulatory and market access strategy in China.

Clinical and Regulatory Status in the Rest of the World

The Focal One system is cleared for distribution in Brazil, Canada, Costa Rica, Ecuador, Hong Kong, Israel, Malaysia, Mexico, Morocco, U.K, Russia, Singapore, South Korea Switzerland, Taiwan, and Uruguay.

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 Developments

HIFU in Prostate Cancer

The clinical study initiated in 2015 within the scope of “Forfait Innovation” (the “HIFI” Study) and piloted by the French Association of Urology (“AFU”) is aimed at evaluating the reimbursement of HIFU in France. The HIFI Study compares total or sub-total HIFU vs radical prostatectomy (“RP”) as a first line treatment in grade groups (“GG”) <3 localized prostate cancer or as a salvage treatment post radiation. The objectives were to compare oncological efficacy, functional and safety outcomes. The patients’ inclusion period closed on September 30, 2019. The 3,328 patients included in the HIFI Study were followed for 30 months ahead of data analysis and results publication. During that follow-up period, we pursued patient treatments using HIFU under the specific Forfait Innovation coverage process, but these patients were not followed as part of the HIFI Study. In March 2023, the Study Coordinator presented the 30-month final results of the HIFI Study at the European Association of Urology (“EAU”) congress. Primary endpoint showed a 30-month Salvage Treatment-Free Survival (“SFTS”) benefit in favor of HIFU. Secondary endpoints showed better continence and erectile function outcomes after HIFU. Following the completion and analysis of the HIFI Study submitted to the French National Authority for Health (“HAS”), a positive favorable opinion was issued late 2023 to include HIFU as a procedure covered under the national universal health, Social Security system (“Sécurité Sociale”). This favorable opinion relates to HIFU as a primary treatment of intermediate risk localized prostate cancer as well as a salvage option after failed radiotherapy. Based on this positive opinion from the HAS, the French Social Security authorities can now use this recommendation for including HIFU procedures in its next cycle to determine the procedure’s reimbursement rate and the timing for when such reimbursement would go into effect.

In 2017, a clinical study addressing Focal Ablation vs Radical Prostatectomy (“FARP”), sponsored by Oslo University was initiated and aimed at comparing focal ablation and robot-assisted radical prostatectomy for treating patients with unilateral clinically significant prostate cancer. A total of 213 patients were enrolled and randomized to either arm. Patient inclusion was completed in June 2021. According to recent abstracts presented by the Principal Investigator at several major scientific meetings, the rate of treatment failure after two years post procedure in the focal ablation group was found to be non-inferior to that in the radical prostatectomy group. The functional outcomes, in particular the continence rate evaluated with de novo pad use as well as the sexual function evaluated with the International Index of Erectile Function shows a statistically significant superiority in favor of HIFU compared to surgery.

In July 2017, we, together with our academic, scientific and clinical partners, initiated a collaborative project (the “PERFUSE Project”) under the “French National Investment Program for the Future”. The overall objective of the PERFUSE Project is two-fold: (i) to set-up several clinical studies to assess focal therapy using the Focal One system in view of a better understanding of focal therapy in prostate cancer management and, (ii) to prepare a change of paradigm in the treatment of prostate cancer via technical innovations such as focal therapy. The whole project was awarded funding of €8 million over five years. We, as a partner of the PERFUSE Project,

are to receive approximately €1.2 million over the period as a non-refundable grant. As of December 31, 2023, we had received a non-refundable grant of €1.0 million.

As part of the PERFUSE Project, several studies were initiated and sponsored by academic partner HCL - Edouard Herriot Hospital. In September 2018, a Phase II multi-centric study was launched to evaluate the efficacy and safety of HIFU focal therapy in patients with intermediate-risk single-lobed prostate cancer (the "FOCALE" study). 172 patients were included in the FOCALE study over 14 centers. The last patient was included in May 2021. Inclusions are now closed, patient follow-up is on-going and last patient follow-up visit is scheduled for October 2025. In October 2018, a Phase III, multi-centric, randomized study was initiated aiming at evaluating the efficacy of focal HIFU versus active surveillance hence reducing the need for radical treatment for low-risk prostate cancer patients (the "HIFUSA" study). As of December 31, 2023, 106 patients have been included within 14 French centers. Patient inclusion is now closed. Patient follow-up is on-going and last patient follow-up visit is scheduled for October 2026.

The majority of academic centers using the Focal One system are collecting data following an Investigational Review Board approval in order to continue building clinical evidence and long-term HIFU outcomes. These various sources of clinical data are a basis for individual sites to present abstracts at regional, national or international conferences and submit manuscripts for peer-review to renowned journals and publications. This holds the potential for the FDA, which cleared HIFU for prostate tissue ablation in 2015, to re-evaluate the technology in the future for a prostate cancer indication. Likewise, health insurance reimbursements on a wider scale are also possible with such prospective data collection efforts documenting HIFU data from patients in and out of the U.S.

HIFU for Potential Treatment of Deep Infiltrating Rectal Endometriosis

In 2020, we initiated a Phase II multi-center clinical study in France to further investigate the use of Focal One Robotic HIFU in the treatment of certain types of deep endometriosis situated in the low rectum. The study was completed in September 2022: a total of 60 women were enrolled in the study at four major hospitals in France and assessed over a six-month follow-up period. The intended endpoint was to evaluate the safety and efficacy of HIFU for this pathology. Data from this study have been analyzed and final results on safety and efficacy were presented in France at the Pari(s) Santé Femmes Gynecology Congress in early 2023 as well as in a plenary session at the European Society for Gynecological Endoscopy Annual Congress in October 2023 and at the American Association of Gynecology Laparoscopists meeting in November 2023.

In 2021, we initiated a long-term follow-up study aimed at including all the 80 patients treated by HIFU for their Rectovaginal endometriosis in the Phase I and II studies. During this study, we will evaluate the quality of life and the symptom levels of the patients up to five years after their HIFU treatment. As of December 31, 2023, 57 patients have accepted to be included in the follow-up study.

In late 2022, we received approval from the French authorities to initiate a Phase III randomized, controlled clinical trial evaluating Focal One HIFU as a potential treatment for deep infiltrating endometriosis. This study is a level 1 multi-center, double blind, randomized, controlled clinical trial. HIFU treatment will be compared to a sham treatment. The study will enroll 60 patients across nine centers in France, with 30 patients randomized to each group. The primary efficacy endpoint is acute pelvic pain evolution three months post procedure. At the conclusion of the study, patients in the sham group will be offered HIFU treatment. As of December 31, 2023, 57 patients have been included in the follow-up study.

HIFU for Potential Treatment of Benign Prostatic Hyperplasia

In 2021, we initiated a mono-centric Phase I study to investigate the feasibility of Benign Prostatic Hyperplasia ("BPH") HIFU treatment with a Focal One system. A total of nine patients were treated, and the treatment safety was evaluated at three months after HIFU treatment. The first patient was included in this study in March 2022. As of December 31, 2023, nine patients have been enrolled and treated.

HIFU for Potential Treatment of Solid Organ Tumor Ablation Within the Pancreas and Liver Tumors

The Company leveraged the efforts, knowledge and assets resulting from earlier technology developments for the ablation of tissue to further evaluate HIFU technology and approach as a solution for patients with localized tumors of the liver and pancreas.

As part of a cooperation with Centre Leon Bérard, Lyon, France, we will initiate a phase I-II study to evaluate the safety and tolerance of intraoperative HIFU treatment in pancreatic tumors, including 26 patients.

HIFU Clinical Publications

To date, clinical results related to our Robotic HIFU systems have been published in renowned peer-reviewed journals.

Prostate cancer publications

In January 2021, Dr. Castilho Borges et al. from Institut Mutualiste Montsouris, Paris, published in the Journal of Urology their results on 300 patients, a study in which the results compare the impact on functional results (Sexual Function and Urinary Continence) in two groups of patients: 195 patients in Focal Treatment (FT) versus 105 patients in the Whole Gland (WGT) Ablation treatment for Prostate Cancer. In conclusion, FT is associated with better functional outcomes, with an earlier urinary continence recovery, and better sexual function at three and 12 months. Moreover, the morbidity associated with FT is substantially lower than that related to WGT.

In February 2022, Hong et al., from Seoul National University Bundang Hospital, Korea, published in the Journal of Society Urological Oncology their results on their retrospective study on 163 patients who underwent Partial Gland HIFU Ablation (PGA) by Focal One with a median follow up period of 17 months. The results concluded that the PGA with HIFU was safe and showed good preservation of functional outcomes as well as satisfactory oncological control.

In October 2022, De Luca et al., from San Luigi Gonzaga University Hospital, Italy published in the Minerva Urology and Nephrology journal their results on their prospective study on 100 patients with low to intermediate-risk prostate cancer that received customized HIFU ablation by Focal One with 12 months of follow up: 15 patients underwent total ablation, 50 patients hemi-ablation and 35 patients focal ablation. Control biopsy at 12 months of the HIFU-treated zone was negative in 80% for total ablation, 84% for partial and 80% for focal ablation with in-field reoccurrence being less than 10% after hemi-ablation. Patients had postoperative excellent quality of life with lower rate of irritative symptoms and negligible impact on voiding and erectile function scores. 100% of patients that received focal and partial HIFU ablation retained potency.

In December 2022, Jung G, et al., from Seoul National University Bundang Hospital, Korea, published in the journal of Prostate International their results on their propensity score-matched retrospective study on 685 patients who underwent PGA using HIFU with Focal One (137 patients) versus Robot-Assisted Radical Prostatectomy (548 patients) with a median follow-up period of 22 months. The authors confirmed that PGA HIFU preserves urinary and erectile functions, with a slight/minor loss of efficiency, which remained however very satisfactory (80% success rate efficacy). The results concluded that 5.8% underwent salvage treatment with postoperative incontinence and erectile dysfunction being more favourable in PGA compared to Robot-Assisted Radical Prostatectomy.

In July 2023, Mattlet et al, from University of Brussels, Brussels, Belgium published their results in The Prostate Journal from a retrospective analysis on 178 patients that underwent HIFU with Ablatherm (2001-2015) and Focal One (2005-2021). 12% of patients included in the study received neoadjuvant ADT. Patients received customized ablation based on lesion location with 52% of patients receiving hemi-ablation. Treatment free survival and failure free survival were 89% and 98% respectively, at 60 months without Huber et al criteria. However, for patients with Huber et al. criteria, 23% of patients had treatment failure at 26 months. Therefore, the Huber et al. criteria was found accurate to predict the need for additional treatment.

In September 2023, Debard C et Al., from CHU de Pellegrin, Bordeaux, France published in the journal of Progrès en urologie their results on their retrospective and multicenter study on 137 patients with low- or intermediate-risk localized prostate cancer treated with Focal One. 70% of patients had clinical stage T2, 64% had an ISUP score of 2 or 3 on initial biopsies and 61% were treated with “targeted” ablation. According to the authors, the selection of patients treated with focal therapy is a key point for the success of the technique and the inclusion criteria that varied according to the studies. The authors conclude: “Our results are in agreement with those of the literature, seeming to indicate a lower morbidity of the focal treatment by HIFU compared to the radical treatments while offering an acceptable oncological control.”

In October 2023, Kaufmann B et al., published in the British Journal of Urology (BJUI) their results on a study aiming at assessing the oncological and functional outcomes of HIFU in treating low to intermediate risk prostate cancer a 3-year prospective study was undertaken using rigid post-ablation saturation biopsies. Patients with either low (6.6%) or intermediate (93%) risk prostate cancer underwent focal ablation around the lesion(s) of interest. All patients had transperineal template saturation biopsy (>20 cores) in-conjunction with MRI guided fusion biopsy. Over half the patient underwent follow up biopsy. Failure-Free Survival (PROMIS) and Salvage-Free Survival at 36 months was 65% and 81% respectively. They concluded that Focal HIFU treatment for localized prostate cancer (“PCa”) shows excellent functional outcomes with half of the patients remaining cancer-free after three years. In-field recurrence (GG2 disease or higher) rate is as follows 18%, 18%, and 17% at six, 12, and 36 months, respectively. Urinary and sexual function remained un-changed per the Expanded Prostate Cancer Index Composite. In their conclusions, the authors stated that “Whole-gland

treatment was avoided in 81% of patients. Early follow-up biopsies are crucial to change or continue the treatment modality at the right time, while the use of MRI and PSA in detecting PCa recurrence is uncertain.”

In November 2023, Mala KS, et al., from Berlin Charité University Medicine, Germany, published in the Journal of the Clinical Medicine their results on their retrospective study on 57 patients with localized PCa using HIFU with Focal One. HIFU treatment was performed as focal, partial, or hemi ablative, depending on the prior histopathology. Out of 26 men that received biopsy eight (15.8%) had in-field reoccurrence. The rate of post-HIFU complications was low, at 19.3%. Continence was preserved and erectile function was comparatively better than with radical prostatectomy. The study concluded that HIFU as a therapy option for nonmetastatic, significant prostate cancer is effective in the short term for carefully selected patients and shows a low risk of adverse events and side effects.

In November 2023, Rischman P. et al. published in the Progrès en Urologie, their results on salvage HIFU for local recurrence after first-line radiotherapy in 531 patients. This HIFI-2 study was developed as part of the “Forfait Innovation” program to evaluate the efficacy and safety of HIFU in the salvage treatment of localized PCa after failure of first-line radiotherapy (RT). This is a prospective, multicenter, open-label study within the framework of the Forfait Innovation program, promoted by the AFU. Thirty months after post-RT salvage HIFU, 72% of patients were spared Hormonal Treatment. Pre-therapy PSA and Gleason score data suggest a better outcome (up to 85% HT-free survival at 30 months) when, in the presence of biological recurrence after radiotherapy, a recommendation is made for earlier management.

Endometriosis publications

In September 2020, Philip CA et al, from Croix Rousse Hospital, Lyon, France, published in Ultrasound Obstetric Gynecology journal, the results of the treatment of 20 patients with deep recto vaginal endometriosis using Focal One HIFU. This EDAP-sponsored study is the first one on the use of HIFU in this indication. The authors reported very promising results with low morbidity and significant efficiency on intestinal and gynecological symptoms as well as in the quality of life.

Pancreas publications

In December 2021, Cilleros et al. from EDAP and Labtau, INSERM and Centre Leon Bérard, Lyon, published in the journal Cancers positive pre-clinical results using intraoperative HIFU ablation of the pancreas in view of assessing the feasibility HIFU in the pancreas under Doppler guidance to treat the pancreatic parenchyma and tissues surrounding the superior mesenteric vessels *in vivo* in an animal model.

HIFU Division Market Potential

Prostate cancer is currently the first (in terms of newly diagnosed cases) and second (in terms of number of deaths) as the most common form of cancer amongst men in many populations. In the United States, the American Cancer Society estimates the number of new prostate cancers to be diagnosed for 2024 to be approximately 299,010, of which approximately 70% are diagnosed with localized stage prostate cancer. Additionally, the HIFU division estimates, 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.

According to the Focused Ultrasound Society, HIFU has the potential to transform the treatment of a variety of serious medical conditions. All indicators point toward the evolution of this platform technology into a robust medical field, including numerous medical conditions, including cardiovascular, neurological, urological or women’s health. We decided to focus on developing HIFU for targeted medical conditions. The expansion of the use of HIFU to other areas of treatment will require a significant investment in research and development, an investment that we intend to accelerate as acceptance of HIFU as a treatment for localized prostate cancer is gaining grounds in the medical community.

The endorectal approach currently delivered by the Focal One Robotic HIFU system, could benefit patients with rectal endometriosis. The European Society of Human Reproduction and Embryology estimates that endometriosis affects approximately 10% of women of reproductive age. Among them, 5-12% are affected by digestive endometriosis, of which 90% suffer from infiltration of the rectum. As such, we estimate that 1% of the women of reproductive age could possibly benefit from a minimally invasive HIFU treatment.

HIFU Reimbursement Status

In the United States, following the American Medical Association's ("AMA") decision to establish a new Category 1 CPT code for the ablation of malignant prostate tissue with transrectal HIFU technology, CMS finalized payment rules for hospitals, facilities, and physicians that facilitates coverage and reimbursement, effective January 1, 2021. U.S. private insurers are continuing to evaluate and advance coverage and payment policies related to HIFU procedures for prostate cancer patients. We have engaged Medical Technology Partners (MTP) and Argenta Advisors, two leading reimbursement consultancies, to support us in reimbursement analysis and strategies.

On the hospital payment side, the 2023 final rule upgraded the HIFU procedure from Level 5 Urology Ambulatory Payment Classification ("APC") in 2022 to Level 6 in 2023. The 2024 final rule maintained the APC 6 payment level. This translates into reimbursement to a hospital performing a HIFU procedure on a Medicare patient to \$8,777 per procedure as a national average, adjusted locally based on the wage index, compared to the previous level of approximately \$4,500 in 2022. The CMS will continue to update payment rates for hospitals on a yearly basis as part of the OPPTS Rulemaking.

On the physician payment side, CMS first established a payment to physicians performing a HIFU procedure in the U.S. in 2021. The AMA has created a Current Procedure Terminology code and CMS has set the work Relative Value Units for a physician performing a HIFU procedure at 17.73. In the 2024 Final Rule of the Physician Fee Schedule, CMS has set the total facility Relative Value Units ("RVUs") at 29.21. This translates to an average payment of \$956 for a urologist performing a HIFU procedure on a Medicare patient in a facility setting in 2024. As a reference, a comparable established minimally invasive therapy for prostate cancer, cryotherapy, yields 22.84 total facility RVUs, which translates to \$748 for the urologist under the same setting and patient conditions in 2024. A radical prostatectomy would grant the urologist 34.83 total facility RVUs, which translates to a Medicare payment of \$1,140, or 35.53 total facility RVUs and \$1,163 if performed laparoscopically or robotically. Of note, CMS has finalized an 18% reduction for the physician payment for a robotic prostatectomy in 2023 compared to 2022, significantly reducing the difference between this procedure and HIFU in terms of physician payment.

In the European Union, there is no harmonized procedure for obtaining reimbursement and, consequently, we must seek reimbursement in each Member State. Procedures performed with our HIFU systems are not reimbursed in the European Union except in Italy, Germany, the United Kingdom (where procedures are partially reimbursed by either public healthcare systems or private insurers), Switzerland and France under certain conditions. In 2014, the French healthcare government authorities announced the reimbursement of prostate cancer treatment procedures using HIFU as part of a specific process (Forfait Innovation) to further validate breakthrough therapies and to accelerate their related reimbursement process based on clinical trials and data registries. As part of the Forfait Innovation, patients were included in the HIFI Study sponsored by the French Association of Urology. Results and analysis of the study were submitted to the HAS and a positive favorable opinion was issued late 2023 to include HIFU as a procedure covered under the national universal health system. More specially, the favorable opinion relates to HIFU as a primary treatment of intermediate risk localized prostate cancer as well as a salvage option after failed radiotherapy. Based on this positive opinion from the HAS, the French Social Security authorities can now use this recommendation for including HIFU procedures in its next cycle to determine the procedure's reimbursement rate and the timing for when such reimbursement would go into effect.

HIFU Competition

Current therapies for prostate cancer commonly carry side effects that can seriously affect a patient's quality of life. One of the standard treatments for prostate cancer is radical prostatectomy (surgery), which involves the surgical removal of the entire prostate gland. Radical prostatectomy may require a hospital stay and additional recovery time, usually with catheterization, and may result in urinary incontinence and impotence. Robotic nerve-sparing radical prostatectomy has been developed to reduce the invasiveness of this surgery. However, this procedure is still associated with the morbidity of surgery which requires ligating, cutting, suturing, and dissection of tissue commonly leading to blood loss. Other therapies for localized prostate cancer include brachytherapy, external beam radiation therapy, and cryotherapy.

Our robotic HIFU systems compete with all current treatments for localized tumors, which include surgery, brachytherapy, radiotherapy, and cryotherapy. We believe that HIFU is a cost effective optimal treatment option for qualifying patients seeking to manage their cancer with minimal side effects.

We also believe that Focal One is well positioned to address the growing demand for focal therapy of localized prostate cancer as compared to the radical treatments of surgery or radiation. "Focal" treatment (also known as "partial" or "zonal" treatment, as opposed to "radical" or "total" treatment) with Focal One provides an effective and accurate ablative treatment while preserving patient quality of life.

Other companies are working with HIFU for the minimally invasive treatment of tumors. See Item 3, “*Risk Factors—Competition in the markets in which we operate is intense and is expected to increase in the future, and there is a substantial risk our products or service offerings could become obsolete or uncompetitive.*”

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

Other companies working with HIFU technology for the minimally invasive treatment of tumors include Sonablate Corporation, a U.S. company that markets the Sonablate® system for the ablation of prostatic tissue. Sonablate received de novo clearance from the FDA for commercialization in the U.S. in October 2015. Profound Medical, a Canadian company, holds FDA clearances for transurethral ultrasound ablation for prostate tissue. Insightec, an Israeli private company has developed a system using HIFU technology to treat uterine fibroids, painful bone tumors, brain disorders and ablate prostate tissue; this latter intended use was cleared by the FDA in December 2021. Theraclion, a French company licensed by EDAP to use certain of our HIFU patents, is currently marketing the Echopulse HIFU system to treat benign thyroid nodules, benign breast masses and varicose veins. Haifu, a Chinese company, is developing HIFU products addressing various types of cancers.

HIFU Division Sales and Distribution of Products

The HIFU division markets and sells its products through our own direct marketing and sales channels as well as through select third-party distributors and agents in several countries. Using our direct subsidiaries or representative offices network, the HIFU division maintains a direct marketing and sales force in the United States, France, Germany, Malaysia and South Korea, which currently represent its largest HIFU markets. Additionally, the HIFU division markets and sells its products through our network of distribution partners in the rest of Europe, Latin America, Middle East, Asia and Southeast Asia.

The HIFU division’s customers are located worldwide and have included academic, public, and private hospitals as well as urology clinics. No single customer of the HIFU division represents a significant portion of the division’s installed base.

The HIFU division’s marketing efforts currently include the development of marketing resources, activities, and training programs for urologists as well as via traditional, digital and social media programs educating patients on the availability of HIFU technology to treat localized prostate cancer.

ESWL Division

The ESWL lithotripsy division is engaged in marketing and servicing our installed base of Sonolith lithotripters. The ESWL division contributed €9.9 million to our consolidated net sales during the fiscal year ended December 31, 2023.

ESWL Division Business Overview

The ESWL division’s business consists of producing and marketing lithotripters for the treatment of urinary tract stones. ESWL uses extracorporeal shockwaves, focused at a urinary stone within the human body to fragment it into smaller pieces. This technology allows natural elimination of stone fragments and prevents the need for more invasive options including incisions, transfusions, general anesthesia, and the potential for related complications. The ESWL division currently markets one lithotripter model: the Sonolith i-move and maintains several previous generations of lithotripters that include, but are not limited to, the Sonolith i-sys and Sonolith Praktis. As of December 31, 2023, the ESWL division maintained or otherwise serviced 538 Sonolith lithotripters.

ESWL Division Business Strategy

The business strategy for the ESWL division is to capitalize on its expertise in ESWL and its position in urology to maintain our lithotripsy sale of Sonolith i-move and service activity on our existing installed base of ESWL lithotripters.

ESWL Division Products

The ESWL division manufactures its lithotripsy systems, the Sonolith i-move, at our manufacturing facility in Vaulx-en-Velin, France.

The Sonolith i-move relies on electroconductive technology for shockwave generation. The ESWL division's customers are located worldwide and have historically been principally large hospitals, urology clinics and research institutions. The Sonolith i-move offers a wide range of configurations to suit various budgets and various local market needs. This technology incorporates the Visio-Track ultrasound stone localization system: a unique three-dimensional virtual system that uses infrared stereovision proprietary and patented technology to guide the treatment robotically.

The ESWL division also sells disposable accessories for lithotripters and electrodes for the Sonolith line, which need to be replaced approximately every ten treatments.

ESWL Division Patents and Intellectual Property

As of December 31, 2023, the ESWL division's patent portfolio includes six granted owned and or co-owned patents consisting of one in the United States, four in the European Union and one in Japan.

These patents belong to four groups of patents covering technologies relating to ESWL systems and associated software capabilities. The ESWL division's patents cover both piezoelectric and electroconductive technologies associated with the ESWL generator, localization systems and system design.

ESWL Division Regulatory Status

The Sonolith i-move is cleared and available for commercial distribution in the European Union, Colombia, Costa Rica, Ecuador, Indonesia, Japan, Malaysia, Mexico, Myanmar, Peru, Russia, Saudi Arabia, Serbia, South Korea, Sudan, Switzerland, Taiwan, United Kingdom, United States and Vietnam.

The ESWL division continues to provide disposables, replacement parts and services for the current installed base of Sonolith Praktis, Sonolith Vision and Sonolith i-sys even though we have discontinued the manufacturing of these machines several years ago.

ESWL Division Market Potential

We estimate that roughly 12% of the world population suffers from kidney or ureteric stones during their lifetime. 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.

ESWL consists of fragmenting calculi within the body using extracorporeal shockwaves without any surgery. The market for lithotripters is mature and has become primarily a replacement and service and maintenance market in most of the world. We believe that companies with a large installed base of ESWL lithotripters can be successful in maintaining a recurring revenue stream from maintenance contracts, parts and consumables. We intend to capitalize on our share of the installed base of ESWL systems for this recurring revenue. Several geographical opportunities remain in under-equipped countries and in some countries where the national health system strategy is under review for capital equipment at hospitals and clinics. ESWL products are currently facing competition from lower priced stone laser systems. To remain competitive, over the past few years we have integrated stone laser products into our stone management product portfolio in select markets.

We expect the ESWL division to continue to contribute to the financial results with revenues from consumables and maintenance contracts despite the mature nature of this market. See Item 5, "*Operating and Financial Review and Prospects.*"

ESWL Division Competition

The ESWL market is characterized by severe price competition among manufacturers. As a consequence, the average unit price of ESWL lithotripters has declined in recent years. The ESWL division expects this trend to continue. See Item 5, "*Operating and Financial Review and Prospects.*" The ESWL division's major competitors in developed countries are Wolf, Storz Medical and Dornier Medtech.

ESWL Division Sales and Distribution of Products

The ESWL division markets, sells and services its products through our direct sales and service platform in France, Germany, Japan, South Korea, and Malaysia. The ESWL division also markets its products through agents and third-party distributors in several other countries.

The ESWL 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 to continue marketing its ESWL products under satisfactory conditions.

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

Distribution Division

The Distribution division is engaged in the marketing, distribution and servicing of products complementary to the rest of our product portfolio such as micro-ultrasound systems, lasers and other medical products from third party manufacturers. The Distribution division contributed €29.9 million to our consolidated net sales during the fiscal year ended December 31, 2023.

Distribution Division Business Strategy

The Distribution division's business strategy is to generate revenues from the marketing and distribution of medical devices for the minimally invasive diagnosis or treatment of urological disorders and other various clinical indications. These products include the ExactVu 29 MHz Micro-ultrasound system and advanced surgical lasers from various companies. The Distribution division also generates revenues from system leases, as well as from the sale of disposables, spare parts and maintenance contracts for equipment sold under the Distribution division.

We have engaged in exclusive distribution agreements with third parties to distribute and service their products in certain territories, under specific conditions.

The Distribution division strategy includes the distribution of products that bring synergies and are complementary to our existing internally developed technologies. In May 2020, we signed an exclusive worldwide distribution agreement with Exact Imaging Inc. a Canadian company and developer of high-resolution micro-ultrasound imaging technologies. In December 2023, we renewed this agreement. Under the terms of the agreement, we market the ExactVu micro-ultrasound diagnostic systems alongside our Focal One. ExactVu Micro-ultrasound technology complements the Focal One Robotic HIFU technology. ExactVu offers advanced technology for performing biopsies and diagnosing prostate cancer. By marketing the two technologies, EDAP offers urologists a complete solution for focal prostate cancer management, with full autonomy and capabilities from diagnosis to treatment.

Distribution Division Products

The Distribution division distributes the ExactVu system. Like Magnetic Resonance Imaging ("MRI"), it allows urologists to visualize and locate suspicious regions within the prostate and target biopsies in real time. The ExactVu system also includes FusionVu. In cases where an MRI of the prostate is available, FusionVu allows for the quick import, alignment and targeting of MRI-identified lesions. After the MRI image is imported via FusionVu, ExactVu's 70 micron, real-time resolution allows physicians to precisely target lesions.

The Distribution division distributes in France Lumenis® Holmium lasers for Holmium Enucleation of the Prostate marketed by Boston Scientific under an exclusive agreement. Lumenis Pulse™ lasers with Moses™ technology is a patent-protected pulse delivery technology that remarkably improves energy transmission, resulting in more efficient lithotripsy and BPH treatments compared to the regular laser. Our distribution contract with Boston Scientific expires on December 31, 2024. The Distribution division also exclusively markets various Quanta Laser Systems in Japan. Our distribution contract in Japan expires in December 2024.

The Distribution division, through our Japanese subsidiary, exclusively distributes urology products of Laborie Medical Technologies ("Laborie"), including Urodynamic equipment, Uroflow, and a range of disposable products in Japan. The Distribution contract with Laborie expires on March 31, 2024. Laborie is the world leader of Urodynamic systems and disposables which are used by urologists and gynecologists to diagnose lower urinary tract functions. Our Japanese subsidiary also distributes X-ray imaging systems for the diagnosis of musculoskeletal pathologies and orthopedic surgical care in Japan on behalf of EOS Imaging. Our Japanese also exclusively distributes urology accessories on behalf of Rocamed and Hugemed in Japan.

Manufacturing

Our current manufacturing operations consist of assembling medical products in our facility, which is FDA-registered and certified under international ISO 13485: 2016 standard and MDSAP program. We manufacture our own products through our operational subsidiary, EDAP TMS France.

We perform final assembly and quality control processes and maintain production standards. We purchase most of the components used in our products from several suppliers, but for some components of our products, we rely on a single source. Most of our components are secured by contract or dual sourcing manufacturing strategies. Furthermore, we conduct regular quality audits of suppliers' manufacturing facilities. Our principal suppliers are located in France, Germany, Denmark and the United States. To date, our procurement and manufacturing strategy has not led to any material impacts on our ability to deliver systems and services to our customers. Management believes that the relationships with our suppliers at the current time are good.

Suppliers provide us with some key materials and components which can expose us to the risk of a supply shortage, obsolescence or interruption if these suppliers are unable to manufacture our products in line with our quality standards or encounter other challenges. We recently renegotiated a supply agreement with a key supplier of ultrasound components for our HIFU systems as prices increased dramatically following a major shift in our supplier's marketing strategy. We are constantly developing alternative options to maintain our product offering, while considering regulatory and cost constraints. We also have experienced difficulties in obtaining some materials or components used in our systems, including electronic parts, computers, plastics, mechanical parts due to supply shortage directly linked to logistics challenges as well as Asian manufacturing plants' capacity constraints. In order to address these risks, we have put in place safety stock and have modified our order management for long lead time critical components. See Item 3. "*Risk Factors—Worldwide contagious, epidemic diseases may impact our international activities and could have a material adverse effect on our business, results of operations and financial condition.*"

Quality and Design Control

The manufacturing operations of EDAP TMS France must comply with all regulations of countries where we market our products, including 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 inspections performed by the FDA. EDAP TMS France is ISO 13485: 2016 and MDSAP certified which indicates 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, Canadian, Australian, Brazilian and South Korean regulations, as well as with the U.S. Quality System Regulation. See "*—Government Regulation—Healthcare Regulation in the United States*" and "*—Government Regulation—Healthcare Regulation in the European Union.*"

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 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).

Property and Equipment

We have one main facility, which is in Vaulx-en-Velin, near Lyon, France. The premises comprise 4,150 square meters and are leased to us under a renewable ten-year commercial lease agreement which became effective on July 1, 2015. At the current time, we are still evaluating whether to renew the lease in 2025 or not. We use this facility to manufacture our medical device systems and

consumables. We believe the terms of the lease reflect current market rates. 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), Flensburg (Germany), Austin, Texas and Los Altos, California (U.S.), Seoul (South Korea), Fukuoka, Osaka, Sapporo and Tokyo (Japan). Our representative office in Moscow (Russia) was closed in early 2023.

Government Regulation

Government regulation in our major markets, particularly 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. Our products and operations are subject to regulation by the FDA and countries where we market our products. We must meet the requirements governing the design, manufacture, sourcing, testing, certification, packaging, installation, use, and disposal (including recycling) of our products. See Item 3, “*Risk Factors—Risks Related to Government Regulations.*”

Regulation in the United States

Our products are regulated in the United States by the FDA under several 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 - based on 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 registration, medical device listing, FDA-mandated CGMP and labeling. Most Class I devices are exempt from premarket notification (510(k)). Class II devices are those whose safety and effectiveness can reasonably be ensured using general controls and “special controls”, such as special labeling requirements, mandatory performance standards, and post-market surveillance. Class II medical devices typically require 510(k) submission and clearance based on a demonstration of substantial equivalence to an identified predicate device. A successful 510(k) may also require the submission of clinical data as part of the 510(k) for some Class II devices. For novel devices that present low to moderate risk but where there is no suitable predicate device to support a standard 510(k) submission, the FDA has what is known as the De Novo process. Class III devices are those that require submission of a pre-market approval (PMA) application by the FDA to ensure their safety and effectiveness. The PMA process is expensive and often lengthy, typically requiring several years, and may not necessarily result in approval. The manufacturer or the distributor of the device must obtain an IDE approval from the FDA before commencing human clinical trials in the United States in support of the PMA. Some newer PMA devices must also go before an advisory committee before FDA approval. Our lithotripsy range of Sonolith i-move products is now classified by the FDA as Class II devices. Our Ablatherm and Focal One HIFU devices are also classified as Class II.

The FDC Act also regulates quality and manufacturing procedures by requiring us to demonstrate and maintain compliance with current Quality System Regulations (QSR). We believe our manufacturing facilities follow the requirements of the QSR. There are also certain requirements of state, local and foreign governments which must be complied with in the manufacturing and marketing of our products. We believe that the manufacturing and quality control procedures we employ meet the requirements of these regulations.

Advertising and promotional activities in the United States are subject to regulation by the FDA and by the U.S. Federal Trade Commission.

Regulation in the European Union

In the European Union, we annually perform ISO 13485: 2016 and MDSAP (Australia, Brazil, Canada, Japan, U.S.) certification audits, showing that we comply with standards for quality assurance, manufacturing and design control.

In 2017, the European Union enacted the new Medical Device Regulation (“MDR”). Manufacturers with currently approved medical devices in their portfolio had an initial transition time of three years, i.e. until May 26, 2020, to meet new MDR requirements. The transition period was extended to four years, i.e. until May 26, 2021, due to COVID-19 pandemic context. An amendment to modify the transitional provisions has been adopted. The schedule is defined based on the MDR classification of devices with a updated application date of December 31, 2028. The extension of the period during which the devices can be placed on the market is subject to certain terms and conditions. To benefit from the new provisions, the manufacturer must implement and maintain a Quality Management System that complies with MDR requirements before May 26, 2024. This MDR introduces substantial changes to the way medical device manufacturers bring their devices to the European market and how they maintain compliance throughout the product’s life cycle. This MDR will replace the EU’s current Medical Device Directive (93/42/EEC) (MDD). We are currently updating our organization and quality system as well as our product development to be able to handle the MDR enforcement within the expected timelines for our

existing devices ranges and the devices under development. We have implemented regulatory actions to ensure our devices can be marketed in the European and international markets to conform to this MDR, if applicable.

The MDD and the MDR provide 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 MDD and MDR as applicable to bear a CE Marking (subject to certain exceptions).

Pursuant to the MDD and MDR, medical devices are classified into different classes based on their invasiveness and the duration of their use. This classification serves as a basis for determining the conformity assessment procedures that apply to medical devices that are eligible to receive a CE Mark. The conformity assessment procedures for Class I devices can be carried out, generally, under the sole responsibility of the manufacturer, while for devices of other classes, the involvement of a notified body is required. The extent of the involvement of such a 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 I, IIa and 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 (MHLW). Our Japanese subsidiary has obtained a license as the “Marketing Authorization Holder” as well as specific marketing approvals to import and market our products in Japan. Our Japanese subsidiary is also operating as a “Designated Marketing Authorization Holder” on behalf of some companies to market their products in the Japanese Territory. 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 list of reimbursable prices applicable to certain medical devices under the national health insurance programs. Until a new device is included in this list, its costs are not covered by the programs. 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.

Human Capital

Overview

As of December 31, 2023, we had 307 employees. We have never experienced a work stoppage or interruption due to labor disputes. We believe our relations with our employees are good.

Employee Talent and Retention

Our business and future operating results are dependent upon the continued contributions of our senior management and other key personnel with medical device experience. Our ability to continue to attract and retain qualified management, operations, processing, marketing, sales, and support personnel for our operations is important to our continued success.

We have programs and processes in place to help ensure that our compensation, benefits programs, and work environment attract and retain such personnel, and we strive to enhance those programs and processes to respond to the increasingly competitive market for talent. We also strive to offer competitive equitable pay, comprehensive benefits, and services that retain and meet the varying needs of our employees. The main purpose of our equity and cash incentive plans and non-officer incentive plans are to attract, retain, motivate, and reward our employees.

Culture

Fostering and maintaining a strong and collaborative culture is a key component of our strategy. We also have policies that instill a commitment to ethical behavior and legal compliance across our company. Employees are encouraged to approach their managers if they believe violations of policies have occurred. Employees may also report any such violations confidentially and anonymously through our whistleblower policy.

Diversity and Inclusion

We believe that a culture of diversity and inclusion enables us to create, develop, and fully leverage the strengths of our workforce to achieve our business objectives. We strive to provide equal opportunity to all applicants and employees, including those from diverse backgrounds. We believe that bringing together different perspectives and experiences is fundamental to our future growth and success.

Training and Development

We provide internal training and development programs to employees globally. Such programs include leadership development, office safety, ethics, and various skill-based training programs.

Health and Safety

Protecting the health, safety, and well-being of our employees around the world is a top priority. Throughout the COVID-19 pandemic, we enhanced our focus on the health and safety of our employees by implementing and enforcing certain COVID-related safety protocols. We provided employees with protective equipment, required the wearing of masks, increased cleaning procedures, provided cleaning supplies, implemented remote work where possible, enhanced our IT systems to facilitate remote work, and improved our cybersecurity protocols. While a number of these protocols were lessened or eliminated upon the waning of the COVID-19 pandemic, we continue to look for opportunities to provide a safer, healthier, work environment for our employees.

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, 2023 and 2022 is based on, and should be read in conjunction with, our consolidated financial statements and the notes thereto included in Item 18, “*Financial Statements*.” The consolidated financial statements have been prepared in accordance with U.S. GAAP.

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 Estimates

Management has not identified any estimates made in accordance with generally accepted accounting principles that involve a significant level of estimation uncertainty and have had or are reasonably likely to have a material impact on the financial condition or results of operations of the registrant.

Operating Results

Overview

Our activities are organized into three divisions: HIFU, ESWL and Distribution.

Total revenues of the Company 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 (HIFU devices, ESWL lithotripters and other third-parties devices) and net sales of disposables (mostly Focalpaks in the HIFU division, electrodes in the ESWL division and disposables from third-parties’ devices marketing by the Distribution 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 mainly include the revenues recording in the HIFU division from the sale of Focal One treatment procedures and from the leasing Focal One devices or treatment probes. We provide Focal One systems to clinics and hospitals for free for a limited period, rather than selling the systems. These hospitals and clinics perform treatments using the systems and usually pay us based on 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 device. Consequently, we are able to make Focal One 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 systems, this business model initially generates a smaller, although more predictable stream of revenue and, if successful, should lead to more purchases of Focal One systems by hospitals and clinics in the long term.

Regarding sales of lithotripters as recorded in our ESWL division, we believe that the market for ESWL lithotripters is mature and has become primarily a replacement and maintenance market, with intense competition. As a result, we expect total market volumes for our ESWL division to remain stable in the foreseeable future. In addition, following the discontinuation of our Sonolith i-sys lithotripter in 2020 and of our developments in lithotripsy, including the development of our Endo-UP platform, our ESWL revenues will be mainly stemming from sales of Sonolith i-move lithotripters as well as revenues from sales of maintenance contracts and spare parts.

Revenues recorded in our Distribution division include sales of complementary products such as lasers, micro-ultrasound systems and other products from third parties, including the associated disposables and maintenance contracts.

Sales of spare parts and services include revenues arising from maintenance services furnished by us for the installed base of ESWL lithotripters, HIFU systems and complementary products from third parties.

We derive a significant portion of both net sales of medical devices and disposables 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 30% of our total consolidated net sales in 2023. Net sales of goods in Asia represented 33% of such sales in 2023 and consisted mainly of sales of urology devices and disposables. Net sales of spare parts, supplies and services in Asia represented 33% of such sales in 2023 and related primarily to ESWL lithotripters. We also derive a significant portion of net sales of medical devices and disposables from our operations in the U.S., through our wholly owned subsidiary (Edap Technomed, Inc). Net sales derived from our operations in the U.S. represented 28% of our total consolidated net sales in 2023. Net sales of goods in the U.S. represented 29% of such sales in 2023 and consisted mainly of sales of urology devices and disposables. See Note 18 of our consolidated financial statements. 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 2023, 60% of our costs of sales and research and development, selling, marketing and general and administrative expenses were denominated in euro, while 55% 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, "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 systems 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 €7.0 million and €4.9 million in 2023 and 2022, respectively, representing 11.5% and 8.9% of total revenues in 2023 and 2022, respectively. This increase was mainly driven by our HIFU development programs and clinical studies. Research and development government grants and tax credits are deducted from our consolidated research and development expenses for amounts of €0.6 million and €0.8 million in 2023 and 2022, respectively.

Beginning in 2024, management expects the budget for research and development expenses to increase to 11.9% 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 in Japan in particular, and to build reimbursement coverage in key countries and particularly in the U.S., to continue to develop our HIFU 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 €22.6 million in 2023 and €16.4 million in 2022. The €6.2 million or 38.1% increase in selling and marketing expenses from 2022 to 2023 was primarily a result of the implementation of the HIFU expansion plan in the U.S. which includes the impact of share-based compensation plans of €1.8 million in 2023 and €1.0 million in 2022. Beginning in 2024, management expects selling and marketing expenses to increase in connection with the acceleration of HIFU adoption in the U.S.

Consolidated general and administrative expenses increased €7.5 million or 104.6% to €14.6 million in 2023, reflecting the impact of the HIFU expansion plan in the U.S., which includes the impact of share-based compensation plans for €2.9 million in 2023 and non-recurring expenses linked to the leadership succession plan for €3.4 million in 2023, which includes the impact of share-based compensation plan for €1.3 million. Beginning in 2024, management expects general and administrative expenses to increase in connection with the development of the U.S. subsidiary.

Fiscal Year Ended December 31, 2023 Compared to Fiscal Year Ended December 31, 2022

We report our segment information on a “net contribution” basis. See Note 29 to our consolidated financial statements.

(in millions of euros)	2023	2022
Total revenues	60.4	55.1
Total net sales	60.4	55.1
Of which HIFU	20.6	15.6
Of which ESWL	9.9	11.6
Of which DISTRIBUTION	29.9	27.9
Total cost of sales	(36.0)	(30.9)
Gross profit	24.4	24.2
Gross profit as a percentage of total net sales	40.40 %	43.90 %
Total operating expenses	(44.2)	(28.5)
Income (loss) from operations	(19.8)	(4.3)
Net income (loss)	(21.2)	(2.9)

Total revenues

Our total revenues increased 9.6% from €55.1 million in 2022 to €60.4 million in 2023.

HIFU division.

The HIFU division’s total revenues increased by 31.7% from €15.6 million in 2022 to €20.6 million in 2023, reflecting mainly the development of equipment sales and treatment-driven revenue in the U.S.

The HIFU division’s net sales of medical devices increased 39.3% to €9.8 million in 2023, with twenty-one Focal One units sold (including fifteen in the U.S.), as compared to €7.0 million, with fifteen Focal One units sold in 2022 (including thirteen in the U.S).

Treatment-driven revenue, which includes net sales of RPP & leases, net sales of disposables and treatments related services, increased by 30.0% to €9.1 million in 2023.

Net sales of HIFU maintenance services increased by 6.9% to €1.8 million in 2023.

ESWL division.

The ESWL division’s total revenues decreased 14.3% from €11.6 million in 2022 to €9.9 million in 2023, primarily due to the decrease in sale of equipment.

The ESWL division’s net sales of medical devices decreased 27.7% from €3.9 million in 2022 to €2.8 million in 2023 with 16 ESWL devices sold in 2023 compared to 22 ESWL units sold in 2022.

Net sales of ESWL-related consumables, spare parts, supplies, RPP, leasing and services decreased 7.6% from €7.7 million in 2022 to €7.1 million in 2023 reflecting the mature nature of the market.

Distribution division.

The Distribution division’s total revenues increased 7.2% from €27.9 million in 2022 to €29.9 million in 2023, primarily due to the increase of consumables and maintenance revenues linked to the development of the installed base.

The Distribution division’s net sales of medical devices decreased 1.2% from €15.8 million in 2022 to €15.6 million in 2023. We sold 46 ExactVu units in 2023, as compared to 47 in 2022.

Net sales of Distribution-related consumables, spare parts, supplies, leasing and services increased 18.2% from €12.1 million in 2022 to €14.4 million in 2023, reflecting the growth of the installed base.

Cost of sales.

Cost of sales increased 16.5% from €30.9 million in 2022 to €36.0 million in 2023, and represented 59.6% as a percentage of net sales in 2023, up from 56.1% as a percentage of net sales in 2022. This effect was primarily due to distribution product mix, global inflationary price pressure on components which increased manufacturing costs, and continued investments in our U.S. service and clinical application organizations to support HIFU and long-term revenue growth.

Operating expenses.

Operating expenses increased 55.4%, or €15.8 million, from €28.5 million in 2022 to €44.2 million in 2023.

Marketing and sales expenses increased €6.2 million, or 38.1% to €22.6 million in 2023, reflecting the impact of the HIFU expansion plan in the U.S., which includes the impact of share-based compensation plans for €0.8 million in 2023.

Research and development expenses increased 41.5% at €7.0 million in 2023 from €4.9 million in 2022. R&D expenses are net of R&D grants and tax credits of €0.6 million in 2023 and €0.8 million in 2022. This increase was mainly driven by the increase in research and development activities associated with our HIFU development programs and clinical studies.

General and administrative expenses increased €7.5 million or 104.6% to €14.6 million in 2023, reflecting the impact of the HIFU expansion plan in the U.S., which includes the impact of share-based compensation plans for €2.9 million in 2023 and non-recurring expenses linked to the leadership succession plan for €3.4 million in 2023, which includes the impact of share-based compensation plan for €1.3 million.

Operating profit (loss).

As a result of the factors discussed above, particularly the expansion of our activities in the U.S. to accelerate HIFU adoption, we recorded a consolidated operating loss of €19.8 million in 2023, as compared to a consolidated operating loss of €4.3 million in 2022.

We realized an operating loss in the HIFU division of €14.8 million in 2023, as compared with an operating loss of €4.9 million in 2022, an operating loss in the ESWL division of €0.2 million in 2023, as compared to an operating profit of €0.9 million in 2022, and an operating loss in the Distribution division of €0.2 million in 2023, as compared to an operating profit of €2.0 million in 2022.

Financial (expense) income, net.

Net financial income was €1.1 million in 2023, compared with a net financial income of €0.2 million in 2022.

The financial income was mainly generated by short-term deposits.

Foreign currency exchange gain (loss), net.

In 2023, we recorded a net foreign currency exchange loss of €1.8 million, mainly due to the variation of the Euro against the U.S. Dollar, compared to a gain of €1.9 million in 2022.

Income taxes.

Income tax was an expense of €0.6 million in 2023, compared to an expense of 0.8 million in 2022.

Net income / (loss).

As a result of the above, we realized a consolidated net loss of €21.2 million in 2023 compared with a consolidated net loss of €2.9 million in 2022.

For comparison between the fiscal year ended December 31, 2022 and the fiscal year ended December 31, 2021, please refer to our report on [Form 20-F filed with the SEC on April 7, 2023](#).

Effect of Inflation

In 2022 and 2023, geopolitical instability and other factors have led to higher worldwide inflation leading to a global increase in costs. We are constantly addressing this cost increase by mitigating the impact on our margins, in particular by adjusting our prices, reducing our costs or implementing counter measures to ensure the minimum residual impact.

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 future capital requirements will depend on many factors including our revenue growth rate, the timing, and extent of spending to support further sales and marketing and research and development efforts. Our cash flow situation is described in more detail below.

Material Cash Requirements

The following table discloses aggregate information about material contractual obligations and periods in which payments were due as of December 31, 2023.

	Payments Due by Period				
	Total	Less than 1 year	1-3 years	4-5 years	More than 5 years
Short-Term Debt	2,466	2,466	—	—	—
Long-Term Debt	3,551	1,553	1,997	—	—
Financing Lease Obligations	628	201	289	83	55
Operating Leases Obligations	1,780	898	725	157	—

The commitment amounts in the table above are associated with contracts that are enforceable and legally binding and that specify all significant terms, excluding interest on long-term debt. Future events could cause actual payments to differ from these estimates.

Long term debts represent a €3.6 million cash requirement as of December 31, 2023 and are mainly related to the two loans taken out from French banks, in the form of the loans guaranteed by the French State for a total amount of €4.0 million at inception in the context of the Covid-19 pandemic. These loans taken out in August 2020 with initial maturity in August 2021 have been extended until August 2026. The amendments provide for reimbursements to be made over four years, beginning in August 2022.

Operating and Financing leases represent a €2.4 million cash requirement as of December 31, 2023, with a repayment horizon up to 2029.

Cash Flows

We anticipate that cash flow in future periods will be derived mainly from ongoing operations. 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.

(in thousands of euros)	2023	2022
Net cash generated by/(used in) in operating activities	(14,678)	(3,024)
Net cash generated by/(used in) in investing activities	(4,344)	(2,378)
Net cash generated by/(used in) in financing activities	(911)	21,741
Net effect of exchange rate changes	268	(388)
Net increase/(decrease) in cash and cash equivalents	(19,665)	15,952
Cash and cash equivalents at the beginning of the year	63,136	47,183
Cash and cash equivalents at the end of the year	43,471	63,136

Our cash position as of December 31, 2023 and 2022 was €43.5 million (with no short-term treasury investments) and €63.1 million (with no short-term treasury investments), respectively. We experienced a decrease in cash and cash equivalent of €19.7 million in 2023 and an increase of €16.0 million in 2022.

In 2023, our negative net cash flow was primarily due to net cash used in operating activities of €14.7 million and in investing activities of €4.3 million.

In 2022, our positive net cash flow was primarily due to net cash generated by financing activities which included net proceeds of the offering of common stock in the form of ADSs in September 2022 for €22.0 million. See Item 4, “*Information on the Company—History and Development of the Company*”.

In 2023, net cash used in operating activities was €14.7 million compared with net cash used in operating activities of €3.0 million in 2022.

In 2023, net cash used in operating activities reflected principally:

- a net loss of €21.2 million;
- elimination of €9.4 million of net loss without effects on cash, including €1.9 million of depreciation and amortization, €0.4 million of change in allowances for doubtful accounts & slow-moving inventories and €0.2 million of change in long term provisions ; and €6.9 million of non-cash compensation linked to stock-based compensation plans and free shares; and
- an increase in working capital of €2.9 million primarily reflecting the increase in inventory and trade receivables linked to the higher level of sales.

In 2022, net cash used in operating activities reflected principally:

- a net loss of €2.9 million;
- elimination of €4.2 million of net loss without effects on cash, including €1.6 million of depreciation and amortization, €0.1 million of change in allowances for doubtful accounts & slow-moving inventories and €0.3 million of net capital loss on disposals of assets; and €2.1 million of non-cash compensation linked to stock-based compensation plans and free shares; and
- an increase in working capital of €4.3 million primarily reflecting the increase in inventory and trade receivables linked to the higher level of sales.

In 2023, net cash used in investing activities was €4.3 million compared with net cash used in investing activities of €2.4 million in 2022.

Net cash used in investing activities of €4.3 million in 2023 reflected mainly:

- investments of €2.6 million in capitalized assets produced by the Company including devices for RPP and lease activity (€0.8 million), HIFU treatments probes (€1.5 million) and R&D programs (€0.4 million) ;
- investment of €1.2 million in property and equipment (including €0.3 million of laser and ExactVu equipment for demo, €0.7 million for IT, offices and industrial equipment and €0.1 million for vehicles); and
- investment of €0.5 million in intangible assets (licences and development of IT softwares).

Net cash used in investing activities of €2.4 million in 2022 reflected mainly:

- investments of €1.6 million in capitalized assets produced by the Company including devices for RPP activity (€0.3 million) and HIFU treatments probes (€1.2 million); and
- investment of €0.6 million in property and equipment (including €0.2 million of laser equipment for demo or RPP, €0.3 million for IT and offices equipment and €0.1 million for vehicles).

In 2023, net cash used in financing activities was €0.9 million compared with net cash generated by financing activities of €21.7 million in 2022.

Net cash used in financing activities of €0.9 million in 2023 reflected principally the net proceeds of €0.3 million from the exercise of stock options, the repayments of long-term borrowings and financing lease for €1.8 million and an increase of short-term borrowings of €0.7 million.

Net cash generated by financing activities of €21.7 million in 2022 reflected principally the net proceeds of €22.0 million from the offering of common stock in the form of ADSs in September 2022 (see Item 4, “*Information on the Company—History and Development of the Company*”), €0.7 million from the exercise of stock options, new long term borrowings for €0.3 million (composed of a loan in France to finance HIFU treatment probes), the repayments of long-term borrowings and financing lease for €1.2 million.

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. Currently the short-term debt consists of account receivables factored and for which the Company is supporting the collection risk. 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, 2023, there were no outstanding hedging instruments. See Notes 13 and 14 to the consolidated financial statements for further information on our borrowings.

Recent Accounting Pronouncements

See “*Note 1. Summary of Significant Accounting Policies —1.25 Recent Accounting Pronouncements*” of the Notes to consolidated financial statements for a description of recent accounting pronouncements including the respective expected dates of adoption and estimated effects, if any, on our Consolidated Financial Statements.

Research and Development, Patents and Licenses

See Item 5, “*Operating and Financial Review and Prospects—Operating Results—Overview*” and Item 4, “*Information on the Company—HIFU Division—HIFU Division Patents and Intellectual Property*” and “*Information on the Company—ESWL Division—ESWL 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 is refundable in cash.

Off-Balance Sheet Arrangements

At December 31, 2023, we had no off-balance sheet arrangements.

Item 6. Directors, Senior Management and Employees

Senior Management

The following table sets forth the name, age and position of each of our senior executive officers as of March 15, 2024 (the “Senior Management”). The Senior Management 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 Management are entitled to receive severance packages totaling €1.5 million.

<u>Name</u>	<u>Position</u>	
Ryan Rhodes Age: 62	Chief Executive Officer of EDAP TMS S.A. Member of the Board of Directors Chief Executive Officer of EDAP Technomed Inc. Mr. Ryan Rhodes was appointed as Chief Executive Officer of the Company in May 2023. Mr. Rhodes was appointed as a member of the Board of Directors in August 2023. Mr. Rhodes has over 30 years of leadership experience in market development in the medical device industry, including 20 years dedicated to medical robotics. Prior to joining EDAP, Mr. Rhodes served as the Chief Executive Officer of Restoration Robotics, a global leader in robotic aesthetic medicine, where he led the company to a successful merger with Venus Concept Inc. in 2019. Prior to Restoration Robotics, Mr. Rhodes spent over 13 years at Intuitive Surgical, the global leader in medical robotics, where he was a key architect of the company's multi-procedure market focus and development efforts, including the successful launch of the global Urology franchise. Prior to Intuitive Surgical, he spent over 11 years in various management positions in sales, marketing, professional education, and market development at Ethicon Inc., a Johnson & Johnson Company. Mr. Rhodes holds a B.A. in Public Administration from San Diego State University.	-
Ken Mobeck Age: 53	Chief Financial Officer of EDAP TMS S.A. Ken Mobeck was appointed as the Company's Chief Financial Officer in January 2024. Prior to that position, Mr. Mobeck held the position of Chief Financial Officer of EDAP's U.S. subsidiary since joining the company in December 2022. Prior to joining EDAP, Mr. Mobeck served as Vice President of Finance and Investor Relations at medical device manufacturer Accuray Inc., a leading global radiation therapy company. Prior to joining Accuray, Mr. Mobeck served as Vice President, Finance with an optical networking leader, Lumentum. Before Lumentum, he spent over two decades in positions with increasing levels of responsibility at some of Silicon Valley's most innovative companies including Silicon Graphics, Hewlett Packard, KLA and Intel Corporation. Mr. Mobeck holds an MBA and a BSC in Finance from the Leavey School of Business at Santa Clara University.	
François Dietsch Age: 47	Chief Accounting Officer of EDAP TMS S.A. François Dietsch was appointed as the Company's Chief Accounting Officer in January 2024. Prior to that position, Mr. Dietsch held the position of Chief Financial Officer of the Company since July 2015. Mr. Dietsch joined EDAP in 2005 as Internal Audit and Consolidation Manager and in 2012 was promoted to Group Financial Control Manager and Finance Manager of EDAP's French subsidiary. 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.	

Frédéric Pech
Age: 55

President of EDAP TMS France S.A.S.
Frédéric Pech joined EDAP TMS France SAS in January 2021, as Chief Operating Officer and was appointed as President of EDAP TMS France on May 1, 2023. Prior to joining EDAP TMS France, he served as Chief Operating Officer at Metal Global Concept, a company specialized in the design and manufacturing of medical instrumentation containers for operating rooms, from 2018 to 2021. Prior to this position, he served as Human Resources Director, mainly in the medical devices industry at companies including Stryker, Tornier and Wright Medical, from 2000 to 2018. Frederic holds a master's degree in accounting, a master's degree in organization from the CNAM (Conservatoire National des Arts et Métiers), an MBA from IGS Paris (Institut de Gestion Social) and a double degree from EM Lyon business school (Certificate in Business Management and Executive Advanced Management program).

Jean-François Bachelard
Age: 60

President and Chief Executive Officer of Edaptechnomed Co. Ltd.
Jean-Francois Bachelard started his career at EDAP TMS Group in 1987 as Service Engineer. In 1989, he became Service Manager for Asia Pacific (APAC) area based in Tokyo. From 1993 to 1998, he worked for Inamed Corp. as Product Manager France (Bioenterics, gastric implants). In 1999, he reintegrated EDAP TMS Group as Area Manager Northern Europe and General Manager of EDAP TMS Moscow office. In 2009, he was appointed President & Chief Executive Officer of Edaptechnomed Co., Ltd. (Japan), based in Tokyo. He graduated from Grenoble University with a degree in Electrotechnics and Robotics.

Board of Directors

The following table sets forth the names and backgrounds of the members of the Board of Directors. On March 29, 2023, the Board of Directors decided to separate the roles of Chairman of the Board and Chief Executive Officer as of May 1, 2023, when Mr. Rhodes began his term as Chief Executive Officer and Mr. Oczachowski continued serving as Chairman.

None of the directors has service contracts with the Company or any of its subsidiaries providing for benefits upon termination of employment (except for those related to Mr. Rhodes's current position as Chief Executive Officer, provided under his employment agreement). Three of the five Board members are independent within the meaning of Nasdaq Marketplace Rule 5605(2). The mandate of our Directors, other than the Chair, was renewed for a new period of six years at the General Meeting of Shareholders held on June 30, 2020 approving the accounts for the financial year ended December 31, 2019. Their mandate will expire at the end of the ordinary general meeting of shareholders, which will approve the accounts for the financial year ended December 31, 2025, held in 2026. The Chair's mandate will expire in 2028.

Marc Oczachowski
Age: 54
Mandate: 6 years
Appointment: July 10, 2017 Expiration: 2028

Chairman of the Board.
Marc Oczachowski joined EDAP TMS in 1997 as Area Sales Manager. From 2001 to 2004, he was General Manager of EDAP Technomed Malaysia. In 2004, he was appointed Chief Operating Officer of EDAP TMS based in Lyon, France, and became Chief Executive Officer of the Company in 2007. In 2012, he relocated in Austin, Texas (USA), for a five-year period, to manage U.S. operations and lead the FDA approval process of the Company's HIFU devices. On March 25, 2020, he was appointed Chairman of the Board of Directors. In May 2023, following Mr. Rhodes' appointment as Chief Executive Officer, Mr. Oczachowski continued to serve as Chairman of the Board. Mr. Oczachowski started his career as Area Sales Manager for Sodem Systems, which designed and manufactured power tools for orthopedics. He graduated from Lyon I University (Molecular Biology) and from Institut Commercial de Lyon, France.

Pierre Beysson
Age: 81
Mandate: 6 years
Appointment:
September 27, 2002
(renewed in 2014 & 2020) Expiration: 2025

Pierre Beysson was appointed as a member of the Board of Directors in September 2002. From 1997 to 2003, Pierre Beysson held the position of 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. Before 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.

Marie Meynadier
Age: 62
Mandate: 6 years
Appointment: June 30, 2020 Expiration: 2025

Marie Meynadier was elected as a member of the Company's Board of Directors in June 2020. Ms. Meynadier currently serves on the boards of directors of several medical technology companies in Europe and North America. Ms. Meynadier has been serving as a director of Pixium Vision since 2019 and as a director of Alphatec Spine since 2021. From 1999 through 2018, she served at EOS Imaging as its Chief Executive Officer and led the company through a period of rapid worldwide sales growth prior to its sale to Alphatec Holdings in 2021. Prior to EOS Imaging, Ms. Meynadier served as the Chief Executive Officer of Biospace Lab, a preclinical imaging company she developed and turned to profitability. Ms. Meynadier received a degree in electrical engineering from Sup Télécom, Paris, and her Ph.D. in physics from Ecole Normale Supérieure Ulm, Paris.

Lance Willsey
Age: 62
Mandate: 6 years
Appointment: December 6, 2023 Expiration:
2025

Dr. Lance Willsey was appointed as a member of the Board of Directors in December 2023. Dr. Lance Willsey, M.S., M.D. is a urologist who has 36 years of private and public board experience focused in the area of cancer diagnostics and therapeutics. He completed his surgical and urology training at the Massachusetts General Hospital and additional postgraduate training in the Steele Lab Harvard University and the Dana Farber Cancer Institute. Dr. Willsey is a founding Partner of Healthcare fund DCF Capital. He also actively participated in boards as a Director of Exact Sciences from 1999 to 2009 and of Exelixis from 1997 to 2023. He also has extensive experience in corporate governance, having served on audit, compensation, finance and scientific advisory committees. Dr. Lance Willsey holds an MS and MD from Wayne University.

Ryan Rhodes
Age: 62
Mandate: 6 years
Appointment: August 23, 2023 Expiration: 2025

Chief Executive Officer. See Ryan Rhodes' biography above.

Compensation

Aggregate compensation paid or accrued for services in all capacities by the Company and its subsidiaries to senior management and to the Board of Directors as a group (for those individuals in office during the course of the year) for the fiscal year 2023 was €2,772 thousand including performance bonuses of €301 thousand, benefits in kind of €71 thousand (benefits in kind comprise car allowances for senior management) and severance payment of €1,389 thousand. No amount was set aside or accrued by us to provide pension, retirement or similar benefits for senior management and to the Board of Directors as a group (for those individuals in office during the course of the year) for the fiscal year 2023 other than the legal retirement indemnity for French senior executives. On November 8, 2023, the Board of Directors adopted the Company's Clawback Policy which is filed in exhibit 97.1. For information regarding compensation paid in the form of stock options or free shares, see "—Share Ownership" and "Options to Purchase or Subscribe for Securities—Free Shares."

Compensation Committee

The Compensation Committee is comprised of the following independent members: Mr. Pierre Beysson, Dr. Lance Willsey and Ms. Marie Meynadier. The Committee gathers once a year to review the compensation of our Chief Executive Officer 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. The Compensation Committee operates pursuant to a charter. The principal duties and responsibilities of our Compensation Committee include, but are not limited to:

- Make recommendations and proposals to the Board of Directors regarding compensation programs, including benefits in kind and equity compensation, for the Chief Executive Officer and members of the Board of Directors;
- Define methods used to calculate variable compensation and set objectives and assist the Board of Directors in determining whether the objectives have been met for bonuses and other types of equity or non-equity compensation plans; and
- Formulate general policies on the granting of equity compensation and recommend to the Board of Directors the granting of options and other stock awards thereunder.

For more information on the missions of our Compensation Committee, please refer to our website www.edaptms.com, under the Investor Relations Section, where our Compensation Committee Charter is available. This charter is not incorporated by reference in this annual report.

Audit Committee

The Board of Directors' Audit Committee comprises three independent members of the Board: Mr. Pierre Beysson, acting as Head of the Audit Committee and financial expert, Ms. Marie Meynadier and Dr. Lance Willsey. The Audit Committee operates pursuant to a charter. The principal duties and responsibilities of our Audit Committee include, but are not limited 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;
- Review the independent auditor's qualifications, compensation and independence, and the performance of our internal audit function and independent auditors;
- Recommend the appointment of the independent auditors for consideration and approval by the Company's shareholders in accordance with French law;
- Review and discuss annual financial statements with management and the independent auditors and prepare the Audit Committee report, prior to SEC filings, as well as review related press releases; and
- 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.

For more information on the missions of our Audit Committee, please refer to our website www.edap-tms.com, under the Investor Relations Section, where our Audit Committee Charter is available. This charter is not incorporated by reference in this annual report.

Nomination Committee

The Nomination Committee is comprised of the following independent members: Mr. Pierre Beysson, Ms. Marie Meynadier and Dr. Lance Willsey. The Board of Directors recommends director nominees to the Board, which then submit its nominees to the shareholders for election. 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.

The Nomination Committee operates pursuant to a charter, the terms of which apply to the Board of Directors when considering director nominees, including in the evaluation of potential candidates and in recommendations to the Board of Directors prior to submitting the candidates to the vote of shareholders. The principal duties and responsibilities of our Nomination Committee include, but are not limited to:

- Develop and recommend to the Board of Directors appropriate criteria for the selection of individual director candidates (such as, independence, industry knowledge, fields of expertise, ability to serve as “financial expert,” leadership, diversity, etc.) and executive officers;
- Evaluate candidates in light of appropriate criteria and conduct all necessary and appropriate inquiries into the backgrounds and qualifications of potential candidates;
- Assist the Board of Directors in evaluating director independence, conflicts of interest and re-election of current directors;
- Make recommendations to the Board of Directors concerning the size and composition of the Board of Directors in order to ensure it has the necessary expertise and diversity;
- Make recommendations to the Board of Directors concerning appointees to be selected by the Board of Directors for service on its committees or removal of any member of any committee; and
- Assist the Board of Directors in ensuring adequate succession planning for our executive bodies, in particular, through the establishment of a succession plan for the chairman and Chief Executive Officer.

For more information on the missions of our Nomination Committee, please refer to our website www.edaptms.com, under the Investor Relations Section, where our Nomination Committee Charter is available. This charter is not incorporated by reference in this annual report.

Strategic Committee

The Strategic Committee is comprised of the following members: Ms. Marie Meynadier, independent Director and Head of the Committee, and Mr. Marc Oczachowski, Chairman of the Board. The Strategic Committee addresses the development and implementation of the Company’s strategic plan and the risks associated with such plan. The Strategic Committee operates pursuant to a charter. The principal duties and responsibilities of our Strategic Committee also include, but are not limited to:

- Assist in the development of EDAP’s strategy, including reviewing and discussing with management the strategic direction and initiatives of EDAP and the risks associated with EDAP’s strategy.
- Review with management the process for development, approval and modification of EDAP’s strategy and strategic plan.
- Assist the management with identifying key issues, options and external developments impacting EDAP’s strategy. Meet with management periodically to monitor EDAP’s progress against its strategic goals.
- Ensure the Board is regularly apprised of EDAP’s progress with respect to implementation of any approved strategy.
- Regularly review and reassess the adequacy of this charter and recommend any proposed changes to the Board for approval.
- Regularly review the Committee's own performance and report the results of such review to the Board.
- Perform such other duties as are necessary or appropriate to further the Committee's purposes, or as the Board may from time to time assign to it.

For more information on the missions of our Strategic Committee, please refer to our website www.edaptms.com, under the Investor Relations Section, where our Strategic Committee Charter is available. This charter is not incorporated by reference in this annual report.

Board Diversity Matrix

Board Diversity Matrix				
Country of Principal Executive Offices:	France			
Foreign Private Issuer	Yes			
Disclosure Prohibited under Home Country Law	Yes			
	As of March 28, 2024		As of December 31, 2023	
Total Number of Members	5		5	
Gender Identity	Female	Male	Female	Male
Members	1	4	1	4
Demographic Background				
Underrepresented Individual in Home Country Jurisdiction				
LGBTQ+				
Did Not Disclose Demographic Background	5		5	

Employees

As of December 31, 2023, we employed 307 individuals on a full-time basis, as follows:

	Sales & Marketing	Manufacturing	Service	Research & Dvpt	Regulatory	Clinical Affairs	Administrative	Total
France	25	35	24	33	11	15	21	164
Germany	6	—	3	—	—	—	2	11
Japan	21	—	23	—	3	—	8	55
Malaysia	2	—	3	—	—	—	2	7
South Korea	2	—	5	—	—	—	2	9
USA	36	—	17	—	—	—	8	61
Total	92	35	75	33	14	15	43	307

As of December 31, 2022, we employed 264 individuals on a full-time basis, as follows:

	Sales & Marketing	Manufacturing	Service	Research & Dvpt	Regulatory	Clinical Affairs	Administrative	Total
France	24	29	26	26	9	12	21	147
Italy	—	—	—	—	—	—	—	—
Germany	5	—	4	—	—	—	2	11
Japan	27	—	20	—	3	—	9	59
Malaysia	1	—	3	—	—	—	2	6
South Korea	2	—	4	—	—	—	2	8
USA	18	—	11	—	—	—	4	33
Total	77	29	68	26	12	12	40	264

As of December 31, 2021, we employed 227 individuals on a full-time basis, as follows:

	Sales & Marketing	Manufacturing	Service	Research & Dvpt	Regulatory	Clinical Affairs	Administrative	Total
France	27	30	24	21	8	9	17	136
Italy	—	—	—	—	—	—	—	—
Germany	5	—	3	—	—	—	2	10
Japan	25	—	17	—	2	—	6	50
Malaysia	2	—	3	—	—	—	2	7
South Korea	2	—	4	—	—	—	2	8
USA	7	—	6	—	—	—	3	16
Total	68	30	57	21	10	9	32	227

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

Share Ownership

As of March 15, 2024, the total number of shares issued was 37,373,312 with 269,533 shares held as treasury shares, thus bringing the total number of shares outstanding to 37,103,779.

As of March 15, 2024, the Board of Directors and members of the Company's administrative, supervisory and management bodies during 2023 held a total of 1,388,292 shares. The Board of Directors and members of the Company's administrative, supervisory and management bodies during 2023 beneficially own, in the aggregate less than 4% of the Company's outstanding shares.

As of March 15, 2024, the members of the Company's administrative, supervisory and management bodies during 2023 held a total of 233,333 free shares and an aggregate of 2,167,500 options to purchase or to subscribe a total of 2,167,500 ordinary shares.

with a weighted average exercise price of €8.00 per share. Of these options, 240,000 will expire on April 26, 2026; 65,000 expire on April 25, 2027; 35,000 expire on August 29, 2028; 45,000 expire on April 4, 2029; 1,107,500 expire on June 11, 2031; 375,000 expire on December 15, 2032; 200,000 expire on May 2, 2033 and 100,000 expire on January 18, 2034.

Options to Purchase or Subscribe for Securities – Free Shares

Options

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.

On June 28, 2019, the shareholders authorized the Board of Directors to grant up to a maximum of 358,528 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 June 28, 2019, the shareholders also 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.

On June 30, 2021, the shareholders authorized the Board of Directors to grant up to 2,000,000 options to subscribe to 2,000,000 new shares at a fixed price to be set by the Board of Directors and 200,000 free shares.

On June 30, 2022, the shareholders authorized the Board of Directors to grant up to 600,000 free shares. This new resolution superseded the June 30, 2021, resolution, cancelling the unused portion of the 2021 resolution.

As of March 15, 2024, we had sponsored three stock purchase and subscription option plans open to employees of EDAP TMS group and two free share plans.

On December 31, 2023, the expiration of our stock options contracts was as follows:

Date of expiration	Number of Options
April 5, 2026	117,000
April 25, 2026	357,000
May 2, 2026	200,000
May 31, 2026	50,000
August 23, 2026	177,000
September 20, 2026	80,000
November 8, 2026	20,000
December 6, 2026	34,000
April 26, 2027	136,080
August 25, 2028	77,500
April 4, 2029	107,500
June 11, 2031	1,244,533

As of December 31, 2023, a summary of stock option activity to purchase or to subscribe to shares under these plans is as follows:

	2023		2022		2021	
	Options	Weighted average exercise price (€)	Options	Weighted average exercise price (€)	Options	Weighted average exercise price (€)
Outstanding on January 1,	2,613,886	5.66	2,408,508	4.38	1,186,900	2.81
Granted	686,000	8.53	571,000	9.07	1,392,428	6
Exercised	(55,973)	4.66	(320,622)	2.14	(150,820)	3
Forfeited	(45,000)	7.99	(45,000)	5.34	(20,000)	4.01
Expired	—	—	—	—	—	—
Outstanding on December 31,	3,198,913	6.26	2,613,886	5.66	2,408,508	4.38
Exercisable on December 31,	1,997,666	5.23	1,362,205	4.35	1,149,401	3.25
Share purchase options available for grant on December 31,	25,000		20,000		5,000	

As of December 31, 2023, 643,000 options to subscribe for new shares are available for future grants.

The following table summarizes information about options to purchase existing shares held by the Company, or to subscribe to new shares, as of December 31, 2023:

Exercise price (€)	Outstanding options			Fully vested options ⁽¹⁾			
	Options	Weighted average remaining contractual life	Weighted average exercise price (€)	Aggregate Intrinsic Value (2)	Options	Weighted average exercise price (€)	Aggregate Intrinsic Value (2)
10.32	20,000	8.8	10.32	—	7,222	10.32	—
10.10	200,000	9.3	10.10	—	38,889	10.10	—
9.96	117,000	9.3	9.96	—	26,000	9.96	—
9.94	395,000	9.0	9.94	—	131,667	9.94	—
9.32	50,000	9.4	9.32	—	9,722	9.32	—
7.53	177,000	9.7	7.53	—	—	—	—
6.64	20,000	9.8	6.64	—	—	—	—
6.41	100,000	8.3	6.41	—	52,778	6.41	—
6.08	80,000	9.8	6.08	—	—	—	—
5.59	1,244,533	7.4	5.59	—	1,037,111	5.59	—
5.18	83,300	7.8	5.18	431,494	16,197	5.18	83,902
4.98	34,000	9.9	4.98	169,320	—	—	—
3.90	107,500	5.8	3.90	419,250	107,500	3.90	419,250
3.22	357,000	2.3	3.22	1,149,540	357,000	3.22	1,149,540
2.65	77,500	4.7	2.65	205,375	77,500	2.65	205,375
2.39	136,080	3.3	2.39	325,231	136,080	2.39	325,231
2.39 to 10.32	3,198,913	7.79	0.84	2,700,210	1,997,666	1.09	2,183,298

(1) Fully vested options are all exercisable options. On March 29, 2023, the Board of Directors unanimously decided to appoint Ryan Rhodes as the new Chief Executive Officer of the Company, which will become effective on May 1, 2023. Marc Oczachowski will continue to serve as Chairman of the Board of the Company. In this context, the Board decided to accelerate the vesting of all unvested options granted to Mr. Oczachowski under the 2019 option plans such that these options fully vested and became exercisable on March 29, 2023.

(2) aggregate intrinsic value represents the total pre-tax intrinsic value, based on the Company's closing stock price of \$10.66 at December 31, 2023, which would have been received by the option holders had all in-the-money option holders exercised their options as of that date.

Free Shares

On September 28, 2021, 61,500 free shares were granted to certain officers and employees of the Company. On September 28, 2022, 57,500 free shares vested and became subject to a 12-month holding period. On September 28, 2023, the remaining 4,000 free shares fully vested.

On March 30, 2022, 40,000 free shares were granted to the Chief Executive Officer of the Company. On March 30, 2023 all 40,000 free shares vested and became subject to a 12-month holding period.

On November 8, 2022, 291,500 free shares were granted to certain officers and employees of the Company. On November 8, 2023, 92,881 free shares vested and became subject to a 12-month holding period. As of December 31, 2023, 180,819 free shares remain outstanding, and 92,881 shares are still subject to the 12-month holding period.

On March 29, 2023, 150,000 free shares were granted to the Chief Executive Officer of the Company. On March 29, 2024, all 150,000 free shares will have been acquired, as long as the conditions set forth in the free share plan are met and will be subject to a 12-month holding period.

On May 2, 2023, 50,000 free shares were granted to the President of the French subsidiary EDAP TMS France SAS. On May 2, 2025, all 50,000 free shares will have vested, as long as the conditions set forth in the free share plan are met and will be subject to a 12-month holding period.

See Note 17-5 of the consolidated financial statements.

Disclosure of any action to recover erroneously awarded compensation

Not applicable.

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.

On the basis of the notifications received or filed with the SEC, as of March 15, 2024, (i) Soleus Capital Master Fund, L.P. filed a report showing beneficial ownership of 7,226,341 ADSs, representing 19.5% of our outstanding ADSs and (ii) Morgan Stanley filed a report showing beneficial ownership of 3,138,680 ADSs, representing 8.5% of our outstanding ADSs, including shared voting power over 3,136,680 ADSs and shared dispositive power over 3,138,680 ADSs. There are no arrangements known to us whereby we are directly or indirectly owned or controlled by another corporation or government, or by any other natural or legal persons, nor are we aware of any arrangement] that 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 March 15, 2024, 37,373,312 shares were issued, including 37,103,779 outstanding and 269,533 treasury shares. As of March 15, 2024, there were 37,155,300 ADSs, each representing one Share, all of which were held of record by 20 registered holders (including The Depository Trust Company).

Related Party Transactions

On August 19, 2019, EDAP Technomed Co. Ltd. (Japan) contracted a loan for 80,000,000 JPY. As a current practice in Japan, this loan required a personal guarantee from the representative director, president and CEO of the subsidiary, Mr. Jean-François Bachelard. EDAP TMS S.A., as the parent company, counter-guaranteed this personal loan and agreed to indemnify Mr. Bachelard, in an indemnification letter dated September 12, 2019, expiring upon loan maturity date of August 26, 2026.

On April 22, 2020, EDAP Technomed Co. Ltd (Japan) contracted another loan for 50,000,000 JPY requiring a personal guarantee from the representative director, president and CEO of the subsidiary, Mr. Jean-François Bachelard. EDAP TMS S.A., as the parent company, counter-guaranteed this personal loan and agreed to indemnify Mr. Bachelard, in an indemnification letter dated June 2, 2020, expiring upon loan maturity date of April 2, 2025.

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, 2023, total consolidated export net sales, which we define as sales made outside of mainland France, were €48.4 million, which represented 80% 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, we did not invoice any medical equipment to the hospitals in 2023 or 2022.

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. We do not have any legal proceedings outstanding.

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 2018 through 2023, 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 March 15, 2024

In order to align EDAP's organization to build shareholders value and expand its operational and commercial presence in the United States, the Company announced on January 2, 2024 the appointment of Ken Mobeck as its Chief Financial Officer and François Dietsch as its Chief Accounting Officer.

On March 4, 2024, EDAP announced that its Focal One platform has been granted Breakthrough Device designation by the FDA for the treatment of deep infiltrating endometriosis (DIE). In June 2018, the FDA cleared Focal One Robotic Focal HIFU for the ablation of prostatic tissue.

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 Mellon, 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."

Item 10. Additional Information

Share Capital

Not applicable.

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 by-laws 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.

Our by-laws were updated on December 6, 2023 to reflect the latest increases in share capital related to the issuance of additional shares following the exercise of options.

Corporate Purposes

Pursuant to Article 2 of our by-laws, the corporate 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 five members, four 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 accounts for fiscal year 2025. Mr. Marc Oczachowski was appointed as a director of the Company by the shareholders on June 30, 2017, effective July 1, 2017, for a period of six years expiring on the date of the annual general shareholders' meeting approving the accounts for the fiscal year 2022 and has since been reappointed by the shareholders on June 30, 2023, for a period of six years expiring on the date of the annual general shareholders' meeting to be held in 2029 to approve the accounts for the fiscal year 2028. He was appointed as Chairman of the Board for the first time on March 25, 2020 and reappointed as Chairman on June 30, 2023. 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.

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 Article 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, provided that the number of directors still in office is not below the required legal minimum of directors (three). 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.

Our employees may be appointed to serve as directors. Such employee's employment contract must include actual work obligations. In this case, such employee 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 over eighty-five years old. If a director reaches this age 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. Decisions of the Board of Directors are made by a majority vote; in case of a tie, the Chairman of the Board has a casting vote.

French law provides that the functions of Chairman of the Board of Directors and Chief Executive Officer in a French *société anonyme* may be distinct and held by two separate individuals or combined. The choice between these two methods of management belongs to the Board of Directors and must be made pursuant to our by-laws and applicable French law.

The Chairman of the Board

The Board of Directors must elect one of its members as Chairman of the Board of Directors. 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. See Item 6, "*Directors, Senior Management and Employees—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.

As with any other director, the Chairman may not be over eighty-five years old. In case the Chairman reaches this age 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 an individual elected by the Board of Directors bearing the title of Chief Executive Officer (*directeur général*). On March 31, 2007, the Board of Directors appointed Mr. Marc Oczachowski as Chief Executive Officer and on March 25, 2020, the Board of Directors decided to combine the roles of Chairman of the Board and Chief Executive Officer, as allowed by the Company's by-laws, and elected Mr. Marc Oczachowski as both the Chairman of the Board of Directors and Chief Executive Officer. On March 29, 2023, the Board of Directors decided to separate the roles of Chairman of the Board and Chief Executive Officer, as allowed by the Company's by-laws, and maintained Mr. Marc Oczachowski as the Chairman of the Board of Directors and elected Mr. Ryan Rhodes as the Chief Executive Officer for an indefinite term.

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 the 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 age 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.

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

Provisions With Respect to Directors (French Law)

Transactions in Which Directors Are Materially Interested

Under French law, any agreement entered into (directly or through an intermediary) between the Company and any one of the members of the Board of Directors that is not entered into (i) in the ordinary course of our business and (ii) under normal conditions, is subject to the prior authorization of the Board of Directors with only the disinterested members of the Board of Directors voting. This provision applies in particular to any undertaking taken by our Company for the benefit of our Chairman, Chief Executive Officer or his delegates (*délégués*) pursuant to which such persons will or may be granted compensation, benefits or any other advantages as a result of the termination of or a change in their offices or following such termination or change.

The same provision applies to agreements between our Company and another company if one of the members of the Board of Directors is the owner, general partner, manager, director, general manager or member of the executive or supervisory board of the other company, as well as to agreements in which one of the members of the Board of Directors has an indirect interest.

In accordance with Article L. 225-38 of the French Commercial Code, each related-party agreement entered into during the fiscal year is submitted for approval by our shareholders at the annual general shareholders' meeting; the interested director (directly or through an intermediary), if he/she is a shareholder of the Company, may not take part in the vote and the shares held by the interested director are not taken into account for the calculation of the majority vote count.

Directors' Compensation

The aggregate amount of compensation of the Board of Directors is determined at the ordinary general shareholders' meeting. The Board of Directors then divides this aggregate amount among its members by a simple majority vote. In addition, the Board of Directors may grant exceptional compensation (*rémunérations exceptionnelles*) to individual directors on a case-by-case basis for special assignments following the procedures described above at "*Transactions in which directors are materially interested*." The Board of Directors may also authorize the reimbursement of travel and accommodation expenses, as well as other expenses incurred by Directors in the corporate interest. See also Item 6, "*Directors, Senior Management and Employees*".

Board of Directors' Borrowing Powers

All loans or borrowings on behalf of the Company may be decided by the Board of Directors within the limits, if any, imposed by the extraordinary meeting of the shareholders. There are currently no limits imposed on the amounts of loans or borrowings that the Board of Directors may approve.

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 reside in the Republic of France. In addition, a substantial portion of our assets are located outside of the United States. As a result, it may be difficult for investors:

- to obtain jurisdiction over us or our non-U.S. resident officers and directors in U.S. courts, or obtain evidence in France or from French citizen or any individual being resident in France or any officer, representative, agent or employee of a legal person having its registered office or an establishment in a territory of France, in actions predicated on the civil liability provisions of the U.S. federal securities laws;
- to enforce in U.S. courts judgments obtained in such actions against us or our non-U.S. resident officers and directors;
- to bring an original action in a French court to enforce liabilities based upon the U.S. federal securities laws against us or our non-U.S. resident officers or directors; and
- to enforce in U.S. courts against us or our directors in non-U.S. courts, including French courts, judgments of U.S. courts predicated upon the civil liability provisions of the U.S. federal securities laws.

Nevertheless, a final judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon the U.S. federal securities laws, would be recognized and enforced in France provided that a French judge considers that this judgment meets the French legal requirement concerning the recognition and the enforcement of foreign judgments and is capable of being immediately enforced in the United States. A French court is therefore likely to grant the enforcement of a foreign judgment without a review of the merits of the underlying claim, only if (i) the judgment was rendered by a court having jurisdiction over the matter as the dispute is clearly connected to the jurisdiction of such court, the choice of the U.S. court was not fraudulent and the French courts did not have exclusive jurisdiction over the matter, (ii) the judgment does not

contravene international public policy rules, as applied by French courts, whether such rules pertain to the merits or to the procedure of the case, including any defense rights, (iii) the judgment is not tainted with fraud, (iv) the judgment does not conflict with a French judgment or a foreign judgment (or an arbitral award) on the same matter which has become effective in France and (v) that judgment is enforceable in the jurisdiction of the U.S. court which rendered it. In addition, French law guarantees full compensation for the harm suffered but is limited to the actual damages, so the victim does not suffer or benefit from the situation, it being specified that under French law, the principle of awarding punitive damages is not, *per se*, contrary to public order, provided the amount awarded is not disproportionate to the harm suffered and the defendant's breach.

In addition, French law guarantees full compensation for the harm suffered but is limited to the actual damages, so that the victim does not suffer or benefit from the situation, it being specified that under French law, the principle of awarding punitive damages is not, *per se*, contrary to public order, provided the amount awarded is not disproportionate to the harm suffered and the defendant's breach.

As a result, the enforcement, by U.S. investors, of any judgments obtained in U.S. courts in civil and commercial matters, including judgments under the U.S. federal securities law against us or members of our Board of Directors, officers or certain experts named herein who are residents of France or countries other than the United States would be subject to the above conditions.

Finally, there may be doubt as to whether a French court would impose civil liability on us, our directors, our officers or certain experts named herein in an original action predicated solely upon the U.S. federal securities laws brought in a court of competent jurisdiction in France against us or such directors, officers or experts, respectively.

Listing

Our ADSs are listed on the Nasdaq Global Market under the symbol "EDAP."

Transfer Agent and Registrar

The transfer agent and registrar for our ADSs is The Bank of New York Mellon.

Material Contracts

None.

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 (subject to the absence of any specific decision taken by the government otherwise). 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. There is a reporting obligation to custom officer for transfer of cash in banknotes and coins of €10,000 or more carried in, or out of, the European Union.

Taxation

Certain Income Tax Considerations

General

The following generally summarizes the material French and U.S. federal income tax consequences to U.S. holders (as defined below) of purchasing, owning and disposing of ADSs and shares (collectively the "Securities"). 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 the Securities. All of the following is subject to change. Such changes could apply retroactively and could affect the consequences described below.

This summary does not constitute a legal opinion or tax advice. Holders are urged to consult their own tax advisers regarding the tax consequences of the purchase, ownership and disposition of Securities in light of their particular circumstances, including the effect of any U.S. federal, state, local or other national tax laws.

A set of tax rules is applicable to French assets that are held by or in foreign trusts. These rules provide *inter alia* for the inclusion of trust assets in the settlor's net assets for purpose of applying the French real estate wealth tax, for the application of French

gift and death duties to French assets held in trust, for a specific tax on capital on the French assets of foreign trusts not already subject to the French real estate wealth tax and for a number of French tax reporting and disclosure obligations. The following discussion does not address the French tax consequences applicable to Securities held in trusts. 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.

The description of the French and U.S. federal income tax consequences set forth below is based on the laws (including, for U.S. federal income tax purposes, the Internal Revenue Code of 1986, as amended (the "Code"), final, temporary and proposed U.S. Treasury Regulations promulgated thereunder and administrative and judicial interpretations thereof) in force as of the date of this annual report, 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 any subsequent protocols, including the protocol of January 13, 2009), and the tax regulations issued by the French tax authorities within the *Bulletin Officiel des Finances Publiques-Impôts* (the "Regulations") in force as of the date of this report. U.S. holders are advised to consult their own tax advisers regarding their eligibility for Treaty benefits, especially with regard to the "Limitations on Benefits" provision, in light of their own particular circumstances.

No advance ruling has been obtained with respect to the tax consequences of the acquisition, ownership or disposition of the Securities from U.S. tax authorities. Thus, there can be no assurances that one or both of such authorities will not take a position concerning such tax consequences different from that set out herein or that such a position would not be sustained by a court.

For the purposes of this discussion, a U.S. holder is a beneficial owner of Securities that is (i) an individual who is a U.S. citizen or resident for U.S. federal income tax purposes, (ii) a U.S. domestic corporation or certain other entities created or organized in or under the laws of the United States or any state thereof, including the District of Columbia, (iii) an estate whose income is subject to U.S. federal income tax regardless of its source, or (iv) a trust if (1) a U.S. court can exercise primary supervision over the trust's administration and one or more U.S. persons are authorized to control all substantial decisions of the trust or (2) has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person for U.S. federal income tax purposes. A non-U.S. holder is a person other than a U.S. holder.

If a partnership holds Securities, the tax treatment of a partner generally will depend upon 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 adviser regarding the specific tax consequences of acquiring, owning and disposing of Securities.

This discussion is intended only as a general summary and does not purport to be a complete analysis or listing of all potential tax effects of the acquisition, ownership or disposition of the Securities to any particular investor, and does not discuss tax considerations that arise from rules of general application or that are generally assumed to be known by investors. The discussion applies only to investors that hold the Securities as capital assets that have the U.S. dollar as their functional currency, that are entitled to Treaty benefits under the "Limitation on Benefits" provision contained in the Treaty, and whose ownership of the Securities is not effectively connected to a permanent establishment or a fixed base in France. Certain holders (including, but not limited to, U.S. expatriates, partnerships or other entities classified as partnerships for U.S. federal income tax purposes, banks, insurance companies, regulated investment companies, tax-exempt organizations, financial institutions, persons subject to the alternative minimum tax, persons who acquired the Securities pursuant to the exercise of employee stock options or otherwise as compensation, persons that own (directly, indirectly or by attribution) 5% or more of the Company's voting stock or 5% or more of the Company's outstanding share capital, dealers in securities or currencies, persons that elect to mark their securities to market for U.S. federal income tax purposes, and persons holding Securities as a position in a synthetic security, straddle or conversion transaction) may be subject to special rules not discussed below. Holders of Securities are advised to consult their own tax advisers with regard to the application of French tax law and U.S. federal tax law to their particular situations, as well as any tax consequences arising under the laws of any state, local or other foreign jurisdiction.

French Taxes

Estate and gift taxes and transfer taxes

In general, a transfer of Securities by gift or by reason of death of a U.S. holder that would otherwise be subject to French gift or inheritance tax, respectively, will not be subject to such French tax by reason 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 Estates, Inheritances and Gifts, dated November 24, 1978, unless the donor or the transferor is domiciled in France at the time of making the gift or at the time of his or her death, or the Securities were used in, or held for use in, the conduct of a business through a permanent establishment or a fixed base in France.

Pursuant to Article 235 ter ZD of the French General Tax Code, purchases of certain securities issued by a French company, including shares and ADSs, which are listed on a regulated market of the EU or an exchange market formally acknowledged by the AMF (in each case within the meaning of the French Monetary and Financial Code) are subject in France to a 0.3% tax on financial transactions, or the TFT, provided *inter alia* that the issuer's market capitalization exceeds €1.0 billion as of December 1 of the year preceding the taxation year. A list of companies whose market capitalization exceeds €1.0 billion as of December 1 of the year preceding the taxation year within the meaning of Article 235 ter ZD of the French General Tax Code has been published by the French tax authorities in its official guidelines on December 20, 2023 (BOI-ANXX-000467-20/12/2023). The Company was not included in such list as its market capitalization did not exceed €1.0 billion as at December 1, 2023. Please note that such list may be updated from time to time, or may not be published anymore in the future. Furthermore, Nasdaq is not currently acknowledged by the French AMF, but this may change in the future. Therefore, purchases of the Securities in 2024 are not subject to the TFT.

In the case where the TFT is not applicable, transfers of shares issued by a French company which are not listed on a regulated or organized market within the meaning of the French Monetary and Financial Code are subject to uncapped registration duties at the rate of 0.1% notwithstanding the existence of a written statement (*acte*). As shares of the Company are not listed, their transfer should be subject to uncapped registration duties at the rate of 0.1% notwithstanding the existence of a written agreement (*acte*). Although the official guidelines published by the French tax authorities are silent on this point, ADSs should remain outside of the scope of the aforementioned 0.1% registration duties.

Wealth Tax

The French wealth tax (*impôt de solidarité sur la fortune*) has been replaced with a French real estate wealth tax (*impôt sur la fortune immobilière*) with effect from January 1, 2018. French real estate wealth tax applies only to individuals and does not generally apply to the Securities if the holder is a U.S. resident, as defined pursuant to the provisions of the Treaty, provided that the individual does not own directly or indirectly a shareholding exceeding 10% of the financial rights and voting rights.

U.S. Taxes

Ownership of the securities

Deposits and withdrawals by a U.S. holder of shares in exchange for ADSs will not be taxable events for U.S. federal income tax purposes. For U.S. tax purposes, holders of ADSs will be treated as owners of the shares represented by such ADSs. Accordingly, the discussion that follows regarding the U.S. federal income tax consequences of acquiring, owning and disposing of shares is equally applicable to ADSs.

Information reporting and backup withholding tax

Distributions made to holders and proceeds paid from the sale, exchange, redemption or disposal of Securities may be subject to information reporting to the Internal Revenue Service. Such payments may be subject to backup withholding taxes 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 to establish that it is an exempt recipient. Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a holder's U.S. federal income tax liability. A holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the Internal Revenue Service and furnishing any required information.

Foreign asset reporting

In addition, a U.S. holder that is an individual (and, to the extent provided in future regulations, certain entities), may be subject to reporting obligations with respect to shares and ADSs if the aggregate value of these and certain other "specified foreign financial assets" exceeds \$50,000. If required, this disclosure is made by filing Form 8938 with the U.S. Internal Revenue Service. Significant penalties can apply if holders are required to make this disclosure and fail to do so. In addition, a U.S. holder should consider the possible obligation to file online a FinCEN Form 114 - Foreign Bank and Financial Accounts Report as a result of holding shares or ADSs. Holders are encouraged to consult their U.S. tax advisors with respect to these and other reporting requirements that may apply to their acquisition of shares and ADSs.

State and local taxes

In addition to U.S. federal income tax, U.S. holders of Securities may be subject to U.S. state and local taxes with respect to such Securities. Holders of Securities are advised to consult their own tax advisers with regard to the application of U.S. state and local income tax law to their particular situation.

ADSs and Shares

French Taxes

Taxation of dividends

Under French law, dividends paid by a French corporation, such as the Company, to corporations which are not domiciled in France are generally subject to French withholding tax at a rate of 25% (12.8% for distributions made to individuals, 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 paragraph 2 of the French General Tax Code if its head office were located in France and which meet the criteria set forth in the Regulations BOI-RPPM-RCM-30-30-10-70-24/12/2019, n° 130). Dividends paid by a French corporation, such as the Company, towards non-cooperative States or territories, as defined in Article 238-0 A of the French General Tax Code, will generally 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; however, eligible U.S. holders entitled to Treaty benefits 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, will 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 who is a U.S. resident as defined pursuant to the provisions of the Treaty and whose ownership of the shares or ADSs 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 but are U.S. residents, as defined pursuant to the provisions of the Treaty, the requirements for eligibility for Treaty benefits, including the reduced 5% or 15% withholding tax rates contained in the "Limitation on Benefits" provision of the Treaty, are subject to specific conditions, and certain technical changes were made to these requirements by 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.

Dividends paid to an eligible U.S. holder may immediately be subject to the reduced rates of 5% or 15% provided that such holder establishes before the date of payment that it is a U.S. resident under the Treaty by completing and providing the depository with a treaty form (Form 5000). Dividends paid to a U.S. holder that has not filed the Form 5000 before the dividend payment date will be subject to French withholding tax at the rate of 25% and then reduced at a later date to 5% or 15%, provided that such holder duly completes and provides the French tax authorities with the treaty forms Form 5000 and Form 5001 before December 31 of the second calendar year following the year during 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.

The depository agrees to use reasonable efforts to follow the procedures established, or that may be established, by the French tax authorities (i) to enable eligible U.S. holders to qualify for the reduced withholding tax rate provided by the Treaty, if available at the time the dividends are paid, or (ii) to recover any excess French withholding taxes initially withheld or deducted with respect to dividends and other distributions to which such U.S. holders may be eligible from the French tax authorities and (iii) to recover any other available tax credits. In particular, associated forms (including Form 5000 and Form 5001, together with their instructions), will be made available by the depository to all U.S. holders registered with the depository, and are also generally available from the U.S. Internal Revenue Service.

The withholding tax refund, if any, ordinarily is paid within 12 months of filing the applicable French Treasury Form, but not before January 15 of the year following the calendar year in which the related dividend is paid.

Tax on sale or other disposition

In general, under the Treaty, a U.S. holder who is a U.S. resident for purposes of the Treaty will not be subject to French tax on any capital gain from the redemption (other than redemption proceeds characterized as dividends under French domestic law), sale

or exchange of shares or ADSs unless the shares or the ADSs form part of the business property of a permanent establishment or fixed base that the U.S. holder has in France. Special rules apply to holders who are residents of more than one country.

U.S. Taxes

This subsection only addresses certain U.S. federal income tax consequences of ownership of the ADSs or shares to U.S. holders.

Passive Foreign Investment Company Rules

Unfavorable U.S. tax 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%.

Based on the Company's financial statements and relevant market and shareholder data, the Company believes it was not a PFIC with respect to its 2023 taxable year. In addition, based on its current expectations regarding the value and nature of its assets, the sources and nature of its income, and relevant market and shareholder data, the Company does not anticipate that it will become a PFIC for its 2024 taxable year.] However, as discussed in the Company's annual reports on Form 20-F filed 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 hold Securities at any time during years when the Company is a PFIC and do 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.

The remainder of this discussion assumes that the Company is not a PFIC.

Taxation of dividends

For U.S. federal income tax purposes, the gross amount of any distribution paid to U.S. holders (that is, the net distribution received plus any tax withheld therefrom) will be treated 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). Dividends paid by the Company will not be eligible for the dividends-received deduction generally allowed to corporate U.S. holders.

Subject to certain exceptions for short-term and hedged positions, the U.S. dollar amount of dividends received by an individual U.S. holder with respect to the ADSs or shares is currently subject to taxation at a maximum rate of 20% if the dividends are "qualified dividends". Dividends paid on the shares or ADSs will be treated as qualified dividends if the issuer is eligible for the benefits of a comprehensive income tax treaty with the United States that the Internal Revenue Service has approved for the purposes of the qualified dividend rules. The Treaty has been approved for the purposes of the qualified dividend rules. *Holders of shares and ADSs should consult their own tax advisers regarding the availability of the reduced dividend tax rate in light of their own particular circumstances.*

Dividend income received by a U.S. holder with respect to ADSs or shares generally will be treated as foreign source income for foreign tax credit purposes. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. Distributions out of earnings and profits with respect to the ADSs or shares generally will be treated as "passive category" income (or, in the case of certain U.S. holders, "general category" income). Subject to certain limitations, French income tax withheld in connection with any distribution with respect to the ADSs or shares 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. The U.S. federal income tax rules governing the availability and computation of foreign tax

credits are complex. U.S. holders should consult their own tax advisers concerning the implications of these rules in light of their particular circumstances.

To the extent that an amount received by a U.S. holder exceeds the allocable share of the Company's current and accumulated earnings and profits, such excess will be applied first to reduce such U.S. holder's tax basis in its shares or ADSs 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 shares or ADSs (see "—Tax on Sale or Other Disposition", below).

The amount of any distribution paid in euros will be equal to the U.S. dollar value of the euro amount distributed, calculated by reference to the exchange rate in effect on the date the dividend is received by a U.S. holder of shares (or by the depository, in the case of ADSs) regardless of whether the payment is in fact converted into U.S. dollars on such date. U.S. holders should consult their own tax advisers regarding the treatment of foreign currency gain or loss, if any, on any euros received by a U.S. holder that are converted into U.S. dollars on a date subsequent to receipt.

Distributions to holders of additional shares (or ADSs) with respect to their shares (or ADSs) that are made as part of a pro rata distribution to all shareholders generally will not be subject to U.S. federal income tax. However, if a U.S. holder has the option to receive a distribution in shares (or ADSs) or to receive cash in lieu of such shares (or ADSs), the distribution of shares (or ADSs) will be taxable as if the holder had received an amount equal to the fair market value of the distributed shares (or ADSs), and such holder's tax basis in the distributed shares (or ADSs) will be equal to such amount.

Tax on sale or other disposition

In general, for U.S. federal income tax purposes, a U.S. holder that sells, exchanges or otherwise disposes of its shares or ADSs will recognize capital gain or loss in an amount equal to the U.S. dollar value of the difference between the amount realized for the shares or ADSs and the U.S. holder's adjusted tax basis (determined in U.S. dollars and under U.S. federal income tax rules) in the shares or ADSs. Such gain or loss generally will be U.S.-source gain or loss, and will be treated as long-term capital gain or loss if the U.S. holder's holding period in the shares or ADSs exceeds one year at the time of disposition. If the U.S. holder is an individual, any capital gain generally will be subject to U.S. federal income tax at preferential rates (currently a maximum of 20%) if specified minimum holding periods are met. The deductibility of capital losses is subject to significant limitations.

Medicare tax

Certain U.S. holders who are individuals, estates or trusts are required to pay a Medicare tax of 3.8% (in addition to taxes they would otherwise be subject to) on their "net investment income" which would include, among other things, dividends and capital gains from the shares and ADSs.

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.

Dividends and Paying Agents

Not applicable.

Statement by Experts

Not applicable.

Documents on Display

We file annual, periodic, and other reports and information with the U.S. Securities and Exchange Commission (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.

Annual Report to Security Holders

If we are required to provide an annual report to security holders in response to the requirements of Form 6-K, we will submit the annual report to security holders in electronic format in accordance with applicable requirements.

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. During 2022 and as of December 31, 2023, 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 2023, 60% of our total costs of sales and operating expenses were denominated in euro. During the same period, 45% of our net 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, 2023, relative to the U.S. dollar and the Japanese yen would have resulted in a decrease in loss before taxes of approximately €1,118 thousand for the year ended December 31, 2023, compared to an increase of approximately €361 thousand for the year ended December 31, 2022. A uniform 10% decrease in the value of the euro as of December 31, 2023, relative to the U.S. dollar and the Japanese yen would have resulted in an increase in loss before taxes of approximately €1,230 thousand for the year ended December 31, 2023, as compared to a decrease of approximately €397 thousand for the year ended December 31, 2022. 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, 2023, we had no outstanding hedging instruments.

Financial Instruments and Indebtedness in Foreign Currencies

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. €0.4 million, €1.0 million and €1.2 million of our outstanding indebtedness (excluding lease obligations) at December 31, 2023, 2022 and 2021, respectively, were denominated in Japanese yen. We had no outstanding indebtedness (excluding lease obligations) that were denominated in U.S. dollars at December 31, 2023, 2022 and 2021, respectively. In addition, we had €27.1 million, €28.8 million and €28.5 million of cash denominated in U.S. dollars at December 31, 2023, 2022 and 2021, respectively, and €3.6 million, €3.9 million and €3.6 million of cash denominated in Japanese yen at December 31, 2023, 2022 and 2021, respectively.

Equity Price Risk

Not applicable.

Item 12. Description of Securities Other than Equity Securities

Debt Securities

Not applicable.

Warrants and Rights

Not applicable.

Other Securities

Not applicable.

American Depositary Shares

For general information on our ADSs, please refer to Exhibit 2.3 “Description of securities registered under Section 12 of the Exchange Act” of this annual report.

Fees Payable to ADS Holders

The Bank of New York Mellon, 240 Greenwich Street, New York, NY 10286, as the Company’s Depository, 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.

A deposit agreement among us, the Depository and the owners and beneficial owners of ADS sets out the ADS holder rights as well as the rights and obligations of the Depository. New York law governs the deposit agreement and the ADSs. A copy of the deposit agreement is incorporated by reference as an exhibit to this annual report.

The Depository 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 Depository may collect its annual fee for Depository 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 Depository 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.
\$0.02 (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 Depository 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
Expenses of the Depositary	-	Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement)
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, 2023 to December 31, 2023, the following amounts were paid by the Depositary to the Company: \$90,000 and \$14,540.88 respectively for the administration of the ADR program and for expenses linked to the preparation of our Assembly meeting of shareholders and the assistance in identifying shareholders of the Company.

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(e) 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, 2023. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of December 31, 2023, because of the material weakness described below.

In response to the identification of the material weakness described below, the Company performed additional analysis and other post-closing procedures. Based upon the work performed, management believes that the Company's consolidated financial statements for the periods covered by and included in this annual report fairly present in all material respects the Company's financial position, results of operations and cash flows, in conformity with U.S. generally accepted accounting principles.

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. The Company's disclosure controls and procedures are designed to provide reasonable, not absolute, assurance that the objectives of its disclosure control system are met. Because of inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within a company have been detected.

Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) and for the assessment of the effectiveness of our 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, 2023, based upon the internal control framework as set forth by the Committee of Sponsoring Organizations of the Treadway Commission (2013 COSO). Based on management's assessment, management concluded that the Company's internal control over financial reporting was not effective as of December 31, 2023, because of the material weakness described below.

Based on this evaluation, management identified one material weakness with respect to internal control in our U.S. subsidiary, Edap Technomed Inc.: an ineffective design and implementation of the subsidiary's control over the recording of third-party vendor invoices. This was due to insufficient resources in the finance department of the subsidiary and IT environment limitations.

Our management has concluded that, as a result, our internal control over financial reporting was not effective as of December 31, 2023.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

Remediation Activities

In our annual report on Form 20-F for the year ended December 31, 2022, we reported three material weaknesses with respect to internal controls in our U.S. subsidiary, Edap Technomed Inc., which were due to insufficient resources in the finance department of the subsidiary, leading to inability to perform certain controls. This led to the following material weaknesses at our U.S. subsidiary:

- Ineffective design of the subsidiary's control over the recording of third-party vendor invoices;
- Deficiencies in the design and implementation of the subsidiary's controls over the recording of sales invoices; and
- Deficiencies in the design and implementation of the subsidiary's control over the inventory count.

As mentioned in our annual report on Form 20-F for the year ended December 31, 2022, we hired a Chief Financial Officer for our U.S. subsidiary on December 5, 2022, and hired a person responsible for financial planning and analysis in January 2023. In addition, during 2023 we hired additional resources including a Senior Audit and Accounting Manager and designed and implemented new controls over the recording of sales invoices and over the inventory count.

Management plan for the remediation of the current material weakness

Despite the remediation actions implemented in 2023 and described above, one of the 2022 material weaknesses related to the ineffective design and implementation of the subsidiary's control over the recording of third-party vendor invoices was not fully remediated as of December 31, 2023. Due to limited IT systems, manual controls needed to be implemented to address this material weakness required additional finance human resources which were added late in the year.

The material weakness did not result in a material misstatement of the consolidated financial statements for the year ended December 31, 2023, or restatement of any prior period previously reported by the Company. However, there is a reasonable possibility that a material misstatement of the consolidated financial statements would not have been prevented or detected on a timely basis due to the failure in designing and implementing an appropriate control over the recording of third-party vendor invoices, and therefore, our management has determined this deficiency constitutes a material weakness.

In an effort to remediate this remaining material weakness and continue to enhance our overall control environment, we plan to hire additional resources in 2024. We are also working at deploying another IT system in our U.S. subsidiary and have hired an IT VP Manager to supervise such deployment. We believe this will allow us to remediate this material weakness in the short term.

Change in Internal Control over Financial Reporting

Other than the material weakness and remediation activities described above, there were no changes in the Company's internal control over financial reporting during the period covered by this annual report that has materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting.

Attestation Report of Registered Public Accounting Firm

The effectiveness of the Company's internal control over financial reporting as of December 31, 2023, has been audited by KPMG S.A., an independent registered public accounting firm, as stated in its report on the Company's internal control over financial reporting included on page F-4 of this annual report.

Its report expresses an opinion that the Company did not maintain effective internal control over financial reporting as of December 31, 2023 because of the effect of the material weakness described above.

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 regularly reviewed and updated as needed. Our code of ethics has been made available on our website at <http://www.edap-tms.com>. The contents of our website is not incorporated by reference or otherwise included in this annual report. 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. We expect that any amendments to the code of ethics, or any waivers of its requirements, will be disclosed on our website.

Item 16C. Principal Accountant Fees and Services

The following table summarizes the aggregate fees of our independent registered accounting firm, billed to us for the fiscal years ended December 31, 2023 and December 31, 2022 for audit and other services. KPMG S.A. (“KPMG”) served as the Company’s independent registered accounting firm for the fiscal years ended December 31, 2023 and 2022.

Nature of the Fees	Fees for 2023 (in €)	Fees for 2022 (in €)
Audit fees	830,000	592,000
Audit-related fees	—	47,266
Tax fees	—	—
All other fees	—	—
Total	830,000	639,266

As the Company has exceeded certain levels of revenues and balance sheet set under French law, the appointment of a joint-auditor, as well as the production of consolidated accounts under International Financial Reporting Standards, is required for the fiscal year 2020 and beyond. On June 30, 2020, the shareholders appointed the audit firm of Agili(3F) as our independent joint-auditors starting with the 2020 fiscal year for the audit of the statutory consolidated financial statements prepared in accordance with International Financial Reporting Standards. Audit fees billed to us by Agili(3F) for fiscal years ended December 31, 2023 and 2022 are as follows:

Nature of the Fees	Fees for 2023 (in €)	Fees for 2022 (in €)
Audit fees	30,500	29,000
Audit-related fees	—	—
Tax fees	—	—
All other fees	—	—
Total	30,500	29,000

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, consents and reports, domestic and international legal audits.

Audit-Related Fees

Audit-related services billed under this category only consist of attestation services related to financial reporting that are not required by statute or regulation.

Pre-approval Policy

The “Audit and Non-Audit Services Pre-Approval Policy” was approved by our Audit Committee on December 22, 2003 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.

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

None.

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

None.

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 Nasdaq, under 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 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. Therefore, EDAP will not follow Nasdaq’s Listing Rule 5620(c), which provides that the minimum quorum requirement for a meeting of shareholders is 33 1/3% of the outstanding common voting shares of the company. In accordance with the provisions of the French Commercial Code, the required majority for the adoption of a decision is a simple majority (for an ordinary general meeting of the shareholders) or a two-thirds majority (for an extraordinary general meeting) of the votes cast by the shareholders present or represented.

Under French law, the committees of our Board of Directors are advisory only, and where 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. 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 the Nasdaq Listing Rules.

On August 26, 2020, the Board of Directors approved the creation of a Strategic Committee to address strategic issues and governed by a charter which sets forth its composition and defines its scope of authority.

Nasdaq rules require shareholder approval in certain circumstances, including in connection with the issuance of shares as part of an acquisition of stock or assets of another company (Rule 5635(a)), a company change of control within the meaning of Nasdaq’s rules (Rule 5635(b)), when a plan or other equity compensation arrangement is established or materially amended (Rule 5635(c)), and in connection with certain issuances involving 20% or more of the ordinary shares or voting power outstanding before the issuance at a price lower than a minimum price specified in the Nasdaq rules (Rule 5635(d)). Under French law our shareholders must decide any issuance of equity, as a general matter. Such shareholder approval is typically provided by the adoption of authorizing resolutions at the Company’s annual shareholders’ meeting at which shareholders approve delegations of authority to the Executive Board to increase the Company’s share capital within specified parameters, which may include specified price limitations and/or specific or aggregate limitations on the size of the share capital increase. While the Company views such shareholder approvals to be consistent with the purpose of the Nasdaq shareholder approval rules, it is not certain that Nasdaq would accept the Company’s shareholder-approved resolutions as sufficient to satisfy the Nasdaq shareholder approval rules in connection with a specific transaction. Accordingly, we follow our French home country practice and obtain shareholder approval for delegations of authority (i) to issue equity to our directors, officers and employees, subject to the limitations of such approvals, and (ii) to define the final terms of such transactions (including the final terms of any equity compensation plan or arrangements) to our directors, officers and employees. The Company may, from time to time, ask for our shareholders’ approval in respect of a specific transaction or we may seek subsequent approval of an equity compensation arrangement in order to obtain advantageous tax treatment or otherwise. In addition, under French law, we must obtain the prior approval of our shareholders before issuing equity or establishing or amending a compensatory plan or arrangement that would exceed the limits of the shareholder-granted delegations.

Because we are a “foreign private issuer” as described above, our Chief Executive Officer and our Chief Financial Officer issue the certifications required by Section 302 and Section 906 of the Sarbanes-Oxley Act of 2002 on an annual basis (with the filing of our annual report on Form 20-F) rather than on a quarterly basis as would be the case of a U.S. corporation filing quarterly reports on Form 10-Q.

French corporate law provides that the Board of Directors must vote to approve a broadly defined range of related-party transactions (*conventions réglementées*) between EDAP on the one hand and its directors and Chief Executive Officer on the other hand, which are then presented to shareholders for approval at the next annual meeting. This legal safeguard operates in place of certain provisions of the Nasdaq Listing Rules.

Item 16H. Mine Safety Disclosure

Not applicable.

Item 16I. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not applicable.

Item 16J. Insider Trading Policy

Not applicable.

Item 16K. Cybersecurity

Cybersecurity Risk Management and Strategy

We have developed and implemented a cybersecurity risk management program designed to safeguard sensitive information and ensure the integrity of our operations. We have a framework of policies and procedures, encompassing governance, risk management, and compliance, to address cybersecurity threats in a manner commensurate with the size and complexity of our operations and organizational structures. As part of this program, we address risk linked to network security, data encryption and other measures to protect our systems and data from unauthorized access or misuse. In addition, we also take measures to meet the information security standards that our customers require from time-to-time. To protect our systems and information from cybersecurity threats, we use a variety of security tools and techniques generally available for entities of our size.

Our IT organization is currently decentralized by entity, whereby each entity is principally responsible for facilitating and managing our cybersecurity risk management program with respect to such entity.

Depending on the complexity of our operations for each entity, cybersecurity risk management processes include:

- an incident response plan that ensures detection, mitigation and resolution of cybersecurity incidents;
- risk management criteria that adapt to the specific cybersecurity risk, including feedback from cybersecurity incidents that have occurred in the past;
- protocols that protect against specific cybersecurity threats identified by our cyber risk assessments;
- continuous assessments and upgrades of our IT and related systems;
- processes to ensure business continuity and ongoing operations upon the occurrence of a cyber-attack;
- the use of a specialized third-party firm to conduct periodic assessments of our cybersecurity policies and procedures;
- the use of third parties for certain cybersecurity defense measures, including firewalls, antivirus solutions and system back-up solutions;
- periodic cyber-awareness campaigns for employees and cybersecurity training for our incident response personnel and senior management.

As part of our strategic evolution and re-organization, we are currently integrating our cybersecurity risk management program into our overall enterprise risk management program, to standardize, harmonize and upgrade our processes on a group-wide basis. As an illustration, a planned upgrade would be the development of a response to cybersecurity threats associated with EDAP’s use of any third-party service provider once we have a higher level of digital integration with other service providers.

We have not identified risks from known cybersecurity threats, including as a result of any prior cybersecurity incidents, that have materially affected or are reasonably likely to materially affect us, including our operations, business strategy, results of operations, or financial condition. See “Item 3.D. Risk Factors—We are exposed to risks related to cybersecurity threats and incidents.”

Cybersecurity Governance

Our board of directors considers cybersecurity risk as part of its risk oversight function and has delegated to the Audit Committee oversight of our cybersecurity risk management program.

Our Internal Audit organization reports on a quarterly basis, on the prevention, detection, mitigation and remediation of cybersecurity incidents to our Senior management team, Audit Committee and Board of Directors depending on the materiality of the incident. Materiality is primarily assessed both in terms of criticality of the data and overall amount at risk. In addition to any reports from the Audit Committee to our full Board of Directors regarding cybersecurity, the Chairman of the Audit Committee informs and updates the full Board of Directors about any significant cybersecurity incidents.

Our management team, which is led by our Chief Executive Officer and Chief Financial Officer, is responsible for assessing and managing material risks from cybersecurity threats. We are in the process of hiring a Vice President of Information Technology who will implement our planned group-wide cybersecurity risk management program, as part of our digital strategy.

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.

Exhibit Description

Number:

- 1.1 [By-laws \(*statuts*\) of EDAP TMS S.A. as amended as of December 6, 2023](#)
 - 2.1# [Form of Amended and Restated Depositary Agreement between EDAP TMS S.A. and The Bank of New York Mellon, as depositary \(incorporated herein by reference to Exhibit 1.2 to Form F-6 dated September 15, 2011, SEC File No. 333-176843\)](#)
 - 2.2 [Form of American Depositary Receipt \(included in Exhibit 2.1\)](#)
 - 2.3 [Description of securities registered under Section 12 of the Exchange Act](#)
 - 4.1# [French version of Commercial Lease dated July 1, 2015 between Maison Antoine Baud and EDAP TMS France \(incorporated herein by reference to Exhibit 4.1 to Form 20-F dated April 4, 2016, SEC File No. 000-29374\)](#)
 - 4.2# [English language summary of Commercial Lease dated July 1, 2015 between Maison Antoine Baud and EDAP TMS France \(incorporated herein by reference to Exhibit 4.2 to Form 20-F dated April 4, 2016, SEC File No. 000-29374\)](#)
 - 4.3†# [2016 Stock Option Plan on Form S-8 dated April 5, 2017, File Number 333-217160](#)
 - 4.4†# [2019 Stock-Option Subscription Plan on Form S-8 dated June 16, 2021, File Number 333-257142](#)
 - 4.5†# [2019 Stock-Option Purchase Plan on Form S-8 dated June 16, 2021, File Number 333-257142](#)
 - 4.6†# [2021 Free Share Plan on Form S-8 dated September 28, 2021, File Number 333-259857](#)
 - 4.7†# [2021 Share Subscription Option Plan on Form S-8 dated November 18, 2021, File Number 333-261182](#)
 - 4.8†# [2022 Free Share Plan on Form S-8 dated November 9, 2022, File Number 333-268265](#)
 - 8.1 List of significant subsidiaries, see “*Item 4. Information on the Company — C. Organizational Structure*” of this annual report on Form 20-F
 - 12.1 [Certification by the Principal Executive Officer pursuant to Securities Exchange Rules 13a-14\(a\) and 15d-14\(a\), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
 - 12.2 [Certification by the Principal Financial Officer pursuant to Securities Exchange Rules 13a-14\(a\) and 15d-14\(a\), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
 - 13.1 [Certification by the Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
 - 15.1 [Consent of KPMG.](#)
 - 97.1 [Clawback Policy of EDAP TMS S.A.](#)
 - 101.INS Inline XBRL Instance Document
 - 101.SCH Inline XBRL Taxonomy Extension Schema Document.
 - 101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document.
 - 101.DEF Inline XBRL Taxonomy Definition Linkbase Document.
 - 101.LAB Inline XBRL Taxonomy Extension Label Linkbase Document.
 - 101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document.
 - 104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)
- † Indicates a management contract or any compensatory plan, contract or arrangement.
Indicates a document previously filed with the Commission.

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: March 28, 2024

/s/ Ryan Rhodes
Ryan Rhodes
Chief Executive Officer

Dated: March 28, 2024

/s/ Ken Mobeck
Ken Mobeck
Chief Financial Officer

INDEX TO FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm on the Consolidated Financial Statements (KPMG S.A., Lyon, France, PCAOB ID 1253)	F-2
Report of Independent Registered Public Accounting Firm on the Internal Control over Financial Reporting	F-4
Consolidated Balance Sheets	F-6
Consolidated Statements of Income (Loss)	F-7
Consolidated Statements of Comprehensive Income (Loss)	F-8
Consolidated Statements of Shareholders' Equity	F-9
Consolidated Statements of Cash Flows	F-10
Notes to Consolidated Financial Statements	F-11

Report of Independent Registered Public Accounting Firm

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

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of EDAP TMS S.A. and subsidiaries (the Company) as of December 31, 2023 and 2022, the related consolidated statements of income (loss), comprehensive income (loss), shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2023, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2023, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 28, 2024, expressed an adverse opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Revenue recognition – Identification of distinct performance obligations in multiple-element arrangements related to sales of medical devices produced by the Company

As discussed in Note 1.5 to the consolidated financial statements, the Company's sale arrangements may contain multiple elements, including medical devices produced by the Company, consumables, and services such as maintenance or warranty extensions. The Company identifies goods or services within the contract that constitute distinct performance obligations.

We identified the identification of distinct performance obligations included in the contracts with customers for the sales of medical devices produced by the Company as a critical audit matter, because each customer contract is a specific contract, with distinct

performance obligations. Challenging auditor judgment was required in evaluating the impact of the terms and conditions in contracts with multiple elements to assess the identification of distinct performance obligations.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's revenue recognition process related to the identification of distinct performance obligations included in multiple-element arrangements. For certain medical device sales, we obtained and read the executed contracts and assessed the Company's identification of distinct performance obligations.

Lyon, March 28, 2024

KPMG S.A.

Stéphane Gabriel Devin
Partner

We have served as the Company's auditor since 2018.

Report of Independent Registered Public Accounting Firm

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

Opinion on Internal Control Over Financial Reporting

We have audited EDAP TMS S.A. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, because of the effect of the material weakness, described below, on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2023 and 2022, the related consolidated statements of income (loss), comprehensive income (loss), shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2023, and the related notes (collectively, the consolidated financial statements), and our report dated March 28, 2024 expressed an unqualified opinion on those consolidated financial statements.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. A material weakness at the Company's U.S. subsidiary related to an ineffective design and implementation of the subsidiary's control over the recording of third-party vendor invoices has been identified and included in management's assessment. The material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2023 consolidated financial statements, and this report does not affect our report on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. 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 audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

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 (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in

[Table of Contents](#)

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 (3) 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, March 28, 2024

KPMG S.A.

Stéphane Gabriel Devin
Partner

EDAP TMS S.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of December 31, 2023 and 2022
(in thousands of euros unless otherwise noted)

ASSETS	Notes	2023	2022
Current assets			
Cash and cash equivalents	2	43,471	63,136
Current portion of net trade accounts and notes receivable	3	17,858	13,421
Other receivables	4	1,380	1,522
Inventories	5	15,112	11,780
Other assets, current portion	6	659	660
Total current assets		78,480	90,518
Non-current assets			
Property and equipment, net	7	6,471	4,200
Operating lease right-of-use assets	8	1,722	1,784
Intangible assets, net	9	1,084	725
Goodwill	9	2,412	2,412
Deposits and other non-current assets		651	656
Deferred tax assets	23-3	729	829
Net Trade accounts and notes receivable, non-current	3	—	—
Total assets		91,548	101,123
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade accounts and notes payable	10	11,297	6,647
Deferred revenues, current portion	11	4,049	4,050
Social security and other payroll withholdings taxes		1,695	1,550
Employee absences compensation		860	798
Income taxes payable		77	219
Other accrued liabilities	12	4,506	3,873
Short-term borrowings	14	2,466	1,846
Current obligations under finance leases	13-1	195	224
Current portion of operating lease obligations	13-2	898	901
Current portion of long-term debt	15-1	1,553	1,601
Total current liabilities		27,596	21,708
Non-current liabilities			
Deferred revenues, non-current	11	643	264
Obligations under finance leases	13-1	433	324
Operating lease obligations, non-current	13-2	882	899
Long-term debt, non-current	15-1	1,997	3,587
Other long-term liabilities	16	3,075	2,710
Total liabilities		34,626	29,492
Shareholders' equity			
Common stock, €0.13 par value; 37,373,312 shares issued and 37,103,779 shares outstanding at December 31, 2023			
€0.13 par value 37,197,731 shares issued and 36,910,925 shares outstanding at December 31, 2022		4,851	4,776
Additional paid-in capital		120,908	113,952
Retained earnings		(63,549)	(42,372)
Cumulative other comprehensive loss		(4,487)	(3,829)
Treasury stock, at cost 269,533 shares at December 31, 2023 and 286,806 shares at December 31, 2022	17	(800)	(897)
Total shareholders' equity	17	56,922	71,632
Total liabilities and shareholders' equity		91,548	101,123

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

EDAP TMS S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (LOSS)
For the years ended December 31, 2023, 2022 and 2021
(in thousands of euros except share and per share data)

	Note	2023	2022	2021
Sales of goods		42,333	38,462	29,040
Sales of RPPs & leases		6,176	5,617	4,968
Sales of spare parts and services		11,914	11,030	10,052
Total sales	18	60,423	55,108	44,060
Other revenues	19	—	—	6
Total revenues		60,423	55,108	44,065
Cost of goods		(23,302)	(20,528)	(16,181)
Cost of RPPs & leases		(4,541)	(3,387)	(3,108)
Cost of spare parts and services		(8,169)	(7,000)	(6,354)
Total cost of sales	20	(36,012)	(30,916)	(25,643)
Gross profit		24,411	24,193	18,422
Research and development expenses	21	(6,963)	(4,920)	(3,402)
Selling and marketing expenses		(22,626)	(16,379)	(10,732)
General and administrative expenses		(14,634)	(7,152)	(5,900)
Income (loss) from operations		(19,813)	(4,257)	(1,612)
Financial (expense) income, net	22	1,079	236	145
Foreign currency exchange gain (loss), net		(1,799)	1,925	2,360
Income (loss) before taxes	23-1	(20,533)	(2,096)	893
Income tax (expense) benefit	23-2	(644)	(837)	(193)
Net income (loss)		(21,178)	(2,933)	700
Basic income (loss) per share	24	(0.57)	(0.09)	0.02
Diluted income (loss) per share	24	(0.57)	(0.09)	0.02
Basic Weighted average shares outstanding	24	36,996,722	34,392,598	32,129,047
Diluted Weighted average shares outstanding	24	36,996,722	34,392,598	32,422,871

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, 2023, 2022 and 2021
(in thousands of euros unless otherwise noted)

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Net income (loss)	(21,178)	(2,933)	700
Other comprehensive income (loss) :			
Foreign currency translation adjustments	17-6 (478)	(596)	(554)
Provision for retirement indemnities	17-6 (141)	282	77
Deferred tax for retirement indemnities	17-6 (39)	73	(48)
Comprehensive income (loss), net of tax	<u>(21,836)</u>	<u>(3,173)</u>	<u>175</u>

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, 2023, 2022 and 2021
(in thousands of euros unless otherwise noted)

	Number of shares	Common stock	Additional paid-in capital	Retained Earnings / (Loss)	Other comprehensive income (loss)	Treasury stock	Total
Balance as of December 31, 2020	29,165,316	3,830	66,548	(40,139)	(3,064)	(928)	26,248
Net (loss) / income	—	—	—	700	—	—	700
Translation adjustment	—	—	—	—	(554)	—	(554)
Stock-based compensation	—	—	1,900	—	—	—	1,900
Capital increase net of issuance costs of €1,961 thousand	4,300,820	559	21,173	—	—	—	21,732
Treasury stock disposition	—	—	—	—	—	—	—
Provision for retirement indemnities	—	—	—	—	77	—	77
Deferred tax for retirement indemnities	—	—	—	—	(48)	—	(48)
Balance as of December 31, 2021	33,466,136	4,389	89,621	(39,439)	(3,589)	(928)	50,054
Net (loss) / income	—	—	—	(2,933)	—	—	(2,933)
Translation adjustment	—	—	—	—	(596)	—	(596)
Stock-based compensation	—	—	2,103	—	—	—	2,103
Capital increase net of issuance costs of €1,954 thousand	3,444,789	388	22,228	—	—	—	22,616
Treasury stock disposition	—	—	—	—	—	31	31
Provision for retirement indemnities	—	—	—	—	282	—	282
Deferred tax for retirement indemnities	—	—	—	—	73	—	73
Balance as of December 31, 2022	36,910,925	4,776	113,952	(42,372)	(3,829)	(897)	71,632
Net (loss) / income	—	—	—	(21,178)	—	—	(21,178)
Translation adjustment	—	—	—	—	(478)	—	(478)
Stock-based compensation	—	—	6,865	—	—	—	6,865
Capital increase	192,854	74	90	—	—	—	164
Treasury stock disposition	—	—	—	—	—	97	97
Provision for retirement indemnities	—	—	—	—	(141)	—	(141)
Deferred tax for retirement indemnities	—	—	—	—	(39)	—	(39)
Balance as of December 31, 2023	37,103,779	4,851	120,908	(63,549)	(4,487)	(800)	56,922

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, 2023, 2022 and 2021
(in thousands of euros unless otherwise noted)

	2023	2022	2021
Cash flows from operating activities			
Net income (loss)	(21,178)	(2,933)	700
Adjustments to reconcile net income (loss) to net cash generated by (used in) operating activities:			
Depreciation and amortization	1,913	1,605	1,920
Share based compensation	6,865	2,103	1,900
US Paycheck Protection Program loan Forgiveness	—	—	(187)
Change in allowances for doubtful accounts & slow-moving inventories	422	124	363
Change in long-term provisions	159	79	(350)
Net capital loss on disposals of assets	1	266	142
Deferred tax expense (benefit)	42	48	(563)
Operating cash flow before changes in working capital	(11,775)	1,292	3,925
Increase/Decrease in operating assets and liabilities:			
Decrease (Increase) in trade accounts and notes and other receivables	(4,910)	(1,974)	(103)
Decrease (Increase) in inventories	(4,212)	(4,482)	166
Decrease (Increase) in other assets	(12)	(82)	(210)
(Decrease) Increase in trade accounts and notes payable	5,281	1,143	(38)
(Decrease) Increase in accrued expenses, other current liabilities	950	1,079	706
Net change in operating assets and liabilities	(2,903)	(4,316)	520
Net cash generated by (used in) operating activities	(14,678)	(3,024)	4,445
Cash flows from investing activities:			
Additions to capitalized assets produced by the Company	(2,583)	(1,570)	(1,161)
Proceeds from sale of leased back assets	—	—	—
Acquisitions of property and equipment	(1,179)	(613)	(393)
Acquisitions of intangible assets	(534)	(137)	(92)
Decrease (Increase) of other financial assets	1	—	13
Increase in deposits and guarantees	(50)	(58)	(6)
Net cash generated by (used in) investing activities	(4,344)	(2,378)	(1,638)
Cash flow from financing activities:			
Proceeds from capital increase ⁽¹⁾	—	21,960	21,289
Proceeds from stock-option exercise	261	688	442
Proceeds from long term borrowings, net of financing costs	—	286	1,058
Repayment of long term borrowings	(1,586)	(803)	(1,401)
Repayment of obligations under financing leases	(242)	(350)	(406)
Increase (decrease) in bank overdrafts and short-term borrowings	656	(38)	(717)
Net cash generated by (used in) financing activities	(911)	21,741	20,266
Net effect of exchange rate changes on cash and cash equivalents	268	(388)	(585)
Net increase (decrease) in cash and cash equivalents	(19,665)	15,952	22,488
Cash and cash equivalents at beginning of year	63,136	47,183	24,696
Cash and cash equivalents at end of year	43,471	63,136	47,183

⁽¹⁾ The net proceeds from capital increase of €21,960 thousand relate to the Company's successful common stock offering in September 2022 and of €21,289 thousand relate to the Company's successful common stock offering in April 2021 – refer to Note 17-1.

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

EDAP TMS S.A. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of euros unless otherwise noted, except per share data)

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, manufacturing, promotion and distribution of advanced minimally-invasive ultrasound technologies for both diagnosis and treatment of urological diseases. We have introduced the Focal One® Robotic HIFU (high-intensity focused ultrasound) system around the world including Europe, U.S., Latin America, and parts of Asia. With the addition of the ExactVu™ Micro-Ultrasound system, we offer customers a complete solution from diagnosis to treatment of prostate disease. The Company also produces and distributes systems for the treatment of urinary tract stones. These technologies include the Sonolith® i-move lithotripter system based on Extracorporeal ShockWave Lithotripsy (ESWL) technology and advanced surgical laser systems. We also derive revenues from the distribution of urodynamics products and urology lasers. 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 operations.

1-2 Basis of preparation

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

1-3 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, duration and interest rate of operating leases, price of maintenance contracts used to determine the amount of revenue to be deferred and life duration of our range of products. 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.

1-4 Consolidation

The accompanying consolidated financial statements include the accounts of EDAP TMS S.A. and all its domestic and foreign owned subsidiaries after elimination of intercompany balances and transactions. We do not have any significant interests in any variable interest entities.

1-5 Revenue recognition

The Company’s revenue consists of:

- Sales of goods (devices and consumables), where invoicing generally takes place upon delivery. Consumables revenues included in sales contracts are deferred until delivery.

- Revenue-per-Procedures (“RPP”) and leases: they comprise (i) revenues on a per treatment basis which are invoiced after each treatment, or in advance, or on a periodic basis, (ii) leases of devices, which are generally invoiced on a monthly or quarterly basis, and (iii) lease components arising from multiple-element arrangements, where specific sales terms are negotiated in accordance with each customer’s individual requirements and which are generally invoiced based on contract terms,

- Sales of spare parts and services (maintenance, upgrades, mobility and others). Spare parts are invoiced when delivered. Regarding services, invoicing is performed either on a subscription basis (in advance or at the end of the period) or when performed.

Sales of our medical devices and sales of disposables, sales of RPPs and leases, and sales of spare parts and services, are all net of commissions.

EDAP TMS S.A. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of euros unless otherwise noted, except per share data)

The Company invoices its customers based on the billing schedules in its sales arrangements. Payments are generally due between one to three months from date of invoice.

The Company accounts for a contract with a customer when there is a legally enforceable contract between the Company and its customer, the rights of the goods or services and their payment terms can be identified, the contract has commercial substance, collectability of the contract consideration is probable, it is approved and the parties are committed to their obligations.

Our sale arrangements may contain multiple elements, including device(s), consumables and services. For these multiple-element arrangements, the Company accounts for individual goods and services as separate performance obligations: (i) if a customer can benefit from the good or service on its own or with other resources that are readily available to the customer, and (ii) if they are a distinct good or service that is separately identifiable from other items in the multiple-element arrangement. The Company's sale arrangements may include a combination of the following performance obligations: device(s), consumables, leases and services (such as, but not limited to, warranty extension).

For multiple-element arrangements, revenue is allocated to each performance obligation based on its relative standalone selling price. Standalone selling prices are based on observable prices at which the Company separately sells the goods or services. If a standalone selling price is not directly observable, then the Company estimates the standalone selling price considering market conditions and entity-specific factors including, but not limited to, features and functionality of the goods and services, geographies, and type of customer. The Company regularly reviews standalone selling prices and updates these estimates as necessary.

The Company recognizes revenue when the performance obligations are satisfied by transferring control over the goods or service to a customer.

The Company's revenue consists of the following:

Sales of goods:

Sales of goods are and have historically been comprised of sales net of commission of medical devices (ESWL lithotripters and HIFU devices) and net sales of disposables (mostly Focalpaks in the HIFU division and electrodes in the ESWL division). Sales of goods also includes products such as micro-ultrasound devices, urology lasers and urodynamics devices distributed through our agents and third-party distributors.

For devices and disposables, revenue is recognized when the Company transfers control to the customer (i.e. when the customer has the ability to direct the use of, and obtain substantially all of the remaining benefit from, the device or disposables), which is generally at the point of delivery, depending on the terms of the arrangement (i.e. when the customer can use the goods to provide services or sell or exchange the good), and based on contractual incoterms. Installation-related costs are immaterial in the context of the contract with the customer and do not constitute a distinct performance obligation.

The Company's sales arrangements do not provide a right of return. The goods are generally covered by a period of one to two years standard warranty upon installation depending of the geographic area. Over this standard one to two years period, it is considered as an extension of such warranty period and constitutes a distinct performance obligation. The Company also provides training associated with the sales of goods; such training-related costs are immaterial in the context of the contract with the customer and do not constitute a distinct performance obligation.

Sales of RPPs and leases:

Sales of RPP and leases include the revenues from the sale of treatment procedures and from the leasing of machines. For RPP, we provide 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 usually pay us based on the number of individual treatments provided. Revenues from leasing of machine are considered as immaterial.

Revenues related to the sale of 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.

EDAP TMS S.A. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of euros unless otherwise noted, except per share data)

Regarding multiple-element arrangements with a lease component, a portion of the contract is allocated to the lease component on the basis of observable market prices applied by the Company for similar devices under operating leases. The lease component is recognized on a straight line basis over the contractual period. Other immaterial components under the contract are recognized in accordance with their nature.

Sales of spare parts and services:

Revenues related to spare parts are recognized when spare parts are delivered to distributors who perform their own maintenance services. Spare parts used in the performance of EDAP's own maintenance and repair services are generally not recognized separately, unless a type of spare part is specifically excluded from the maintenance contract terms.

Revenues related to Services mainly consist of maintenance contracts which rarely exceed one year and are recognized on a straight line basis over the term of the service period as the customer benefits from the service equally throughout the service contract period. For services rendered when no maintenance contract is in place or for services not included in the scope of a maintenance contract, revenues are recorded when services are performed.

The Company recognizes revenue for extended warranties included in the multiple-element arrangements as a separate performance obligation in Sales of services on a straight-line basis over the extended warranty period. In the majority of countries in which the Company operates, the statutory warranty period is one to two years and the extended warranty covers periods beyond this statutory period. Standard warranties do not constitute a separate performance obligation. The Company accrues for the warranty costs at the time of sale of the device through the multiple-element arrangement.

Distributors:

As part of its sale process in countries other than continental France, when the Company does not have a local subsidiary, sales of goods to end-customers are performed through agents and distributors. Such agents and distributors are primarily responsible for the sales' process, bear the inventory risk, and are free to determine the sale prices. Sales of goods to agents and distributors are recognized when the control is transferred to the related agent or distributor which generally occurs based on contractual incoterms.

Deferred revenue:

Deferred revenue for the periods presented primarily relates to service contracts where the service fees are billed up-front, generally quarterly or annually, prior to those services having been performed, and consists primarily of billing or cash receipts in advance of services due under maintenance contracts or extended warranty contracts. The associated deferred revenue is generally recognized ratably over the service period.

Disaggregation of revenue:

Disaggregation by primary geographical market, and timing of revenue recognition is reported in Note 18.

Contract Balances:

Details on contract liabilities are reported on Note 11.

The Company applies the practical expedient in paragraph 606-10-50-14 and does not disclose information about remaining performance obligations that have original expected durations of one year or less. This relates mainly to maintenance services.

1-6 Costs of sales

Costs of sales include all direct product costs, costs related to shipping, handling, duties and importation fees, as well as certain indirect costs such as service and supply chain departments expenses. Indirect costs are allocated by type of sales (goods, RPP and leases, spare parts and services) using an allocation method determined by management by type of costs and segment activities and reviewed on an annual basis.

EDAP TMS S.A. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of euros unless otherwise noted, except per share data)

1-7 Shipping and handling costs

Shipping and handling costs are not considered as performance obligations. Shipping and handling costs are recorded as a component of cost of sales.

1-8 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. There is no short-term investment at December 31, 2023.

1-9 Accounts Receivable

The Company maintains an allowance for doubtful accounts for estimated losses inherent in its accounts receivable portfolio. In establishing the required allowance, management considers historical losses adjusted to take into account current market conditions and the Company's customers' financial condition, the amount of receivables in dispute, and the current receivables aging and current payment patterns. The Company reviews its allowance for doubtful accounts quarterly. Past due balances over 90 days and over a specified amount are reviewed individually for collectability. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Write-offs for 2023 and 2022 approximated €1 thousand and €640 thousand, respectively. The Company does not have any off-balance-sheet credit exposure related to its customers.

1-10 Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is either the manufacturing cost, which is principally comprised of components and labor costs for our own manufactured products, or purchase price for urology products we distribute. 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.

1-11 Property and equipment

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

Leasehold improvements (in years)	10 or lease term if shorter		
Equipment (in years)	3	—	10
Furniture, fixtures, fittings and other (in years)	2	—	10

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

1-12 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.

EDAP TMS S.A. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of euros unless otherwise noted, except per share data)

1-13 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.

When impairment indicators are identified, the impairment test is performed by comparing the fair value of a reporting unit with its carrying amount, including goodwill. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. 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 (in years)	5
SAP Licenses (in years)	10
Other licenses (in years)	5
Trade name and trademark (in years)	7

1-14 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. Treasury stocks held by a company cannot exceed 10% of the total number of shares issued.

1-15 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 2 years depending on the market. The warranty expense is incurred at time of accrual and not when paid. Warranty expense amounted to €134 thousand, €112 thousand and €110 thousand for the years ended December 31, 2023, 2022 and 2021, respectively.

1-16 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.

Under ASC740, the measurement of a tax position that meets the more-likely-than-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.

EDAP TMS S.A. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of euros unless otherwise noted, except per share data)

1-17 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 research and development expenses.

1-18 Advertising costs

Advertising costs are recorded as an expense in the period in which they are incurred and are included in selling and administrative expenses in the accompanying consolidated statements of income (loss). Advertising costs amounted to €1,352 thousand, €929 thousand and €490 thousand for the years ended December 31, 2023, 2022 and 2021, respectively.

1-19 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 the following exchange rates:

- 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 (loss) 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 recorded in the statement of income (loss).

Presentation in the Statement of Income (loss)

Aggregate foreign currency transactions gains and losses are disclosed in a single caption in the Statement of Income (loss) under section "Foreign currency exchange gain (loss), net".

1-20 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.

1-21 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.

EDAP TMS S.A. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of euros unless otherwise noted, except per share data)

Gains and losses from derivative instruments are recorded in the Statement of Income (loss). As of December 31, 2023, there are no derivative instruments.

1-22 Employee stock option and free shares plan

The accounting for stock-based awards is based on the fair value of the award measured at the grant date. Accordingly, stock-based compensation cost is recognized in the consolidated statements of income (loss) and comprehensive income (loss) as an operating expense over the requisite service period. The fair value of stock options is determined using the Black-Scholes option-pricing model. The Company determines the fair value of stock option awards on the date of grant using assumptions regarding expected term, share price volatility over the expected term of the awards, risk-free interest rate, and dividend rate. The fair value of free shares is measured using the fair value of the Company's shares as if the free shares were vested and issued on the grant date. Forfeited stock-options and free shares are recognized as they occur, in accordance with ASU 2016-09. The Company recognizes compensation cost for employee awards with only service conditions that have a graded vesting schedule on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in-substance, multiple awards.

At December 31, 2023, the Company had three stock-based employee compensation plans and two free shares plans.

1-23 Warrants

There are no warrants outstanding at December 31, 2023.

1-24 Leases

Leases as a Lessee

In accordance with ASC 842, Leases, and as from January 1, 2019, the Company classifies all leases at the inception of a contract and assess whether the contract is, or contains, a lease. The assessment is based on: (1) whether the contract involves the use of a distinct identified asset, (2) whether the company controls the use of the identified asset (e.g. whether the company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period, and whether the company has the right to direct the use of the asset).

Leases are classified as either finance leases or operating leases. Substantially all our operating leases are comprised of office space leases, and substantially all our finance leases are comprised of office furniture and technology equipment.

The Company recognizes a right-of-use ("ROU") asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which primarily comprises the initial amount of the lease liability, plus any initial direct costs incurred, plus prepaid lease payments, less any lease incentives received. All ROU assets are reviewed for impairment. For operating leases, the lease liability is initially measured at the present value of the unpaid lease payments at lease commencement date, discounted using the incremental borrowing rate for assets of same duration or characteristics. For finance leases the lease liability is initially measured in the same manner and date as for operating leases and is subsequently measured at amortized cost using the effective interest method.

For operating leases, the ROU asset is subsequently measured throughout the lease term at the carrying amount of the lease liability, plus initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

For finance leases, the ROU asset is subsequently amortized using the straight-line method from the lease commencement date to the earlier of the end of its useful life or the end of the lease term unless the lease transfers ownership of the underlying asset to the Company or the Company is reasonably certain to exercise an option to purchase the underlying asset. In those cases, the ROU asset is amortized over the useful life of the underlying asset. Amortization of the ROU asset is recognized and presented separately from interest expense on the lease liability.

Lease payments included in the measurement of the lease liability comprise the following: the fixed payments, including in-substance fixed payments over the lease term (which includes termination penalties the Company would owe if the lease term assumes the Company's exercise of a termination option), variable lease payments that depend on an index or rate payments for optional renewal periods where it is reasonably certain the renewal period will be exercised, the exercise price of an option to

EDAP TMS S.A. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of euros unless otherwise noted, except per share data)

purchase the underlying asset if the company is reasonably certain to exercise the option, and amounts expected to be payable under a Company provided residual value guarantee. The company assesses the discount rate by requesting credit simulation from certain banks.

Variable lease payments associated with the Company's leases are recognized when the event, activity, or circumstance in the lease agreement on which those payments are assessed occurs. Variable lease payments are presented as operating expenses in the Company's consolidated statements of income (loss) in the same line item as expenses arising from fixed lease payments (operating leases) or amortization of the ROU asset (finance leases).

Our real estate leases generally include non-lease maintenance services. The consideration in the contract is allocated to the lease and non-lease components based on standalone selling prices.

Some of our real estate leases contain variable lease payments, including payments based on an index or rate. Variable lease payments based on an index or rate are initially measured using the index or rate in effect at lease commencement, and changes to index and rate-based variable lease payments are recognized in profit or loss in the period of the change. Variable payments that do not depend on an index or rate, such as rental payments based on the use of the underlying asset or property taxes and insurance reimbursement, are recorded as operating expenses when incurred. Lease modifications result in remeasurement of the lease payments when that modification is not accounted for as a separate contract.

Lease expense for operating leases consists of the lease payments plus any initial direct costs, primarily brokerage commissions, and is recognized on a straight-line basis over the lease term. Included in lease expense are any variable lease payments incurred in the period that were not included in the initial lease liability. Lease expense for finance leases consists of the amortization of the right-of-use asset on a straight-line basis over the lease term and interest expense determined on an amortized cost basis. The lease payments are allocated between a reduction of the lease liability and interest expense.

The lease term for all of the Company's leases includes the non-cancellable period of the lease plus any additional periods covered by either a Company option to extend (or not to terminate) the lease that the Company is reasonably certain to exercise, or an option to extend (or not to terminate) the lease controlled by the lessor .

We have elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a term of 12 months or less. The effect of short-term leases on our right-of-use asset and lease liability was not material. We have elected not to review the classification for expired or existing leases, prior to January 1, 2019.

Leases as a Lessor:

A lessor shall classify a lease as a sales-type lease when the lease meets any of the following criteria at lease commencement:

- The lease transfers ownership of the underlying asset to the lessee by the end of the lease term.
- The lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise.
- The lease term is for the major part of the remaining economic life of the underlying asset. However, if the commencement date falls at or near the end of the economic life of the underlying asset, this criterion shall not be used for purposes of classifying the lease.
- The present value of the sum of the lease payments and any residual value guaranteed by the lessee that is not already reflected in the lease payments in accordance with paragraph 842-10-30-5(f) equals or exceeds substantially all of the fair value of the underlying asset.
- The underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term.

EDAP TMS S.A. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of euros unless otherwise noted, except per share data)

When none of the criteria are met:

A lessor shall classify the lease as either a direct financing lease or an operating lease. A lessor shall classify the lease as an operating lease unless both of the following criteria are met, in which case the lessor shall classify the lease as a direct financing lease:

- The present value of the sum of the lease payments and any residual value guaranteed by the lessee that is not already reflected in the lease payments in accordance with paragraph 842-10-30-5(f) and/or any other third party unrelated to the lessor equals or exceeds substantially all of the fair value of the underlying asset;
- It is probable that the lessor will collect the lease payments plus any amount necessary to satisfy a residual value guarantee.

1-25 Recent accounting pronouncements

Recently Adopted Accounting Pronouncements

As of November 27, 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2023-07 (Segment reporting: Improvements to reportable segment disclosures) that improves disclosures about a public entity's reportable segments and addresses requests from investors and other allocators of capital for additional, more detailed information about a reportable segment's expenses. This Topic provides guidance "on how to report certain information about operating segments in complete sets of financial statements of the public entity and in condensed financial statements of interim periods issued to shareholders." This standard is effective for the Company in fiscal years beginning after December 15, 2023. The Company is currently evaluating the impact of this guidance on its Consolidated Financial Statements.

2— CASH EQUIVALENTS

Cash equivalents at December 31, 2023 and 2022 only comprise cash investments which are highly liquid and have initial maturities of 90 days or less.

	December 31,	
	2023	2022
Total cash and cash equivalents	43,471	63,136
Short term investment	—	—
Total cash and cash equivalents	<u>43,471</u>	<u>63,136</u>

Please refer to *Note 15-1 – Long-term debt* as €567 of indebtedness is pledged in cash position in USD.

3— TRADE ACCOUNTS AND NOTES RECEIVABLE, NET

Trade accounts and notes receivable consist of the following:

	December 31,	
	2023	2022
Trade accounts receivable	17,186	12,965
Notes receivable	896	617
Less: allowance for doubtful accounts	(224)	(161)
Total	17,858	13,421
Less current portion	(17,858)	(13,421)
Total long-term portion	<u>—</u>	<u>—</u>

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

Bad debt expenses amount to a net cost of €68 thousand, a net cost of €32 thousand and €2 thousand, respectively for the years ended December 31, 2023, 2022 and 2021.

EDAP TMS S.A. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of euros unless otherwise noted, except per share data)

4— OTHER RECEIVABLES

Other receivables consist of the following:

	December 31,	
	2023	2022
Research and development tax credit receivable from the French State	411	581
Value-added taxes receivable	863	894
Other receivables from Government and public authorities	22	—
Others	84	46
Total	1,380	1,522

5— INVENTORIES

	December 31,	
	2023	2022
Components, spare parts	8,973	7,543
Work-in-progress	512	283
Finished goods – own manufactured products	2,115	1,514
Finished goods – distribution products	4,775	3,702
Total gross inventories	16,375	13,042
Less: allowance for slow-moving inventory and net realizable value	(1,263)	(1,262)
Total	15,112	11,780

The provision for slow moving inventory relates to components and spare parts. The increase in the allowance for slow moving inventory (excluding exchange rate impact), which are classified within cost of sales, amounted to €354 thousand for the year ended December 31, 2023, €93 thousand for the year ended December 31, 2022, and €371 thousand for the year ended December 31, 2021. During 2023, we recorded a reversal allowance for slow moving inventory for €301 thousand linked to the write-off of obsolete inventory.

6— OTHER ASSETS

Other assets consist of the following:

	December 31,	
	2023	2022
Prepaid expenses, current portion	659	660
Total	659	660

Prepaid expenses mainly consist of rental and future congresses and conferences expenses.

7— PROPERTY AND EQUIPMENT, NET

Property and equipment consist of Property and equipment purchased or capitalized by the Company and finance leases for 2023 and 2022.

7-1 Property and Equipment, net

Property and equipment consist of the following:

	December 31,	
	2023	2022
Equipment	11,900	9,553
Furniture, fixture, and fittings and other	3,672	3,108
Total gross value	15,573	12,661
Less: accumulated depreciation and amortization	(9,686)	(8,916)
Total	5,887	3,745

EDAP TMS S.A. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of euros unless otherwise noted, except per share data)

Depreciation expense related to property and equipment (inclusive of depreciation expense on equipment leased to customers) amounted to €1,557 thousand, €1,194 thousand and €1,521 thousand for the years ended December 31, 2023, 2022 and 2021, respectively.

Assets leased to customers:

Capitalized costs on equipment leased to customers of €885 thousand and €753 thousand are included in property and equipment at December 31, 2023 and 2022, respectively. Accumulated amortization of these assets leased to third parties was €207 thousand and €264 thousand, at December 31, 2023 and 2022, respectively.

Depreciation expense on equipment leased to customers amounted to €13 thousand, €37 thousand and €40 thousand, for the years ended December 31, 2023, 2022 and 2021, respectively.

7-2 Finance leases

Finance lease right-of-use assets in 2023 and previous years consist of the following:

	December 31,	
	2023	2022
Facilities	242	269
Equipment	220	220
Vehicles and IT equipment	828	780
Total gross value	1,290	1,269
Less: accumulated depreciation and amortization	705	813
Total	585	455

Depreciation expense related to finance lease right-of-use assets amounted to €193 thousand, €303 thousand and €275 for the years ended December 31, 2023, 2022, 2021, respectively.

8— OPERATING LEASE RIGHT-OF-USE ASSETS

Operating lease right-of-use assets consist of the following:

	December 31,	
	2023	2022
Facilities	1,534	1,536
Equipment	30	57
Furniture, fixture, and fittings and other	157	191
Total net operating lease right of use	1,722	1,784

Operating lease cost amounted to €1,053 thousand and €910 thousand for the years ended December 31, 2023 and 2022, respectively.

Variable lease costs related to above contracts amounted to €243 thousand and €152 thousand for the years ended December 31, 2023 and 2022, respectively.

Non-recognized lease liabilities for short term leases amounted to €71 thousand and €74 thousand for the years ended December 31, 2023 and 2022, respectively.

9— GOODWILL AND INTANGIBLE ASSETS

As discussed in Note 1-13, ASC 350 requires that goodwill 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

EDAP TMS S.A. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of euros unless otherwise noted, except per share data)

segments — High Intensity Focused Ultrasound (HIFU), Lithotripsy (ESWL) and Distribution services (DIST) — to be its reporting units for purposes of testing for impairment. Goodwill amounts to €496 thousand for the ESWL division, €1,271 thousand for the DIST division and to €645 thousand for the HIFU division, at December 31, 2023.

The Company completed the required annual impairment test in the fourth quarter of 2023. To determine the fair value of the Company's reporting units, the Company used the discounted cash flow approach for each of the three reportable units. In all three cases, the fair value of the reporting unit was in excess of the reporting unit's book value, which resulted in no goodwill impairment.

Intangible assets consist of the following:

	December 31,	
	2023	2022
Licenses	2,119	1,585
Trade name and trademark	333	370
Patents	412	412
Organization costs	225	225
Total gross value	3,089	2,592
Accumulated amortization for licenses	(1,038)	(863)
Accumulated amortization for trade name and trademark	(331)	(368)
Accumulated amortization for patents	(412)	(412)
Accumulated amortization for organization costs	(225)	(225)
Less: Total accumulated amortization	(2,005)	(1,868)
Total	1,084	725

Amortization expenses related to intangible assets amounted to €175 thousand, €141 thousand and €125 thousand, for the years ended December 31, 2023, 2022 and 2021, respectively.

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

	December 31, 2023
2024	205
2025	195
2026	192
2027	175
2028	88
2029 and thereafter	174
Total	1,029

10— TRADE ACCOUNTS AND NOTES PAYABLE

Trade accounts and notes payable consist of the following:

	December 31,	
	2023	2022
Trade accounts payable	11,236	6,640
Notes payable	61	7
Total	11,297	6,647

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.

EDAP TMS S.A. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of euros unless otherwise noted, except per share data)

11— DEFERRED REVENUES

Deferred revenues consist of the following:

	December 31,	
	2023	2022
Deferred revenues on maintenance contracts	1,809	1,803
Deferred revenue on RPP	492	517
Deferred revenue on sale of devices	104	83
Deferred revenue on extension of warranty, included in sales contracts	591	535
Deferred revenue on treatment probe lease and other	1,696	1,376
Total	<u>4,693</u>	<u>4,314</u>
Less long term portion	<u>(643)</u>	<u>(264)</u>
Current portion	<u>4,049</u>	<u>4,050</u>

Deferred revenue on extension of warranty will be recognized over the following periods:

	December 31, 2023
2024	224
2025	183
2026	74
2027	46
2028	30
2029 and thereafter	35
Total	<u>591</u>

Changes in deferred revenue on extension of warranty are as follows:

	Total
Balance as of December 31, 2021	740
New extension of warranty	162
Recognition of revenue	<u>(367)</u>
Balance as of December 31, 2022	535
New extension of warranty	238
Recognition of revenue	<u>(181)</u>
Balance as of December 31, 2023	<u>591</u>

EDAP TMS S.A. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of euros unless otherwise noted, except per share data)

12— OTHER ACCRUED LIABILITIES

Other accrued liabilities consist of the following:

	December 31,	
	2023	2022
Retirement indemnities	2,310	2,153
Provision for warranty costs	172	162
Accruals for payroll and associated taxes	2,256	1,848
Conditional government advances	463	463
Value added tax payable	758	531
Advances received from customers	860	861
Provision for Asset Retirement Obligation (Japan)	91	101
Provision for employee termination indemnities (Korea)	149	122
Others	522	340
Total	<u>7,581</u>	<u>6,583</u>
Less non-current portion	<u>(3,075)</u>	<u>(2,710)</u>
Current portion	<u>4,506</u>	<u>3,873</u>

In 2021, we received conditional advances for €0.5 million from Banque Publique d'Investissement for business development programs in China and Africa.

Grants that relate to expenses we incur for this research program are recognized in the line item "Research and Development Expenses" in the period in which the expenses subject to the grants have been incurred (see Note 21).

Conditional advances as of December 31, 2023, mature as follows:

2024	111
2025	93
2026	93
2027	86
2028	81
2029 and thereafter	—
Total	<u>463</u>

Changes in the provision for warranty costs are as follows:

	2023	2022
Beginning of year	162	252
Amount used during the year	(124)	(202)
New warranty expenses	134	112
End of year	172	162
Less current portion	(107)	(100)
Long term portion	<u>65</u>	<u>62</u>

13— LEASE OBLIGATIONS

13-1 Financing leases

The Company leases certain of its equipment under finance leases. At December 31, 2023, the corresponding liability associated with this lease equipment amounts to €10 thousand for medical devices and to €617 thousand for vehicles and other IT equipment.

Maturities of finance leases liabilities for the years ended December 31, 2023 and 2022 are as follows:

EDAP TMS S.A. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of euros unless otherwise noted, except per share data)

	December 31, 2023
2024	214
2025	170
2026	134
2027	86
2028	52
2029 and thereafter	2
Total undiscounted minimum lease payments	659
Less: amount representing interest	(33)
Present value of minimum lease payments	627
Less: current portion	(195)
Long-term portion	433

	December 31, 2022
2023	234
2024	149
2025	102
2026	63
2027	12
2028 and thereafter	6
Total undiscounted minimum lease payments	566
Less: amount representing interest	(17)
Present value of minimum lease payments	548
Less: current portion	(224)
Long-term portion	324

Interest paid under finance lease obligations was €7 thousand, €12 thousand and €55 thousand the years ended December 31, 2023, 2022 and 2021 respectively.

The weighted average remaining lease term and the weighted average discount rate for finance leases were respectively 3.75 years and 3.67% at December 31, 2023 and 1.02 years and 1.32% at December 31, 2022.

13-2 Operating leases

Maturities of operating lease liabilities consist of the following amounts:

	December 31, 2023
2024	898
2025	485
2026	240
2027	157
2028	—
2029 and thereafter	—
Total undiscounted minimum lease payments	1,780
Less: current portion	(898)
Long-term portion	882

EDAP TMS S.A. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of euros unless otherwise noted, except per share data)

	December 31, 2022
2023	901
2024	636
2025	238
2026	24
2027	—
2028 and thereafter	—
Total undiscounted minimum lease payments	1,799
Less: current portion	(901)
Long-term portion	899

The weighted average remaining lease term and the weighted average discount rate for operating leases were respectively 2.35 years and 4.98% at December 31, 2023 and 2.18 years and 2.29% at December 31, 2022.

Total rent expenses under operating leases amounted to €1,017 thousand, €912 thousand and €953 thousand, for the years ended December 31, 2023, 2022 and 2021, respectively. These total rent expenses are related to office rentals, office equipment and car rentals.

14— SHORT-TERM BORROWINGS

As of December 31, 2023 and 2022, short-term borrowings consist mainly of €2,466 thousand and €1,846 thousand of factored account receivables and for which the Company maintains the effective control, respectively.

15— LONG TERM DEBT

15-1 Long-term debt:

	December 31,	
	2023	2022
France term loan	3,222	4,593
Japanese term loan	323	558
Germany term loan	—	28
USA term loan	—	—
Korea term loan	5	8
Malaysia term loan	—	—
Total long term debt	3,551	5,188
Less current portion	(1,553)	(1,601)
Total long-term portion	1,997	3,587

As of December 31, 2023 and 2022, long-term debt in Japan consists of two loans in denominated in Yen and subscribed with the following conditions:

	Initial Amount	Maturity	Fixed Interest rate	Frequency of principal payments
EDAP Technomed Co. Ltd	80,000,000	August 2, 2026	1.98 %	Monthly installment
EDAP Technomed Co. Ltd	50,000,000	April 2, 2025	1.8 %	Monthly installment

As of December 31, 2023 and 2022, long-term debt in France consists of three loans in Euro subscribed in 2020 which terms and maturity were amended and a new loan in Euro subscribed in 2021 with the following terms:

	Drown Amount	Maturity	Fixed Interest rate	Frequency of principal payments
EDAP TMS FRANCE	1,066,081	July 1, 2025	0.99 %	Monthly installment

EDAP TMS S.A. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of euros unless otherwise noted, except per share data)

This loan is pledged against the Company's cash in USD for an amount equal to the countervalue of the loan in USD. This loan constitutes a complete financial package of €1,530,000, of which €1,066,081 were drawn to finance HIFU treatment probes. This drawn amount will be reimbursed over three years until July 1, 2025.

	Initial Amount	Maturity	Fixed Interest rate	Frequency of principal payments
EDAP TMS FRANCE	2,000,000	July 30, 2026	0.73 %	Monthly installment

This loan is a COVID-related loan guaranteed by the French government entered into in 2020 with an initial one-year repayment term subsequently extended to six years.

	Initial Amount	Maturity	Fixed Interest rate	Frequency of principal payments
EDAP TMS FRANCE	2,000,000	August 4, 2026	0.73 %	Monthly installment

This loan, in Euro, is a COVID-related loan guaranteed by the French government in 2020 with an initial one year repayment term subsequently extended to six years.

	Initial Amount	Maturity	Fixed Interest rate	Frequency of principal payments
EDAP TMS FRANCE	72,222	July 5, 2024	0.45 %	Monthly installment

This loan is related to the acquisition of computer servers.

As of December 31, 2022, long-term debt in Germany consists of one loan in Euro with the following terms :

	Initial Amount	Maturity	Fixed Interest rate	Frequency of principal payments
EDAP TMS GMBH	400,000	April 30, 2023	2.40 %	Monthly installment

This loan was pledged against an HIFU equipment with a purchase value of €438 thousand.

15-2 Financial instruments carried at fair value:

As of December 31, 2023, there are no warrants outstanding.

Refer to Note 26 for more details on the fair value of other Financial Instruments.

15-3 Long-term debt maturity:

Long-term debt carried at amortized cost at December 31, 2023 matures as follows:

2024	1,553
2025	1,320
2026	677
2027	—
2028	—
2029 and thereafter	—
Total	3,551

EDAP TMS S.A. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of euros unless otherwise noted, except per share data)

16— OTHER LONG-TERM LIABILITIES

Other long-term liabilities consist of the following:

	December 31,	
	2023	2022
Provision for retirement indemnities (Japan & France), less current portion	2,241	1,962
Provision for employee termination indemnities (Korea) less current portion	149	122
Provision for Asset Retirement Obligation (Japan) less current portion	91	101
Provision for warranty costs, less current portion	65	62
Provision for guarantee given to customer, less current portion	66	—
Conditional government advances, less current portion	463	463
Accrued interest less current portion	—	—
Total	3,075	2,710

Provision for asset retirement obligation in Japan is related to subsidiary's offices and warehouses.

Pension, post-retirement and post-employment benefits for most of the Company's employees are sponsored by European governments. In addition to government-sponsored plans, subsidiaries in Japan and France have defined benefit retirement plans in place. The provision for retirement indemnities at December 31, 2023 represents an accrual for lump-sum retirement benefit payments to be paid at the time an employee retires if he or she is still present at the Company at the date of retirement. 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's best estimate based on the following assumptions as of year-end:

	Retirement indemnities France	
	2023	2022
Discount rate	3.19%	3.80%
Salary increase	3.00%	3.00%
Retirement age	65	65
Average retirement remaining service period	23	24

	Retirement indemnities Japan	
	2023	2022
Discount rate	1.30%	1.30%
Salary increase	2.50%	2.50%
Retirement age	60	60
Average retirement remaining service period	14	14

The discount rate retained is determined by reference to the high quality rates for AA- rated corporate bonds for a duration equivalent to that of the obligations.

At December 31, 2023, the provision which represents the projected benefit obligation in accordance with ASC 718 consists of:

	France	Japan
Non-current liabilities	1,084	1,157
Current liabilities	—	70
Total projected benefit obligation	1,084	1,227

At December 31, 2022, the provision which represents the projected benefit obligation in accordance with ASC 718 consists of:

	France	Japan
Non-current liabilities	845	1,117
Current liabilities	89	102
Total projected benefit obligation	934	1,219

EDAP TMS S.A. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of euros unless otherwise noted, except per share data)

The Company does not have a funded benefit plan. A detailed reconciliation of pension cost components (in thousands of euros) during fiscal year for each of the three years ending December 31, 2023 is as follows:

France	2023	2022	2021
Change in benefit obligations:			
Projected Benefit obligations at beginning of year	934	1,080	1,111
Service cost	67	84	90
Interest cost	34	11	6
Net loss or (gain)	—	—	—
Actuarial (gain) or loss	66	(241)	(72)
Amortization of net prior service cost	—	—	—
Benefits paid	(17)	—	(56)
Projected Benefit obligations at end of year ⁽¹⁾	1,084	934	1,080
Unrecognized actuarial (gain) loss ⁽²⁾	(146)	(219)	22
Unrecognized prior service cost ⁽²⁾	13	14	16

(1) The accumulated benefit obligation was €805 thousand and €701 thousand at December 31, 2023 and 2022 respectively.

(2) The amount in accumulated other comprehensive income (loss) to be recognized as components of net periodic benefit costs in 2023 is €133 thousand.

Japan	2023	2022	2021
Change in benefit obligations:			
Projected Benefit obligations at beginning of year	1,219	1,302	1,310
Service cost	114	112	120
Interest cost	13	7	7
Amortization of net loss	—	—	—
Actuarial (gain) / loss	4	(30)	—
Benefits paid	(76)	(75)	(97)
Plan Amendments	74	—	—
Exchange rate impact	(122)	(95)	(39)
Projected Benefit obligations at end of year ⁽¹⁾	1,227	1,219	1,302
Unrecognized actuarial (gain) loss ⁽²⁾	81	86	126
Unrecognized prior service cost ⁽²⁾	74	—	—

(1) The accumulated benefit obligation was €1,030 thousand and €1,027 thousand at December 31, 2023 and 2022, respectively.

(2) The amount in accumulated other comprehensive income (loss) to be recognized as components of net periodic benefit costs in 2023 is €156 thousand.

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
2024	—	70
2025	—	152
2026	129	143
2027	85	67
2028	85	46
2029-2033	408	843
	<u>707</u>	<u>1,322</u>

EDAP TMS S.A. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of euros unless otherwise noted, except per share data)

17— SHAREHOLDERS' EQUITY

17-1 Common stock

As of December 31, 2023, EDAP TMS S.A.'s common stock consisted of 37,373,312 issued shares fully paid and with a par value of €0.13 each. 37,103,779 of the shares were outstanding.

In September 2022, the Company completed a successful common stock offering and issued 3,066,667 new common shares in the form of ADS for \$7.50 per share which resulted in gross proceeds of €23,913 thousand. In connection with this offering, the Company incurred issuance costs amounting to €1,954 thousand.

17-2 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.

17-3 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 11,962 thousand. Dividend distributions, if any, will be made in euros. The Company has no plans to distribute dividends in the foreseeable future.

17-4 Treasury stock

As of December 31, 2023, all 269,533 shares held as treasury stock consisted of (i), 89,243 shares acquired between August and December 1998 and (ii) 180,290 shares acquired in June and July 2001 for a total of €590 thousand. All treasury stocks have been acquired to cover stock purchase options (see Note 17-5).

17-5 Stock-option and free share plans

As of December 31, 2023, EDAP TMS S.A. sponsored three stock purchase and subscription option plans open to employees of EDAP TMS group:

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. Conforming to this stock option plan, the Board of Directors granted 575,000 options to subscribe to new shares to certain employees of EDAP TMS on April 26, 2016. The exercise price was fixed at €3.22 per share. Options were to begin vesting one year after the date of grant and all options were fully vested as of April 26, 2020 (i.e., four years after the date of grant). The options will expire on April 26, 2026 (i.e., ten years after the date of grant) or when employment with the Company ceases, whichever occurs earlier. The total fair value of the options granted under this plan was €960 thousand. This non-cash compensation expense was recognized in the Company's operating expenses over a period of 48 months (using the graded vesting method).

Conforming to this February 18, 2016 stock option plan, the Board of Directors granted 260,000 options to subscribe to new shares to certain employees of EDAP TMS on April 25, 2017. The exercise price was fixed at €2.39 per share. Options were to begin vesting one year after the date of grant and all options were fully vested as of April 25, 2021 (i.e., four years after the date of grant). The options will expire on April 25, 2027 (i.e., ten years after the date of grant) or when employment with the Company ceases, whichever occurs earlier. The total fair value of the options granted on April 25, 2017 under this plan was €335 thousand. This non-cash compensation expense was recognized in the Company's operating expenses over a period of 48 months (using the graded vesting method).

Conforming to this February 18, 2016 stock option plan, the Board of Directors granted 165,000 options to subscribe to new shares to certain employees of EDAP TMS on August 29, 2018. The exercise price was fixed at €2.65 per share. Options were to begin vesting one year after the date of grant and all options were fully vested as of August 29, 2022 (i.e., four years after the date of grant). The options will expire on August 29, 2029 (i.e., ten years after the date of grant) or when employment with the

EDAP TMS S.A. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of euros unless otherwise noted, except per share data)

Company ceases, whichever occurs earlier. The total fair value of the options granted on August 29, 2018 under this plan was €219 thousand. This non-cash compensation expense was recognized in the Company's operating expenses over a period of 48 months (using the graded vesting method).

Conforming to this February 18, 2016 stock option plan, the Board of Directors granted 155,000 options to subscribe to new shares to certain employees of EDAP TMS on April 4, 2019. Forfeited options corresponding to employees' departures were re-allocated. The exercise price was fixed at €3.90 per share. Options were to begin vesting one year after the date of grant and all options were fully vested as of April 4, 2023 (i.e., four years after the date of grant). The options will expire on April 4, 2029 (i.e., ten years after the date of grant) or when employment with the Company ceases, whichever occurs earlier. The total fair value of the options granted on April 4, 2019 under this plan was €299 thousand. This non-cash compensation expense is recognized in the Company's operating expenses over a period of 48 months (using the graded vesting method).

The impact of this February 18, 2016 Plan on operating income, in accordance with ASC 718, was €65 thousand, €25 thousand and €3 thousand in 2021, 2022 and 2023, respectively.

Under this 2016 plan, 678,080 options are outstanding and are exercisable at December 31, 2023.

On June 28, 2019, the shareholders authorized the Board of Directors to grant up to a maximum of 358,528 options to purchase pre-existing shares and to grant 1,000,000 options to subscribe to 1,000,000 new shares at a fixed price to be set by the Board of Directors. Conforming to this June 28, 2019 stock option plan, the Board of Directors granted 292,428 options to purchase pre-existing shares and 1,000,000 options to subscribe to new shares to certain employees of EDAP TMS on June 11, 2021. The exercise price was fixed at €5.59 per share. Options were to begin vesting six months after the date of grant and most options will be fully vested as of June 11, 2024 (i.e., three years after the date of grant). On March 29, 2023, the vesting of 270,000 of these options was accelerated and such options may vest immediately. The options will expire on June 11, 2031 (i.e., ten years after the date of grant) or when employment with the Company ceases, whichever occurs earlier. The total fair value of subscription options granted on June 11, 2021 under this plan was €681 thousand and the total fair value of purchase options was €2,371 thousand. This non-cash compensation expense is recognized in the Company's operating expenses over a period of 36 months (using the graded vesting method).

The impact of this June 28, 2019 Plan on operating income, in accordance with ASC 718, was €1,484 thousand, €1,104 thousand and €410 thousand in 2021, 2022 and 2023, respectively.

Under this 2019 plan, 1,244,533 options are outstanding, of which 1,037,111 are exercisable at December 31, 2023.

On June 30, 2021, the shareholders authorized the Board of Directors to grant up to a maximum of 2,000,000 options to subscribe to 2,000,000 new shares at a fixed price to be set by the Board of Directors. Conforming to this June 30, 2021 stock-option plan, the Board of Directors granted:

- (i) 100,000 options to subscribe to new shares to certain employees of EDAP TMS on November 17, 2021. The exercise price was fixed at €5.18 per share. Options were to begin vesting six months after the date of grant and all options will be fully vested as of November 17, 2024 (i.e., three years after the date of grant). The options will expire on November 17, 2031 (i.e., ten years after the date of grant) or when employment with the Company ceases, whichever occurs earlier. The total fair value of the options granted on November 17, 2021 under this plan was €229 thousand. This non-cash compensation expense is recognized in the Company's operating expenses over a period of 36 months (using the graded vesting method).
- (ii) 144,000 options to subscribe to new shares to certain employees of EDAP TMS on May 17, 2022. The exercise price was fixed at €6.41 per share. Options were to begin vesting six months after the date of grant and all options will be fully vested as of May 17, 2025 (i.e., three years after the date of grant). The options will expire on May 17, 2032 (i.e., ten years after the date of grant) or when employment with the Company ceases, whichever occurs earlier. The total fair value of the options granted on May 17, 2022 under this plan was €450 thousand. This non-cash compensation expense is recognized in the Company's operating expenses over a period of 36 months (using the graded vesting method).
- (iii) 32,000 options to subscribe to new shares to certain employees of EDAP TMS on November 8, 2022. The exercise price was fixed at €10.32 per share. Options were to begin vesting six months after the date of grant and all options

EDAP TMS S.A. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of euros unless otherwise noted, except per share data)

will be fully vested as of November 8, 2025 (i.e., three years after the date of grant). The options will expire on November 8, 2032 (i.e., ten years after the date of grant) or when employment with the Company ceases, whichever occurs earlier. The total fair value of the options granted on November 8, 2022 under this plan was €161 thousand. This non-cash compensation expense was recognized in the Company's operating expenses over a period of 36 months (using the graded vesting method).

- (iv) 395,000 options to subscribe to new shares to certain employees of EDAP TMS on December 15, 2022. The exercise price was fixed at €9.94 per share. Options were to begin vesting six months after the date of grant and all options will be fully vested as of December 15, 2025 (i.e., three years after the date of grant). The options will expire on December 15, 2032 (i.e., ten years after the date of grant) or when employment with the Company ceases, whichever occurs earlier. The total fair value of the options granted on December 15, 2022 under this plan was €1,858 thousand. This non-cash compensation expense is recognized in the Company's operating expenses over a period of 36 months (using the graded vesting method).
- (v) 125,000 options to subscribe to new shares to certain employees of EDAP TMS on April 5, 2023. The exercise price was fixed at €9.96 per share. Options were to begin vesting six months after the date of grant and all options will be fully vested as of April 5, 2026 (i.e., three years after the date of grant). The options will expire on April 5, 2033 (i.e., ten years after the date of grant) or when employment with the Company ceases, whichever occurs earlier. The total fair value of the options granted on April 5, 2023 under this plan was €687 thousand. This non-cash compensation expense is recognized in the Company's operating expenses over a period of 36 months (using the graded vesting method).
- (vi) 200,000 options to subscribe to new shares to certain employees of EDAP TMS on May 2, 2023. The exercise price was fixed at €10.10 per share. Options were to begin vesting six months after the date of grant and all options will be fully vested as of May 2, 2026 (i.e., three years after the date of grant). The options will expire on May 2, 2033 (i.e., ten years after the date of grant) or when employment with the Company ceases, whichever occurs earlier. The total fair value of the options granted on May 2, 2023 under this plan was €1,183 thousand. This non-cash compensation expense is recognized in the Company's operating expenses over a period of 36 months (using the graded vesting method).
- (vii) 50,000 options to subscribe to new shares to certain employees of EDAP TMS on May 31, 2023. The exercise price was fixed at €9.32 per share. Options were to begin vesting six months after the date of grant and all options will be fully vested as of May 31, 2026 (i.e., three years after the date of grant). The options will expire on May 31, 2033 (i.e., ten years after the date of grant) or when employment with the Company ceases, whichever occurs earlier. The total fair value of the options granted on May 31, 2023 under this plan was €270 thousand. This non-cash compensation expense is recognized in the Company's operating expenses over a period of 36 months (using the graded vesting method).
- (viii) 177,000 options to subscribe to new shares to certain employees of EDAP TMS on August 23, 2023. The exercise price was fixed at €7.53 per share. Options were to begin vesting six months after the date of grant and all options will be fully vested as of August 23, 2026 (i.e., three years after the date of grant). The options will expire on August 23, 2033 (i.e., ten years after the date of grant) or when employment with the Company ceases, whichever occurs earlier. The total fair value of the options granted on August 23, 2023 under this plan was €774 thousand. This non-cash compensation expense is recognized in the Company's operating expenses over a period of 36 months (using the graded vesting method).
- (ix) 80,000 options to subscribe to new shares to certain employees of EDAP TMS on September 20, 2023. The exercise price was fixed at €6.08 per share. Options were to begin vesting six months after the date of grant and all options will be fully vested as of September 20, 2026 (i.e., three years after the date of grant). The options will expire on September 20, 2033 (i.e., ten years after the date of grant) or when employment with the Company ceases, whichever occurs earlier. The total fair value of the options granted on September 20, 2023 under this plan was €296 thousand. This non-cash compensation expense is recognized in the Company's operating expenses over a period of 36 months (using the graded vesting method).
- (x) 20,000 options to subscribe to new shares to certain employees of EDAP TMS on November 8, 2023. The exercise price was fixed at €6.64 per share. Options were to begin vesting six months after the date of grant and all options

EDAP TMS S.A. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of euros unless otherwise noted, except per share data)

will be fully vested as of November 8, 2026 (i.e., three years after the date of grant). The options will expire on November 8, 2033 (i.e., ten years after the date of grant) or when employment with the Company ceases, whichever occurs earlier. The total fair value of the options granted on November 8, 2023 under this plan was €81 thousand. This non-cash compensation expense is recognized in the Company's operating expenses over a period of 36 months (using the graded vesting method).

- (xi) 34,000 options to subscribe to new shares to certain employees of EDAP TMS on December 6, 2023. The exercise price was fixed at €4.98 per share. Options were to begin vesting six months after the date of grant and all options will be fully vested as of December 6, 2026 (i.e., three years after the date of grant). The options will expire on December 6, 2033 (i.e., ten years after the date of grant) or when employment with the Company ceases, whichever occurs earlier. The total fair value of the options granted on December 6, 2023 under this plan was €103 thousand. This non-cash compensation expense is recognized in the Company's operating expenses over a period of 36 months (using the graded vesting method).

The impact of this June 30, 2021, Plan on operating income, in accordance with ASC 718, was €25 thousand, €442 thousand and €2,936 thousand in 2021, 2022 and 2023, respectively.

Under this 2021 plan, 1,276,300 options are outstanding at December 31, 2023 and 282,475 are exercisable.

Forfeited stock-options are recognized as they occur, in accordance with ASU 2016-09.

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:

	Dec-2023	Nov-2023	Sept-2023	Aug-2023	May-2023	May-2023	Apr-2023
Weighted-average expected life (years)	5.79	5.79	5.79	5.79	5.79	5.79	5.79
Expected volatility rates ⁽¹⁾	63.29 %	61.09 %	60.90 %	60.60 %	60.80 %	60.90 %	61.00 %
Expected dividend yield	0 %	0 %	0 %	0 %	0 %	0 %	0 %
Risk-free interest rate	4.16 %	4.55 %	4.55 %	4.35 %	3.77 %	3.47 %	3.39 %
Weighted-average exercise price (€)	4.98	6.64	6.08	7.53	9.32	10.10	9.96
Weighted-average fair value of options granted during the year (€)	3.03	4.05	3.70	4.37	5.40	5.92	5.49

(1) Historical volatility calculated over the weighted-average expected life.

As of December 31, 2023, a summary of stock option activity to purchase or to subscribe to Shares under these plans is as follows:

	2023		2022		2021	
	Options	Weighted average exercise price (€)	Options	Weighted average exercise price (€)	Options	Weighted average exercise price (€)
Outstanding on January 1,	2,613,886	5.66	2,408,508	4.38	1,186,900	2.81
Granted	686,000	8.53	571,000	9.07	1,392,428	5.56
Exercised	(55,973)	4.66	(320,622)	2.14	(150,820)	2.93
Forfeited	(45,000)	7.99	(45,000)	5.34	(20,000)	4.01
Expired	—	—	—	—	—	—
Outstanding on December 31,	3,198,913	6.26	2,613,886	5.66	2,408,508	4.38
Exercisable on December 31,	1,997,666	5.23	1,362,205	4.35	1,149,401	3.25
Share purchase options available for grant on December 31,	25,000		20,000		5,000	

As of December 31, 2023, 643,000 options to subscribe to new shares are available for future grants.

EDAP TMS S.A. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of euros unless otherwise noted, except per share data)

The following table summarizes information about options to purchase existing Shares held by the Company, or to subscribe to new Shares, at December 31, 2023:

Exercise price (€)	Outstanding options			Fully vested options ⁽¹⁾			
	Options	Weighted average remaining contractual life	Weighted average exercise price (€)	Aggregate Intrinsic Value (2)	Options	Weighted average exercise price (€)	Aggregate Intrinsic Value (2)
10.32	20,000	8.8	10.32	—	7,222	10.32	—
10.10	200,000	9.3	10.10	—	38,889	10.10	—
9.96	117,000	9.3	9.96	—	26,000	9.96	—
9.94	395,000	9.0	9.94	—	131,667	9.94	—
9.32	50,000	9.4	9.32	—	9,722	9.32	—
7.53	177,000	9.7	7.53	—	—	—	—
6.64	20,000	9.8	6.64	—	—	—	—
6.41	100,000	8.3	6.41	—	52,778	6.41	—
6.08	80,000	9.8	6.08	—	—	—	—
5.59	1,244,533	7.4	5.59	—	1,037,111	5.59	—
5.18	83,300	7.8	5.18	431,494	16,197	5.18	83,902
4.98	34,000	9.9	4.98	169,320	—	—	—
3.90	107,500	5.8	3.90	419,250	107,500	3.90	419,250
3.22	357,000	2.3	3.22	1,149,540	357,000	3.22	1,149,540
2.65	77,500	4.7	2.65	205,375	77,500	2.65	205,375
2.39	136,080	3.3	2.39	325,231	136,080	2.39	325,231
2.39 to 10.32	<u>3,198,913</u>	<u>7.8</u>	<u>0.84</u>	<u>2,700,210</u>	<u>1,997,666</u>	<u>1.09</u>	<u>2,183,298</u>

- (1) Fully vested options are all exercisable options. On March 29, 2023, the Board of Directors unanimously decided to appoint Ryan Rhodes as the new Chief Executive Officer of the Company effective on May 1, 2023. Marc Oczachowski would continue to serve as Chairman of the Board of the Company. In this context, the Board decided to accelerate the vesting of all unvested options granted to Mr. Oczachowski under the 2019 option plans such that these options fully vested and became exercisable on March 29, 2023. (Ref. Note 33. Subsequent Events.)
- (2) The aggregate intrinsic value represents the total pre-tax intrinsic value, based on the Company's closing stock price of \$5.28 at December 31, 2023, which would have been received by the option holders had all in-the-money option holders exercised their options as of that date. If closing stock price is under exercise price, then the aggregate intrinsic value is not considered.

A summary of the status of the non-vested options to purchase shares or to subscribe to new shares as of December 31, 2023, and changes during the three years ended December 31, 2023, is presented below:

	Options	Weighted average Grant-Date Fair Value (€)
Non-vested at January 1, 2021	216,250	1.59
Granted	1,392,428	2.37
Vested	(329,571)	2.06
Forfeited	(20,000)	1.89
Non-vested at December 31, 2021	<u>1,259,107</u>	<u>2.32</u>
Granted	571,000	4.33
Vested	(543,426)	2.32
Forfeited	(35,000)	2.80
Non-vested at December 31, 2022	<u>1,251,681</u>	<u>2.32</u>
Granted	686,000	4.95
Vested	(691,434)	3.22
Forfeited	(45,000)	3.98
Non-vested at December 31, 2023	<u>1,201,247</u>	<u>4.18</u>

As of December 31, 2023, there were €2,509 thousand of total unrecognized compensation expenses related to non-vested stock-options, over a period of 2.9 years.

EDAP TMS S.A. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of euros unless otherwise noted, except per share data)

On June 30, 2021, the shareholders authorized the Board of Directors to grant up to a maximum of 200,000 free shares to certain employees. Conforming to this June 30, 2021 authorization, the Board of Directors granted:

- (i) 61,500 free shares to certain employees of EDAP TMS on September 28, 2021. Free shares shall be definitively acquired by the relevant beneficiaries at the end of the vesting period (minimum one year period starting on the allocation date and ending on the acquisition date, i.e. two years starting on the allocation date). On September 28, 2022, 57,500 free shares were definitively acquired by French resident beneficiaries. The total fair value of the free shares granted on September 28, 2021 under this plan was €340 thousand. This non-cash compensation expense was recognized in the Company's operating expenses upon allocation.
- (ii) 40,000 free shares to the CEO of EDAP TMS on March 30, 2022. Free shares shall be definitively acquired by the relevant beneficiaries at the end of the vesting period (minimum one year period starting on the allocation date and ending on the acquisition date, i.e. two years starting on the allocation date). The total fair value of the free shares granted on March 30, 2022 under this plan was €259 thousand. This non-cash compensation expense was recognized in the Company's operating expenses upon allocation.

Under this 2021 plan, no free shares are outstanding at December 31, 2023.

On June 30, 2022, the shareholders authorized the Board of Directors to grant up to 600,000 free shares. This new resolution superseded the June 30, 2021 resolution, cancelling the unused portion of the 2021 resolution. Conforming to this June 30, 2022 authorization, the Board of Directors granted:

- (i) 291,500 free shares to certain employees of EDAP TMS on November 8, 2022. Free shares shall be definitively acquired by the relevant beneficiaries at the end of the vesting period, which begins six months after the date of grant and all shares will be fully vested as of November 8, 2025 (i.e. three years after the date of the grant). The total fair value of the free shares granted on November 8, 2022, under this plan was €2,963 thousand. This non-cash compensation expense is recognized in the Company's operating expenses over a period of 36 months (using the graded vesting method).
- (ii) 150,000 free shares to Mr. Marc Oczachowski, Chairman and Chief Executive Officer EDAP TMS on March 29, 2023. All free shares shall be definitively acquired one year after the date of the grant. All free shares will be subject to the required 12-month conservation period following the acquisition of the shares. The total fair value of the free shares granted on March 29, 2023 under this plan was €1,542 thousand. This non-cash compensation expense was recognized in the Company's operating expenses upon allocation.
- (iii) 50,000 free shares to the President of EDAP TMS France, Mr. Frédéric Pech on May 2, 2023. Free shares shall be definitively acquired at the end of the vesting period, which begins six months after the date of grant and all shares will be fully vested as of May 2, 2026 (i.e. three years after the date of the grant). The total fair value of the free shares granted on May 2, 2023, under this plan was €508 thousand. This non-cash compensation expense is recognized in the Company's operating expenses over a period of 36 months (using the graded vesting method).

Under this 2022 plan, 273,500 free shares are outstanding at December 31, 2023.

EDAP TMS S.A. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of euros unless otherwise noted, except per share data)

17-6 Accumulated other comprehensive income (loss)

The components of accumulated other comprehensive income (loss) net of tax, for the years ended December 31, 2023, and 2022, are as follows:

	Year Ended December 31, 2023		
	Foreign currency translation adjustment	Provision for retirement indemnities (net of tax)	Total
Beginning balance	(3,973)	144	(3,829)
Other comprehensive income (loss) before reclassifications	—	—	—
Reclassified from accumulated other comprehensive loss	—	—	—
Net current-period other comprehensive income (loss)	(478)	(180)	(658)
Ending balance	<u>(4,451)</u>	<u>(37)</u>	<u>(4,487)</u>

	Year Ended December 31, 2022		
	Foreign currency translation adjustment	Provision for retirement indemnities (net of tax)	Total
Beginning balance	(3,377)	(212)	(3,589)
Other comprehensive income (loss) before reclassifications	—	—	—
Reclassified from accumulated other comprehensive loss	—	—	—
Net current-period other comprehensive income (loss)	(596)	355	(240)
Ending balance	<u>(3,973)</u>	<u>144</u>	<u>(3,829)</u>

18— TOTAL SALES

Amount of net sales derived from our operations in Asia, France, the United States, and other geographical areas, are as follows:

	Year Ended December 31,		
	2023	2022	2021
Primary geographical markets (€)			
Asia	17,841	17,936	16,009
France	11,999	10,637	12,251
United States	16,717	15,036	5,524
Others geographical areas	13,865	11,500	10,276
Total Net Sales	<u>60,423</u>	<u>55,108</u>	<u>44,060</u>

The amount of net sales is recognized following the timing below:

	Year Ended December 31,		
	2023	2022	2021
Timing of revenue recognition			
Products transferred at a point in time	48,646	44,173	34,552
Products and services transferred over time	11,777	10,935	9,508
Total Net Sales	<u>60,423</u>	<u>55,108</u>	<u>44,060</u>

EDAP TMS S.A. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of euros unless otherwise noted, except per share data)

19— OTHER REVENUES

Other revenues consist of the following:

	Year Ended December 31,		
	2023	2022	2021
Licenses and others	—	—	6
Total	—	—	6

In 2021, other revenues mainly consist of sales of a license to Theraclion and training to customers.

20— COSTS OF SALES

Costs of sales consist of the following:

	Year Ended December 31,		
	2023	2022	2021
Direct costs of sales	(22,624)	(19,814)	(16,199)
Indirect costs of sales	(13,388)	(11,102)	(9,443)
Total costs of sales	(36,012)	(30,916)	(25,643)

21— RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses consist of the following:

	Year Ended December 31,		
	2023	2022	2021
Gross research and development expenses	(7,596)	(5,751)	(4,757)
Research Tax Credit	411	581	617
Grants	222	250	739
Net Research and development expenses	(6,963)	(4,920)	(3,402)

In 2023 and 2022, grants consisted mainly of national grants for the assessment and optimization of the focal treatments of prostate cancer (Perfuse development project).

In 2021, grants consisted mainly of national grants for the assessment and optimization of the focal treatments of prostate cancer (Perfuse development project) and of a financial impact for the development of innovative imaging solutions for the focal treatment of liver cancer (HECAM Development project). Ref. Note 12.

Research and development costs are expensed as incurred and include amortization of assets, costs of prototypes, salaries, benefits and other headcount related costs, contract and other outside service fees, and facilities and overhead costs.

22— FINANCIAL INCOME, NET

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

	Year Ended December 31,		
	2023	2022	2021
Interest income	1,311	404	10
Interest expense	(232)	(168)	(52)
Paycheck Protection Program loan forgiveness	—	—	187
Total	1,079	236	145

EDAP TMS S.A. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of euros unless otherwise noted, except per share data)

23— INCOME TAXES

23-1 Income / (Loss) before income taxes

Income / (loss) before income taxes is comprised of the following:

	Year Ended December 31,		
	2023	2022	2021
France	(9,026)	(418)	869
Other countries	(11,507)	(1,678)	24
Total	(20,533)	(2,096)	893

23-2 Income tax (expense)/benefit

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

	Year Ended December 31,		
	2023	2022	2021
<i>Current income tax expense:</i>			
France	(77)	(485)	(320)
Other countries	(533)	(251)	(436)
Sub-total current income tax expense	(610)	(736)	(756)
<i>Deferred income tax (expense) benefit:</i>			
France	3	(8)	8
Other countries	(37)	(93)	556
Sub-total deferred income tax (expense) benefit	(34)	(101)	563
Total	(644)	(837)	(193)

23-3 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 by nature :

	2023	2022
Net operating loss carry forwards	16,356	13,793
Elimination of intercompany profit in inventory	689	480
Elimination of intercompany profit in fixed assets	396	256
Provisions for retirement indemnities	663	658
Capital leases treated as operating leases for tax	10	26
Other items	354	360
Total deferred tax assets	18,468	15,573
Total deferred tax liabilities	—	—
Net deferred tax assets	18,468	15,573
Valuation allowance for deferred tax assets	(17,739)	(14,744)
Deferred tax assets (liabilities), net of allowance	729	829

Net operating loss carryforwards available amount to €71,821 thousand as of December 31, 2023, of which €31,284 thousand relates to EDAP TMS SA, €40,310 thousand relates to Edap Technomed Inc. and €227 thousand relates to Edap Technomed Co Ltd Japan. These net operating losses generate deferred tax assets of €16,356 thousand as at December 31, 2023. Realization of these tax assets is contingent on future taxable earnings in the applicable tax jurisdictions. As of December 31, 2023, €71,594 thousand out of these €71,821 thousand net operating loss carry-forwards have no expiration date but the amount of the net operating loss carry-forward, which can be used each year to offset taxable earnings, is limited in all jurisdictions. The remaining tax loss carry-forwards expire from years 2023 through 2025. In accordance with ASC 740, a valuation allowance is established if,

EDAP TMS S.A. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of euros unless otherwise noted, except per share data)

based on the weight of available evidence, it is more-likely-than-not that some portion or all of the deferred tax asset will not be realized.

23-4 Effective tax income (expense)

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

	2023	2022	2021
Theoretical income tax (expense) benefit at French statutory tax rate	5,133	524	(237)
Income of foreign subsidiaries taxed at different tax rates	(546)	(174)	(95)
Effect of net operating loss carry-forwards and valuation allowances	(4,439)	(643)	626
Non-taxable debt fair value variation	—	—	—
Permanent differences	(263)	(99)	(258)
Effect of cancellation of intra-group positions	(476)	(366)	(130)
French business tax included in income tax (CVAE)	(74)	(99)	(85)
Other	20	20	(15)
Effective income tax (expense) benefit	(644)	(837)	(193)

23-5 Uncertainty in Income Taxes

According to ASC 740, the Company reviewed the tax positions of each subsidiary. On December 31, 2023 the Company believes that there is no significant uncertainty in the Company's tax positions.

The Company remains subject to examination by major tax jurisdictions.

Interest and penalties on income taxes are classified as a component of the provision for income taxes. There were no interest or penalties in 2023, 2022 and 2021.

24— EARNINGS (LOSS) PER SHARE

	Year Ended December 31,		
	2023	2022	2021
Income (loss) available to common shareholders (in Euros)	€ (21,177,772)	€ (2,933,058)	€ 699,890
Weighted average number of shares for the computation of basic EPS	36,996,722	34,392,598	32,129,047
Basic EPS (in Euros)	€ (0.57)	€ (0.09)	€ 0.02
Effect of dilutive securities	2,653,050	2,502,171	293,824
Weighted average number of shares for the computation of diluted EPS	36,996,722	34,392,598	32,422,871
Diluted EPS income / (loss) (in Euros)	€ (0.57)	€ (0.09)	€ 0.02

Diluted EPS income / (loss) available to common shareholders is computed including all dilutive securities that are in the money.

The effects of dilutive securities for the year ended December 31, 2023 and 2022 were excluded from the calculation of diluted earnings per share as a net loss was reported in this period.

25— COMMITMENTS AND CONTINGENCIES

25-1 Commitments

The Company currently has commitments regarding its operating leases as described in Note 13-2.

25-2 Contingencies

The Company currently has contingencies relating to standard warranties provided to customers for products as described in Note 1-15 and Note 12.

EDAP TMS S.A. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of euros unless otherwise noted, except per share data)

26— 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.

The recorded amount of cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities and short-term borrowings are a reasonable estimate of their fair value due to the short-term maturities of these instruments. As of December 31, 2023 and December 31, 2022, the Company did not have any other asset or liability measured at fair value.

As of December 31, 2023, the fair value of the Company’s long-term debt was not materially different from the carrying value.

27— 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 credit risk is limited.

The Company has implemented procedures to monitor the creditworthiness of its customers. The Company obtains bank guarantees for first time or infrequent unknown 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 €0.2 million and €0.2 million, for the years ended December 31, 2023 and 2022, respectively.

Actual losses may vary from the current estimates, and any adjustments are reported in earnings in the periods in which they become known.

In 2023, 2022 and 2021, the Company did not generate more than 10% revenue with a single customer.

28— FOREIGN CURRENCY TRANSACTIONS

The Company generates a significant percentage of its revenues, and of its operating expenses, in currencies other than the 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 may engage in foreign exchange hedging activities when deemed 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, 2023, there were no outstanding hedging instruments.

29— SEGMENT INFORMATION

Our activity is organized into three divisions: HIFU, ESWL (including lithotripsy activities) and Distribution. Through these three divisions, we develop, produce, market and distribute minimally invasive medical devices, mainly for urological diseases. HIFU division includes sales of Focal One, Ablatherm and related consumables and services, ESWL division includes

EDAP TMS S.A. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of euros unless otherwise noted, except per share data)

revenues generated by the existing Sonolith range of lithotripters and, Distribution division includes the sale of complimentary products such as lasers, micro-ultrasound systems and other products from third parties.

The organization of our activities into three divisions better clarified our vision and enhanced our financial reporting of our three businesses HIFU, ESWL and Distribution. This new structure also allows for an improved measurement of our business progress.

The business in which the Company operates is the development, production and distribution 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.

The following tables set forth the key Statement of income (loss) figures, by segment for fiscal years 2023, 2022 and 2021 and the key balance sheet figures, by segment, for fiscal years 2023, 2022 and 2021. 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 and they are reviewed by the CODM, who is the CEO. 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:

	Year Ended December 31,		
	2023	2022	2021
Segment operating income (loss)	(19,813)	(4,257)	(1,612)
Financial income (expense), net	1,079	236	145
Foreign Currency exchange (losses) gains, net	(1,799)	1,925	2,360
Income tax (expense) benefit	(644)	(837)	(193)
Consolidated net income (loss)	<u>(21,178)</u>	<u>(2,933)</u>	<u>700</u>

A summary of the Company's operations by segment is presented below for years ended December 31, 2023, 2022 and 2021:

2023	HIFU Division	ESWL Division	DISTRIB Division	Reconciling Items	Total consolidated
Sales of goods	13,510	3,844	24,980	—	42,333
Sales of RPPs & leases	4,935	955	286	—	6,176
Sales of spare parts and services	2,152	5,109	4,653	—	11,914
Total sales	20,596	9,908	29,919	—	60,423
External other revenues	—	—	—	—	—
Total revenues	20,596	9,908	29,919	—	60,423
Total COS	(10,112)	(6,268)	(19,632)	—	(36,012)
Gross profit	10,484	3,640	10,287	—	24,411
R&D expenses	(5,755)	(764)	(444)	—	(6,963)
Selling and marketing expenses	(13,524)	(1,636)	(7,466)	—	(22,626)
G&A expenses	(5,983)	(1,471)	(2,625)	(4,556)	(14,634)
Total expenses	(25,262)	(3,871)	(10,535)	(4,556)	(44,224)
Operating income (loss) from operations	<u>(14,778)</u>	<u>(232)</u>	<u>(248)</u>	<u>(4,556)</u>	<u>(19,813)</u>
Total Assets	22,443	12,798	31,400	24,908	91,548
Capital expenditures	3,577	288	479	—	4,344
Non-current assets	6,516	2,105	4,448	—	13,069
Goodwill	645	496	1,271	—	2,412

EDAP TMS S.A. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of euros unless otherwise noted, except per share data)

2022	HIFU Division	ESWL Division	DISTRIB Division	Reconciling Items	Total consolidated
Sales of goods	9,437	4,880	24,145	—	38,462
Sales of RPPs & leases	4,287	1,058	272	—	5,617
Sales of spare parts and services	1,909	5,630	3,491	—	11,030
Total sales	15,634	11,568	27,907	—	55,108
External other revenues	—	—	—	—	—
Total revenues	15,634	11,568	27,907	—	55,108
Total COS	(6,788)	(6,732)	(17,396)	—	(30,916)
Gross profit	8,846	4,836	10,511	—	24,193
R&D expenses	(3,525)	(950)	(444)	—	(4,920)
Selling and marketing expenses	(8,083)	(1,887)	(6,409)	—	(16,379)
G&A expenses	(2,131)	(1,077)	(1,690)	(2,254)	(7,152)
Total expenses	(13,739)	(3,914)	(8,543)	(2,254)	(28,450)
Operating income (loss) from operations	(4,894)	922	1,968	(2,254)	(4,257)
Total Assets	16,293	12,997	26,407	45,426	101,123
Capital expenditures	1,715	307	356	—	2,378
Non-current assets	4,269	2,149	4,187	—	10,605
Goodwill	645	496	1,271	—	2,412

2021	HIFU Division	ESWL Division	DISTRIB Division	Reconciling Items	Total consolidated
Sales of goods	4,515	4,236	20,289	—	29,040
Sales of RPPs & leases	3,679	1,022	267	—	4,968
Sales of spare parts and services	1,715	5,758	2,578	—	10,052
Total sales	9,910	11,016	23,134	—	44,060
External other revenues	6	—	—	—	6
Total revenues	9,915	11,016	23,134	—	44,065
Total COS	(5,311)	(6,080)	(14,252)	—	(25,643)
Gross profit	4,604	4,936	8,882	—	18,422
R&D expenses	(2,238)	(835)	(329)	—	(3,402)
Selling and marketing expenses	(3,910)	(2,048)	(4,774)	—	(10,732)
G&A expenses	(1,481)	(1,161)	(1,355)	(1,904)	(5,900)
Total expenses	(7,630)	(4,043)	(6,458)	(1,904)	(20,034)
Operating income (loss) from operations	(3,025)	893	2,424	(1,904)	(1,612)
Total Assets	13,597	13,596	25,344	24,690	77,226
Capital expenditures	1,234	141	261	—	1,636
Non-current assets	3,689	2,185	3,971	—	9,845
Goodwill	645	496	1,271	—	2,412

30— VALUATION ACCOUNTS

	Allowance for deferred tax assets	Allowance for doubtful accounts	Slow-moving inventory	Warranty reserve
Balance as of December 31, 2020	15,508	721	1,563	369
Charges to costs and expenses	346	2	371	110
Deductions: write-off and others	(1,513)	19	(464)	(227)
Balance as of December 31, 2021	14,341	742	1,470	252
Charges to costs and expenses	1,538	32	93	112
Deductions: write-off and others	(1,135)	(613)	(300)	(202)
Balance as of December 31, 2022	14,744	161	1,262	162
Charges to costs and expenses	3,175	85	354	134
Deductions: write-off and others	(180)	(21)	(353)	(124)
Balance as of December 31, 2023	17,739	224	1,263	172

EDAP TMS S.A. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of euros unless otherwise noted, except per share data)

31— SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Interest and income taxes paid are as follows:

	Year Ended December 31,		
	2023	2022	2021
Income taxes paid (refunds received)	509	410	307
Interest paid	265	168	114
Interest received	1,311	403	10

Non-cash transactions:

	Year Ended December 31,		
	2023	2022	2021
Financing lease obligations incurred	358	162	233
Operating lease obligations incurred	1,098	1,162	674

Cash paid for amounts included in the measurement of lease liabilities:

	Year Ended December 31,		
	2023	2022	2021
Operating cash flow used in operating leases	1,009	900	916
Operating cash flow used in finance leases	7	12	18
Financing cash flow used in finance leases	242	350	406

32— RELATED PARTY TRANSACTIONS

On August 19, 2019, EDAP Technomed Co. Ltd. (Japan) contracted a loan amounting to JPY 80,000,000. As a current practice in Japan, this loan required a personal warranty from the representative director, President and CEO of the subsidiary Mr. Jean-François Bachelard. EDAP TMS S.A., as the parent company, counter-warranted this personal loan and agreed to indemnify Mr. Bachelard, in an indemnification letter dated September 12, 2019 expiring upon loan maturity date of August 26, 2026.

On April 22, 2020, EDAP Technomed Co. Ltd (Japan) contracted another loan amounting to JPY 50,000,000 requiring a personal warranty from the representative director, president and CEO of the subsidiary Mr. Jean-François Bachelard. EDAP TMS S.A., as the parent company, counter-warranted this personal loan and agreed to indemnify Mr. Bachelard, in an indemnification letter dated June 2, 2020, expiring upon loan maturity date of April 2, 2025.

33— SUBSEQUENT EVENTS

In order to align the Company's organization to build shareholders value and expand its operational and commercial presence in the United States, the Company announced on January 2, 2024 the appointment of Ken Mobeck as its Chief Financial Officer and François Dietsch as its Chief Accounting Officer.

On March 4, 2024, EDAP announced that its Focal One platform has been granted Breakthrough Device designation by the US Food and Drug Administration (FDA) for the treatment of deep infiltrating endometriosis (DIE). In June 2018, the FDA cleared Focal One Robotic Focal HIFU for the ablation of prostatic tissue.

EDAP TMS

**A stock company (société anonyme)
with a capital of Euros 4,858,530.56
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 by
Board of Directors on December 6th, 2023

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 in France by decision of the Board of Directors, subject to ratification of such decision by the next ordinary shareholders' meeting, and anywhere else by virtue of a resolution of the extraordinary shareholders' meeting.

In the event of a transfer decided by the Board of Directors, the latter is authorized to amend the articles of association and to carry out the resulting publicity and filing formalities, provided that it is stated that the transfer is subject to the ratification referred to above.

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 decided as provided for in these bylaws.

TITLE II
REGISTERED CAPITAL

ARTICLE 6 - REGISTERED CAPITAL

The registered capital is fixed at the amount of four million eight hundred and fifty-eight thousand five hundred and thirty Euros and fifty-six cents (Euros 4,858,530.56) divided into thirty-seven million three hundred and seventy-three thousand three hundred and twelve (37,373,312) 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.

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 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 lose 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 provided for in Article L. 225-37, paragraph 3 of the French Commercial Code and subject to the implementation of internal regulations, the Board of Directors may decide that for the calculation of the quorum and the majority of the directors, account will be taken of the participation of one or more directors on the Board of Directors by any means of telecommunication (videoconference and teletransmission), and this, in compliance with the regulatory provisions and safe legal exceptions.

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.

The Board of Directors may also take the following decisions by written consultation of the directors, which fall within the Board's own powers:

- provisional appointment of Board members, as provided for in Article L. 225-24 of the French Commercial Code
- authorization of sureties, endorsements and guarantees as provided for in the last paragraph of Article L. 225-35 of the Commercial Code,
- decision taken on the basis of a delegation of powers granted by the Extraordinary Shareholders' Meeting in accordance with the second paragraph of Article L. 225-36 of the Commercial Code, to amend the bylaws to bring them into line with legal and regulatory provisions,
- convening of Shareholders' Meetings,
- transfer of the registered office to the same department, and
- any decision that may be added to this list by virtue of a change in the legislation in force.

When the decision is taken by written consultation, the text of the proposed resolutions accompanied by a voting form is sent by the Chairman to each member of the Board of Directors by electronic means (with acknowledgement of receipt).

The directors have a period of three working days following receipt of the text of the proposed resolutions and the voting form to complete and send to the Chairman by electronic means (with acknowledgement of receipt) the voting form, dated and signed, by ticking a single box for each resolution corresponding to the meaning of their vote.

If no box or more than one box has been ticked for the same resolution, the vote will be null and void and will not be taken into account for the calculation of the majority.

Any director who has not responded within the above time period shall be considered absent and his or her vote shall not be counted for the purpose of calculating quorum and majority.

During the response period, any director may request any additional explanations from the initiator of the consultation.

Within five working days following receipt of the last ballot, the Chairman shall draw up and date the minutes of the deliberations, to which the ballots shall be annexed and which shall be signed by the Chairman and a director having participated in the written consultation.

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.

The register may be kept and the minutes drawn up in electronic form; in this case, the minutes are signed by means of an electronic signature which at least meets the requirements for an advanced electronic signature. The minutes are dated electronically by a time-stamping means offering any guarantee of proof.

The attendance register can be kept in electronic form; in this case, the register is signed by means of an electronic signature which at least meets the requirements for an advanced electronic signature. The register is dated electronically by a time-stamping means offering any guarantee of proof.

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 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.

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 are informed of this choice under legal and regulatory conditions.

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.

Pursuant to Section 706-43 of the French criminal proceedings Code, the Chief Executive Officer 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 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 General Meeting of shareholders appoints, under the conditions set by article L.823-1 of the French Commercial Code, and with the mission fixed by law, the Company's Statutory Auditors.

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

Collective decisions of the shareholders are taken in Ordinary, Extraordinary or Special Shareholders' Meetings depending on the nature of the decisions they are called upon to take. Ordinary, Extraordinary and Special Shareholders' Meetings exercise their respective powers in accordance with the law.

Shareholders' Meetings are convened and held in the conditions, form and timeframe set by law.

When the Company wishes to convene a meeting by electronic means instead of by mail, it must first obtain the agreement of the shareholders concerned, who must indicate their electronic address.

Meetings are held at the registered office or at any other location specified in the notice of meeting.

The right to participate in Shareholders' Meetings is governed by the legal and regulatory provisions in force.

All shareholders, regardless of the number of shares they own, have the right to attend Shareholders' Meetings and to participate in the deliberations, in person, by proxy or by remote voting, under the conditions and within the time limits provided for by the regulations in force.

Shareholders may, in accordance with the conditions laid down by the regulations in force, send in their postal voting form for any Shareholders' Meeting, either in paper form or, if the Board of Directors so decides in the notice of meeting, by remote transmission.

The Board of Directors may organize, under the conditions provided for by law and the regulations in force, the participation and voting of shareholders at Meetings by videoconference or by telecommunication means, including the Internet, allowing their identification. If

the Board of Directors decides to exercise this option for a given Meeting, this decision of the Board shall be stated in the notice of meeting. Shareholders participating in the Meetings by videoconference or by any of the other means of telecommunication referred to above, at the discretion of the Board of Directors, are deemed to be present for the purposes of calculating the quorum and the majority. Shareholders who use the electronic voting form offered on the website set up by the meeting's centralizing agent are deemed to be present. The electronic form can be entered and signed directly on this site by means of an identification code and a password. The proxy or vote thus expressed before the Meeting by this electronic means, as well as the acknowledgement of receipt thereof, will be considered as non-revocable writings and binding on all.

Postal voting forms and proxies given to be represented at a Meeting may include an electronic signature of the shareholder or of his legal or judicial representative in the form of a process that complies with the requirements of Article 1316-4 paragraph 2 of the Civil Code, i.e. a reliable identification process that guarantees its link with the act to which it relates.

All shareholders have the right to obtain the documents necessary to enable them to make fully informed decisions on the management and operation of the Company.

The nature of these documents and the conditions under which they are sent or made available are determined by law and regulations.

Meetings are chaired by the Chairman of the Board of Directors or, in his absence, by the Chief Executive Officer, by a Chief Operating Officer if he is a director, or by a director specially delegated for this purpose by the Board. Failing this, the Meeting shall elect its own Chairman.

The functions of scrutineers are performed by the two shareholders, present and accepting these functions, who have, both by themselves and as proxies, the greatest number of votes.

The bureau appoints the secretary, who may be chosen from outside the shareholders.

An attendance sheet is kept under the conditions provided for by law.

The minutes are drawn up in accordance with the law. Copies or extracts of the minutes of the Meeting are validly certified by the Chairman of the Board of Directors, by a director exercising the functions of Chief Executive Officer or by the Secretary of the Meeting.

ARTICLE 23 - EXTRAORDINARY GENERAL MEETINGS

The Extraordinary Shareholders' Meeting convened on the first notice of meeting may only validly deliberate if the shareholders present or represented hold at least one quarter of the shares with voting rights. The Extraordinary Shareholders' Meeting, convened on the second call, may only validly deliberate if the shareholders present or represented hold at least one fifth of the shares with voting rights.

Decisions of the Extraordinary Shareholders' Meeting are taken by a two-thirds majority of the votes cast by the shareholders present or represented. The votes cast do not include those attached to shares for which the shareholder has not taken part in the vote, has abstained or has voted blank or invalid.

ARTICLE 24 - ORDINARY GENERAL MEETINGS

The Ordinary Shareholders' Meeting convened on the first notice of meeting is valid only if the shareholders present or represented hold at least one fifth of the shares with voting rights. The Ordinary Shareholders' Meeting convened on the second call shall deliberate validly regardless of the number of shareholders present or represented.

Decisions of the Ordinary General Meeting are taken by a majority of the votes cast by the shareholders present or represented. The votes cast do not include those attached to shares for which the shareholder has not taken part in the vote, has abstained or has voted blank or invalid.

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 sections 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.

DESCRIPTION OF SECURITIES REGISTERED UNDER SECTION 12 OF THE EXCHANGE ACT

As of December 31, 2023, EDAP TMS S.A. (the “Company,” “we,” “us,” and “our”) had the following series of securities registered pursuant to Section 12(b) of the Exchange Act:

Title of Each Class	Trading Symbol	Name of each exchange on which registered
American Depositary Shares, each representing 1 share, nominal value €0.13 per share	EDAP	The Nasdaq Global Market
Ordinary Shares, nominal value €0.13 per share(*)	N/A	The Nasdaq Global Market

(*) Not for trading, but only in connection with the registration of American Depositary Shares.

Our ordinary shares are traded on The Nasdaq Global Market of The Nasdaq Stock Market, Inc. (“Nasdaq”) represented by American Depositary Shares (“ADSs”) delivered by The Bank of New York Mellon (the “depository”) pursuant to the deposit agreement (the “deposit agreement”) dated as of July 31, 1997, as amended and restated as of April 7, 2008, among our company, The Bank of New York Mellon, as depository, and all owners and beneficial owners from time to time of ADSs issued thereunder. Ordinary shares may be represented by ADSs. The ADSs may be uncertificated securities or certificated securities evidenced by American Depositary Receipts, or ADRs. Each ADS will represent one ordinary share (or a right to receive one share) deposited with the principal Paris office of Société Générale (the “custodian”), as custodian for the depository under the deposit agreement. Each ADS will also represent any other securities, cash or other property which may be held by the depository. The depository’s corporate trust office at which the ADSs will be administered and its principal executive office are located at 240 Greenwich Street, New York, NY 10286.

Our ADSs have been listed on Nasdaq since July 1997 and are traded under the symbol “EDAP.” In connection with the Nasdaq listing (but not for trading), the ordinary shares are registered under Section 12(b) of the Exchange Act.

This exhibit contains a description of the rights of (i) the holders of shares and (ii) ADR holders. Shares underlying the ADSs are held by The Bank of New York Mellon, the depository, and holders of ADSs will not be treated as holders of the shares.

The following summaries are not intended to be exhaustive and, in the case of our ordinary shares, such summary is subject to, and qualified in its entirety by, EDAP’s by-laws and French law and, in the case of our ADSs, such summary is subject to, and qualified in its entirety by, the terms of the deposit agreement. Such summaries do not address all of the provisions of the by-laws or French law or of the deposit agreement, and do not purport to be complete. Our by-laws and the deposit agreement are each attached as exhibits to our Annual Report on Form 20-F for which this exhibit is provided (the “Annual Report”).

Capitalized terms not otherwise defined in this exhibit have the meanings given to them in EDAP’s Annual Report.

Ordinary Shares

The description below reflects certain terms of our by-laws, and summarizes the material rights of holders of our ordinary shares under French law.

General

As of December 31, 2023, the total number of shares issued was 37,373,312 with 269,533 shares held as treasury shares, thus bringing the total number of shares outstanding to 37,103,779.

Rights, Preferences and Restrictions Attaching to Ordinary Shares

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, we are required to allocate at least 5% of our unconsolidated net profits in each fiscal year to a legal reserve fund before dividends may be paid with respect to that year. Such allocation is compulsory 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.

Dividends may be paid in cash or, if the shareholders' meeting so decides, in kind, provided that all the shareholders receive a whole number of assets of the same nature paid in lieu of cash.

Rights to Share in the Surplus in the Event of Liquidation

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.

Liability to Further Capital Calls

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.

Rights to Share in Our Profit

Under French law, each ordinary share entitles its holder to a portion of the corporate profits and assets proportional to the amount of share capital represented thereby.

Voting Rights

Each of our ordinary shares entitles its holder to vote and be represented in the shareholders' meetings in accordance with the provisions of French law and of our by-laws. The ownership of a share implies the acceptance of our by-laws and any decision of our shareholders.

Each shareholder is entitled to one vote per share at any general shareholders' meeting.

Under French law, treasury shares or shares held by entities controlled by us are not entitled to voting rights and are not taken into account for purposes of quorum calculation.

Under French law, directors are elected at the ordinary general shareholders' meeting by a simple majority vote, and may be removed from office, with or without cause, at any shareholders' meeting without notice or justification, by a simple majority vote. Our by-laws provide that members of our Board of Directors are elected for a tenure of six years, with terms beginning upon the year of a director's initial appointment. Pursuant to French law, the sections of the by-laws relating to the number of directors and election and removal of a director from office may only be modified by a resolution adopted by a two-thirds majority of the votes cast by our shareholders present, represented by a proxy or voting by mail at the meeting. The votes cast do not include votes attached to shares held by shareholders who did not take part in the vote, abstained or voted blank or null.

Repurchase of Shares (French Law)

Pursuant to French law, the Company, as a company whose shares are not admitted to trading on a regulated market subject to the provisions of Article L. 433-3 II of the French Monetary and Financial Code, 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, (b) to provide shares for distribution to employees under a profit sharing or a stock option plan, (c) to offer shares as payment in exchange for assets acquired by the Company in the context of an external growth, merger, demerger or contribution transaction and (d) to provide shares to shareholders as part of a sale procedure organized by the Company. However, the Company may not hold more than 10% of its shares then-issued and 5% for a repurchase of shares to offer them as payment or in exchange for assets acquired by the Company in the context of an external growth, merger, demerger or contribution transaction. 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.

Sinking Fund Provisions.

Our by-laws do not provide for any sinking fund provisions.

Actions Necessary to Modify Shareholders' Rights

Shareholders' rights may be modified as allowed by French law. Shareholders are only authorized to amend any and all provisions of our by-laws at an extraordinary shareholders' meeting. The Company may not, however, increase any of the shareholders' commitments without the prior approval of each shareholder.

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 or by the exercise of rights attached to securities giving access to the share capital. 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, by way of offset against 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.

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, the annual accounts and the declaration of dividends.

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 registered capital or by an interested party under certain circumstances, or, in case of an urgent matter, by the Work Council (*Comité Social et Economique*) 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 share capital (currently 5%) 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 Work 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 depository to exercise the voting rights relating to the shares represented by its ADSs. The depository 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 depository a proxy to vote, and the depository 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 to the Company. Under French law, a proxy that is returned without instructions will be counted as present for purposes of the quorum and will be counted (i) in favor of the adoption of the draft resolutions presented or approved by the Board of Directors and (ii) against the adoption of all other draft resolutions which were not expressly presented or approved by the Board of Directors.

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.

Under French law, abstention from voting, blank votes and null votes by those present or those represented by proxy or voting by mail are not counted as votes against the resolution submitted to a shareholder vote at any of the two types of meetings.

In addition to his/her rights to certain information regarding the Company, any shareholder may, during the two-week period preceding a shareholders' meeting, and at the latest four business days prior such 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 or companies 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 dismissal 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.

Nevertheless, any investment: (i) by (a) any non-French citizen, (b) any French citizen not residing in France (within the meaning of Article 4 B of the French Tax Code), (c) any non-French entity or (d) any French entity controlled by one of the aforementioned individuals or entities; (ii) that will result in the relevant investor (a) acquiring control of an entity having its registered office in France or an establishment registered in France, (b) acquiring all or part of a business line of an entity having its registered office in France, (c) for non-EU or non-EEA investors crossing, directly or indirectly, alone or in concert, a 25% threshold of voting rights in an entity having its registered office in France, or (d) crossing, directly or indirectly, alone or in concert, the threshold of 10% of the voting rights of a company incorporated under French law whose shares are admitted to trading on a regulated market; and (iii) developing activities in certain strategic industries related to: (a) activities likely to prejudice national defense interests, participating in the exercise of official authority or likely to prejudice public order and public security (including activities related to weapons, dual-use goods and technologies, IT systems, cryptology, data capturing devices, gambling, toxic agents or data storage), (b) activities relating to essential infrastructure, goods or services (including energy, water, transportation, space, telecom, public health, farm products, processing and recycling of critical raw materials or media), and (c) research and development activities related to critical technologies (including cybersecurity, artificial intelligence, robotics, additive manufacturing, semiconductors, quantum technologies, energy storage, photonics, renewable energy technologies or biotechnology) or dual-use goods and technologies, is subject to the prior authorization of the French Minister of

Economy, which authorization, if granted, may be subject to certain undertakings. The abovementioned (ii)(c) and (d) do not apply either to a natural person who is a national of a Member State of the European Union or of a State party to the Agreement on the European Economic Area which has concluded an administrative assistance agreement with France to combat fraud and tax evasion and who is domiciled in one of these States, or to an entity in which all the members of the control chain, within the meaning of II of Article R. 151-1 of the French Monetary and Financial Code, are governed by the law of one of these States or are nationals of and domiciled in one of these States.

This request for prior authorization must be filed with the French Ministry of Economy, which has 30 business days from receipt of the complete file to provide a first decision which may (i) unconditionally authorize the investment or (ii) indicate that further examination is required. In the latter case, the French Ministry of Economy must make a second decision within 45 business days from its first decision. In case of lack of response from the French Ministry of Economy within the above mentioned timeframe, the authorization will be deemed refused. If the authorization is granted, it may be subject to the signature of a letter of undertakings aimed at protecting the French national interests. If an investment requiring the prior authorization of the French Minister of Economy is completed without such authorization having been granted, the French Minister of Economy might direct the relevant investor to (i) submit a request for authorization, (ii) have the previous situation restored at its own expense, or (iii) amend the investment. In the absence of such authorization, the relevant investment shall be deemed null and void. The relevant investor might also be found criminally liable and might be sanctioned with a fine which cannot exceed the greater of: (i) twice the amount of the relevant investment, (ii) 10% of the annual turnover before tax of the target company and (iii) €5 million (for a company) or €1 million (for an individual).

The French Monetary and Financial Code (“CMF”) provides for statistical reporting requirements. Transactions by which non-French residents acquire at least 10% of the share capital or voting rights, or cross the 10% threshold, of a French resident company, are considered as foreign direct investments in France and are subject to statistical reporting requirements (Articles R. 152-1; R.152-3 and R. 152-11 of the CMF). When the investment exceeds €15,000,000, companies must declare foreign transactions directly to the Banque de France within 20 business days following the date of certain direct foreign investments in us, including any purchase of ADSs. A failure to comply with such statistical reporting requirement may be sanctioned by five years’ imprisonment and a fine of a maximum amount equal to twice the amount which should have been reported, in accordance with Article L 165-1 of the CMF. This amount may be increased fivefold if the violation is made by a legal entity.

Certain Exemptions (US 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.”

Differences in Corporate Law

We are a *société anonyme*, or S.A., incorporated under the laws of France. French *sociétés anonymes* differ from Delaware corporations. Set forth below is a summary of certain differences between the provisions of the French Commercial Code applicable to us and the Delaware General Corporation Law relating to shareholders’ rights and protections. This summary is not intended to be a complete discussion of the respective rights and it is qualified in its entirety by reference to Delaware law and French law.

FRANCE**DELAWARE**

Number of Directors	<p>Under French law, a <i>société anonyme</i> must have at least three and may have up to 18 directors. The number of directors is fixed by or in the manner provided in the by-laws. In addition, the composition of a board of directors endeavors to seek a balanced representation of women and men.</p> <p>Since January 1, 2017, the number of directors of each gender may not be less than 40% when the company is listed on a regulated market or when the company meets certain criteria of turnover and number of employees, if not listed on a regulated market. Any appointment made in violation of this limit that is not remedied as well as the deliberations taken by the director irregularly appointed will be null and void. The directors are appointed at the shareholders' general meetings.</p>	<p>Under Delaware law, a corporation must have at least one director and the number of directors shall be fixed by or in the manner provided in the by-laws, unless the certificate of incorporation fixes the number of directors.</p>
Director Qualifications	<p>Under French law, a corporation may prescribe qualifications for directors under its by-laws. In addition, under French law, directors of a corporation may be legal entities (with the exception of the Chairman of the board of directors), and such legal entities may designate an individual to represent them and to act on their behalf at meetings of the board of directors.</p>	<p>Under Delaware law, a corporation may prescribe qualifications for directors under its certificate of incorporation or by-laws. Under Delaware law, only individuals may be directors.</p>
Removal of Directors	<p>Under French law, directors may be removed from office, with or without cause, by the shareholders at any shareholders' general meeting without notice or justification, by a simple majority vote of the shareholders present and voting at the meeting in person or by proxy.</p>	<p>Under Delaware law, unless otherwise provided in the certificate of incorporation, directors may be removed from office, with or without cause, by a majority stockholder vote, though in the case of a corporation whose board of directors is classified, stockholders may effect such removal only for cause.</p>

Vacancies on the Board of Directors	Under French law, vacancies on the board of directors resulting from death or resignation, provided that at least three directors remain in office, may be filled by a majority of the remaining directors pending ratification at the next shareholders' general meeting.	Under Delaware law, vacancies on a corporation's board of directors, including those caused by an increase in the number of directors, unless otherwise provided in the certificate of incorporation, may be filled by stockholders or by a majority of the remaining directors (even though less than a quorum).
Annual General Meeting	Under French law, the annual general meeting of shareholders shall be held at such place, on such date and at such time as decided each year by the board of directors and notified to the shareholders in the convening notice of the annual meeting, within six months following the end of the relevant fiscal year unless such period is extended by court order.	Under Delaware law, the annual meeting of stockholders shall be held at such place, on such date and at such time as may be provided by the certificate of incorporation or by the by-laws, or by the board of directors if neither the certificate of incorporation or the by-laws so provide, provided that the court may order an annual meeting upon the application of a director or stockholder if a corporation has not held a meeting within 30 days of a date designated for the meeting or within 13 months after the latest of the company's organization, the last annual meeting or the last action by written consent to elect directors.
General Meeting	Under French law, general meetings of the shareholders may be called by the board of directors or, failing that, by the statutory auditors, or by a court appointed agent (<i>mandataire ad hoc</i>) or liquidator in certain circumstances, or by the majority shareholder in capital or voting rights following a public tender offer or exchange offer or the transfer of a controlling block on the date decided by the board of directors or the relevant person.	Under Delaware law, special meetings of the stockholders may be called by the board of directors or by such person or persons as may be authorized by the certificate of incorporation or by the by-laws.

Notice of General Meetings

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. This notice to shareholders holding registered shares may also be transmitted by electronic means of telecommunication, in lieu of any such mailing, to any shareholder requesting it beforehand by registered letter with acknowledgment of receipt in accordance with legal and regulatory requirements, specifying their e-mail address. When the shareholders' general meeting cannot deliberate due to lack of required quorum, the second meeting must be called at least ten calendar days in advance in the same manner as used for the first notice. The notice shall specify the name of the company, its legal form, share capital, registered office address, registration number with the French Registry of Trade and Companies (*registre du commerce et des sociétés*), the place, date, hour and agenda of the meeting and its nature (ordinary and/or extraordinary meeting). The convening notice must also indicate the conditions under which the shareholders may vote by correspondence and the places and conditions in which they can obtain voting forms by mail.

Under Delaware law, unless otherwise provided in the certificate of incorporation or by-laws, written notice of any meeting of the stockholders must be given to each stockholder entitled to vote at the meeting not less than ten nor more than 60 days before the date of the meeting and shall specify the place, date, hour, means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present in person and vote, the record date for voting if it is different from the record date for determining notice and purpose or purposes of the meeting.

Proxy	<p>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. 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 to the Company. Under French law, a proxy that is returned without instructions will be counted as present for purposes of the quorum and will be counted (i) in favor of the adoption of the draft resolutions presented or approved by the board of directors and (ii) against the adoption of all other draft resolutions which were not expressly presented or approved by the board of directors. The proxy is only valid for a single meeting or for successive meetings convened with the same agenda. It can also be granted for two shareholders' general meetings, one ordinary, and the other extraordinary, held on the same day or within a period of 15 days.</p>	<p>Under Delaware law, at any meeting of stockholders, a stockholder may designate another person to act for such stockholder by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. A director of a Delaware corporation may not issue a proxy representing the director's voting rights as a director.</p>
Shareholder Action by Written Consent	<p>Under French law, shareholders' action by written consent is not permitted in a <i>société anonyme</i>.</p>	<p>Under Delaware law, a corporation's certificate of incorporation (1) may permit stockholders to act by written consent if such action is signed by all stockholders, (2) may permit stockholders to act by written consent signed by stockholders having the minimum number of votes that would be necessary to take such action at a meeting or (3) may prohibit actions by written consent.</p>

Preemptive Rights	<p>Under French law, in case of issuance of additional shares or other securities for cash or set-off against cash debts, the existing shareholders have preferential subscription rights (<i>droits préférentiels de souscription</i>) to these securities on a <i>pro rata</i> of his/her share ownership unless such rights are waived by a two-thirds majority of the votes held by the shareholders present or represented at the extraordinary general meeting deciding or authorizing the capital increase, voting in person or represented by proxy or voting by mail. In case such preferential subscription rights have not been waived by the shareholders' extraordinary general meeting, each shareholder may individually either exercise, assign or not exercise its preferential subscription rights. Further, preferential subscription rights may only be exercised during the subscription period. In accordance with French law, the exercise period cannot be less than five trading days in duration. Preferential subscription rights are transferable during the subscription period, but starting two business days prior to the start of the subscription period and ending two business days prior to its closing.</p>	<p>Under Delaware law, unless otherwise provided in a corporation's certificate of incorporation, a stockholder does not, by operation of law, possess preemptive rights to subscribe to additional issuances of the corporation's stock or to any security convertible into such stock.</p>
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Sources of
Dividends

Under French law, dividends may only be paid by a French *société anonyme* out of “distributable profits” (*bénéfices distribuables*) plus any distributable reserves and “distributable premium” that the shareholders decide to make available for distribution, other than those reserves that are specifically required by law.

“Distributable profits” (*bénéfices distribuables*) consist of the unconsolidated net profits of the relevant corporation for each fiscal year, as increased or reduced by any profit or loss carried forward from prior years.

“Distributable premium” refers to the contribution paid by the shareholders in addition to the par value of their ordinary shares for their subscription that the shareholders decide to make available for distribution.

Except in case of a share capital reduction, no distribution can be made to the shareholders when the net equity is, or would become, lower than the amount of the share capital plus the reserves which cannot be distributed in accordance with the law or the company's by-laws.

Under Delaware law, subject to any restrictions under a corporation's certificate of incorporation, dividends may be paid by a Delaware corporation either out of (1) surplus as defined in and computed in accordance with Delaware law or (2) in case there is no such surplus, out of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year, except when the capital is diminished by depreciation in the value of its property, or by losses, or otherwise, to an amount less than the aggregate amount of capital represented by issued and outstanding stock having a preference on the distribution of assets.

Repurchase of
Ordinary Shares

Pursuant to French law, a company whose shares are not admitted to trading on a regulated market subject to the provisions of Article L. 433-3 II of the French Monetary and Financial Code, 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, (b) to provide shares for distribution to employees under a profit sharing or a stock option plan, (c) to offer shares as payment in exchange for assets acquired by the company in the context of an external growth, merger, demerger or contribution transaction and (d) to provide shares to shareholders as part of a sale procedure organized by the company. However, the company may not hold more than 10% of its shares then-issued and 5% for a repurchase of shares to offer them as payment or in exchange for assets acquired by the company in the context of an external growth, merger, demerger or contribution transaction. 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.

Under Delaware law, a corporation may generally redeem or repurchase shares of its stock unless the capital of the corporation is impaired or such redemption or repurchase would impair the capital of the corporation.

Liability of Directors	<p>Under French law, the company's by-laws may not include any provisions limiting the liability of directors. Civil liabilities of the directors may be sought for (1) an infringement of laws and regulations applicable to a company, (2) breach of the by-laws and (3) management failure.</p>	<p>Under Delaware law, a corporation's certificate of incorporation may include a provision eliminating or limiting the personal liability of a director to the corporation and its stockholders for damages arising from a breach of fiduciary duty as a director. However, no provision can limit the liability of a director for:</p> <ul style="list-style-type: none">• any breach of the director's duty of loyalty to the corporation or its stockholders;• acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;• intentional or negligent payment of unlawful dividends or stock purchases or redemptions; or• any transaction from which the director derives an improper personal benefit.
Voting Rights	<p>French law provides that, unless otherwise provided in the by-laws, each shareholder is entitled to one vote for each share of capital stock held by such shareholder.</p>	<p>Delaware law provides that, unless otherwise provided in the certificate of incorporation, each stockholder is entitled to one vote for each share of capital stock held by such stockholder.</p>

Shareholder Vote on Certain Transactions Generally, under French law, completion of a merger, dissolution, sale, lease or exchange of all or substantially all of a corporation's assets requires:

- the approval of the board of directors; and
- approval by a two-thirds majority of the votes held by the shareholders present, represented by proxy or voting by mail at the relevant shareholders' meeting or, in the case of a merger that will result in an increase of the shareholders' commitments or with a non-EU company, approval of all shareholders of the corporation (by exception, the extraordinary general meeting of the acquiring company may delegate to the board of directors authority to decide a merger-absorption or to determine the terms and conditions of the merger plan).

Generally, under Delaware law, unless the certificate of incorporation provides for the vote of a larger portion of the stock or under certain circumstances, completion of a merger, consolidation, sale, lease or exchange of all or substantially all of a corporation's assets or dissolution requires:

- the approval of the board of directors; and
 - approval by the vote of the holders of a majority of the outstanding stock or, if the certificate of incorporation provides for more or less than one vote per share, a majority of the votes of the outstanding stock of a corporation entitled to vote on the matter.
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Dissent or
Dissenters'
Appraisal Rights

French law does not provide for any such right but provides that a merger is subject, depending on the circumstances of the merger, to shareholders' approval by a two-thirds majority vote, or unanimous decisions of the shareholders, as stated above.

Under Delaware law, a holder of shares of any class or series has the right, in specified circumstances, to dissent from a merger or consolidation by demanding payment in cash for the stockholder's shares equal to the fair value of those shares, as determined by the Delaware Chancery Court in an action timely brought by the corporation or a dissenting stockholder. Unless otherwise provided in the certificate of incorporation, Delaware law grants these appraisal rights only in the case of mergers or consolidations and not in the case of a sale or transfer of assets or a purchase of assets for stock. Further, no appraisal rights are available for shares of any class or series that is listed on a national securities exchange or held of record by more than 2,000 stockholders, unless the agreement of merger or consolidation requires the holders to accept for their shares anything other than:

- shares of stock of the surviving corporation;
- shares of stock of another corporation that are either listed on a national securities exchange or held of record by more than 2,000 stockholders;
- cash in lieu of fractional shares of the stock described in the two preceding bullet points; or
- any combination of the above.

In addition, appraisal rights are not available to holders of shares of the surviving corporation in specified mergers that do not require the vote of the stockholders of the surviving corporation.

Standard of Conduct for Directors	<p>French law does not contain specific provisions setting forth the standard of conduct of a director. However, directors have a duty of loyalty, a duty to act without self-interest, on a well-informed basis and they cannot make any decision against a corporation's corporate interest (<i>intérêt social</i>) taking into consideration the social and environmental aspects of their activity, where applicable.</p>	<p>Delaware law does not contain specific provisions setting forth the standard of conduct of a director. The scope of the fiduciary duties of directors is generally determined by the courts of the State of Delaware. In general, directors have a duty to act without self-interest, on a well-informed basis and in a manner they reasonably believe to be in the best interest of the stockholders.</p>
Shareholder Suits	<p>French law provides that a shareholder, or a group of shareholders, may initiate a legal action to seek indemnification from the directors of a corporation in the corporation's corporate interest if it fails to bring such legal action itself. If so, any damages awarded by the court are paid to the corporation and legal fees relating to such action may be borne by the relevant shareholder or the group of shareholders.</p> <p>The plaintiff must remain a shareholder through the duration of the legal action.</p> <p>There is no other case where shareholders may initiate a derivative action to enforce a right of a corporation.</p> <p>A shareholder may alternatively or cumulatively bring individual legal action against the directors, provided he has suffered distinct damages from those suffered by the corporation. In this case, any damages awarded by the court are paid to the relevant shareholder.</p>	<p>Under Delaware law, a stockholder may initiate a derivative action to enforce a right of a corporation if the corporation fails to enforce the right itself. The complaint must:</p> <ul style="list-style-type: none"> • state that the plaintiff was a stockholder at the time of the transaction of which the plaintiff complains or that the plaintiff's shares thereafter devolved on the plaintiff by operation of law; and • allege with particularity the efforts made by the plaintiff to obtain the action the plaintiff desires from the directors and the reasons for the plaintiff's failure to obtain the action; or • state the reasons for not making the effort. <p>Additionally, the plaintiff must remain a stockholder through the duration of the derivative suit. The action will not be dismissed or compromised without the approval of the Delaware Court of Chancery.</p>

Amendment of Certificate of Incorporation	Under French law, corporations are not required to file a certificate of incorporation with the French Registry of Trade and Companies (<i>registre du commerce et des sociétés</i>) and only have by-laws (<i>statuts</i>) as organizational documents. As indicated in the paragraph below, only the extraordinary shareholders' meeting is authorized to adopt or amend the by-laws.	Under Delaware law, generally a corporation may amend its certificate of incorporation if: <ul style="list-style-type: none"> • its board of directors has adopted a resolution setting forth the amendment proposed and declared its advisability; and • the amendment is adopted by the affirmative votes of a majority (or greater percentage as may be specified by the corporation) of the voting power of the outstanding shares entitled to vote on the amendment and a majority (or greater percentage as may be specified by the corporation) of the voting power of the outstanding shares of each class or series of stock, if any, entitled to vote on the amendment as a class or series.
Amendment of By-laws	Under French law, only the extraordinary shareholders' meeting is authorized to adopt or amend the by-laws. The extraordinary shareholders' meeting may authorize the board of directors to amend the by-laws to comply with legal provisions, subject to the ratification of such amendments by the next extraordinary shareholders' meeting. The board of directors is authorized to amend the by-laws as a result of a decision to relocate the company's registered office in France, subject to ratification by the next ordinary shareholders' meeting.	Under Delaware law, the stockholders entitled to vote have the power to adopt, amend or repeal by-laws. A corporation may also confer, in its certificate of incorporation, that power upon the board of directors.

American Depositary Shares

The description below reflects certain terms of the deposit agreement, and summarizes the material rights of holders of our ADSs.

You may hold ADSs either directly or indirectly through your broker or other financial institution. If you hold ADSs directly, you are an ADS holder. This description assumes you hold your ADSs directly. If you hold the ADSs indirectly, you must rely on the procedures of your broker or other financial institution to assert the rights of ADS holders described in this section. You should consult with your broker or financial institution to find out what those procedures are.

As an ADS holder, we will not treat you as one of our shareholders and you will not have shareholder rights. French law governs the rights of holders of our ordinary shares. The depositary will be the holder of the shares underlying your ADSs. As a holder of ADSs, you will have ADS holder rights. A deposit agreement among us, the depositary and you, as an ADS holder, and the beneficial owners of ADSs set out ADR holder rights as well as the rights and obligations of the depositary. New York law governs the deposit agreement and the ADRs.

We refer to the shares that are at any time deposited or deemed deposited under the deposit agreement and any and all other securities, cash and property received by the depositary or the custodian in respect thereof and at such time held under the deposit agreement as "Deposited Securities."

The following is a summary of the material provisions of the deposit agreement. For more complete information, you should read the entire deposit agreement and the form of ADR.

Deposit, Transfer and Withdrawal

French law provides that ownership of shares generally be evidenced only by an inscription in an account in the name of the holder maintained by either the issuer or an authorized intermediary such as a bank. See above "Ordinary Shares Form and Holding of Shares (French law)." Thus, all references to the deposit, surrender and delivery of our shares refer only to book-entry transfers and do not contemplate the physical transfers of certificates representing the shares in France.

The depositary has agreed, subject to the terms and conditions of the deposit agreement, that upon notice from the custodian of deposit of our shares, or evidence of rights to receive our shares, and pursuant to appropriate instruments of transfer, it will deliver through its Corporate Trust Office to the person or persons specified by the depositor, ADSs registered in the name or names of such person or persons for the number of ADSs issuable in respect of such deposit, upon payment to the depositary of its fees and expenses and of any taxes or charges.

Upon surrender of ADSs at the Corporate Trust Office of the depositary for the purpose of withdrawal of the Deposited Securities represented by the ADSs, payment of the fees, governmental charges and taxes provided in the deposit agreement and payment of all taxes and governmental charges payable in connection with such surrender and withdrawal, and subject to the provisions of the deposit agreement, the Company's articles of association and the Deposited Securities, the ADS holder is entitled to delivery to it or upon its order of the shares and any other Deposited Securities at the time represented by the ADSs at the Corporate Trust Office of the depositary or at the office of the custodian in Paris. The forwarding for delivery at the Corporate Trust Office of the depositary of cash, other property (other than rights) and documents of title for such delivery will be at the request, risk and expense of the ADS holder.

Dividends, Other Distributions and Rights

Subject to any restrictions imposed by applicable law, regulations or applicable permits, the depositary will be required to convert or cause to be converted into U.S. dollars, to the extent it can do so on a reasonable basis and can transfer the resulting U.S. dollars to the United States, within one business day or as promptly as practicable, all cash dividends and other cash distributions denominated in a currency other than U.S. dollars, or foreign currency, including euros, that it receives in respect of the Deposited Securities and to distribute the resulting dollar amount (net of fees and expenses of the depositary) as promptly as practicable to the owners of the ADSs entitled thereto, in proportion to the number of ADSs representing such Deposited Securities held by them. Such distribution may be made upon an averaged or other practicable basis without regard to any distinctions among owners on account of exchange restrictions or the date of delivery of any ADSs or otherwise. The amount distributed will be reduced by any amount on account of taxes to be withheld by us or the depositary.

If any foreign currency cannot be converted to U.S. dollars in whole or in part, and transferred, or if any approval or license of any government or agency thereof which is required for such conversion is denied or in the opinion of the depositary cannot be promptly obtained, the depositary shall, as to the portion of the foreign currency that is convertible, make such conversion and distribution in U.S. dollars to the extent permissible to the owners entitled thereto, and as to the non-convertible balance, distribute foreign currency received by it to each owner requesting in writing such distribution

and hold the balance of such foreign currency not so distributed uninvested for the respective accounts of the owners of ADRs entitled thereto, without liability for the interest thereon.

If we declare a dividend in, or free distribution of, our shares, the depositary may, upon prior consultation with and approval of us, and shall if we so request, distribute to the owners, in proportion to the number of ADSs representing such Deposited Securities held by them, respectively, an aggregate number of ADSs that represents the amount of shares received as such dividend or free distribution in respect of such Deposited Securities, subject to the terms and conditions of the deposit agreement with respect to the deposit of our shares and the issuance of ADSs, including the withholding of any tax or other governmental charge and the payment of fees of the depositary. The depositary may withhold any such distribution of ADRs if it has not received satisfactory assurances from us that such distribution does not require registration under the Securities Act or is exempt from registration under the provisions of such the Securities Act. In lieu of delivering fractional ADSs in the event of any such dividend or free distribution, the depositary will sell the amount of shares represented by the aggregate of such fractions and distribute the net proceeds in accordance with the deposit agreement. Each ADS shall thenceforth also represent the additional shares distributed upon the Deposited Securities represented thereby.

If we offer or cause to be offered to the holders of any Deposited Securities any rights to subscribe for additional shares or any rights of any other nature, the depositary, after consultation with us, will have discretion as to the procedure to be followed in making such rights available to any owners of ADRs or in disposing of such rights for the benefit of any owners and making the net proceeds available to such owners or, if by the terms of such rights offering or for any other reason, the depositary may not either make such rights available to any owners or dispose of such rights and make the net proceeds available to such owners, or if by the terms of such rights offering or for any other reason, the depositary may not either make such rights available to any owners or dispose of such rights and make the net proceeds available to such owners, then the depositary shall allow the rights to lapse; provided, however, if at the time of the offering of any rights the depositary determines that it is lawful and feasible to make such rights available to all owners or to certain owners of ADSs but not to other owners, the depositary may, and at our request will, distribute to any owner to whom it determines the distribution to be lawful and feasible, in proportion to the number of ADSs held by such owner, warrants or other instruments therefor in such form as it deems appropriate.

If the depositary determines in its discretion that it is not lawful and feasible to make such rights available to all or certain owners, it may, and at our request will, sell the rights, warrants or other instruments in proportion to the number of ADSs held by the owner to whom it has determined it may not lawfully or feasibly make such rights available, and allocate the net proceeds of such sales (net of the fees of the depositary as provided in the deposit agreement, any expenses in connection with such sale and all taxes and governmental charges payable in connection with such rights and subject to the terms and conditions of the deposit agreement) for the account of such owners otherwise entitled to such rights, warrants or other instruments, upon an averaged or other practical basis without regard to any distinctions among such owners because of exchange restrictions or the date of delivery of any ADSs, or otherwise. The depositary will not be responsible for any failure to determine that it may be lawful or feasible to make such rights available to owners in general or any owner or owners in particular. See Item 3, “—Risk Factors—Risks Relating to Ownership of our Ordinary Shares and the ADSs—Preferential subscription rights may not be available for U.S. persons” in our Annual Report.

In circumstances in which rights would not otherwise be distributed, if an owner of ADSs requests the distribution of warrants or other instruments in order to exercise the rights allocable to the ADSs of such owner, the depositary will make such rights available to such owner upon written notice from us to the depositary that (a) we have elected in our sole discretion to permit such rights to be exercised and (b) such owner has executed such documents as we have determined in our sole discretion are reasonably required under applicable law.

If the depositary has distributed warrants or other instruments for rights, upon instruction pursuant to such warrants or other instruments to the depositary from such owner to exercise such rights, upon payment by such owner to the depositary for the account of such owner of an amount equal to the purchase price of our shares to be received upon exercise of the rights, and upon payment of the fees of the depositary as set forth in such warrants or other instruments, the depositary will, on behalf of such owner, exercise the rights and purchase the shares, and we shall cause the shares so purchased to be delivered to the depositary on behalf of such owner. As agent for such owner, the depositary will cause the shares so purchased to be deposited, and will deliver the ADSs to such owner pursuant to the deposit agreement.

The depositary will not offer rights to owners of ADSs unless both the rights and the securities to which such rights relate are either exempt from or not subject to registration under the Securities Act with respect to a distribution to all owners or are registered under the provisions of the Securities Act. Notwithstanding any terms of the deposit agreement to the contrary, we shall have no obligation to prepare and file a registration statement for any purpose. The depositary will not be responsible for any failure to determine that it may be lawful or feasible to make such rights available to owners in general or any owner or owners in particular.

Whenever the depositary shall receive any distribution other than cash, our shares or rights in respect of the Deposited Securities, the depositary will cause the securities or property received by it to be distributed to the owners entitled thereto, after deduction or upon payment of any fees and expenses of the depositary or any taxes or other governmental charges, in proportion to the respective holdings of the owners, in any manner that the depositary, after consultation with us, may reasonably deem equitable and practicable for accomplishing such distribution. If, in the opinion of the depositary, such distribution cannot be made proportionately among the owners entitled thereto, or if for any other reason (including any requirement that we or the depositary withhold an amount on account of taxes or other governmental charges or that such securities must be registered under the Securities Act in order to be distributed) the depositary deems such distribution not feasible, the depositary may, after consultation with us, adopt such method as we may reasonably deem equitable and practicable for the purpose of effecting such distribution, including, but not limited to, the public or private sale of the securities or property thus received, or any part thereof, with the net proceeds of any such sale (net of the fees of the depositary) to be distributed by the depositary to the owners of ADSs entitled thereto as in the case of a distribution received in cash.

Whenever the depositary receives notice from us that we have declared a dividend or other distribution payable in our shares or cash at the election of each holder of our shares, or as otherwise payable if no such election is made pursuant to the terms of the relevant distribution, the depositary will mail a notice to the owners of the ADSs informing them of the distribution and stating that owners of ADSs will be entitled, subject to any applicable provisions of French law, our articles of association or the relevant terms of such distribution, to instruct the depositary as to the form in which such owner elects to receive the distribution. Upon a timely written request from an owner, the depositary will endeavor, insofar as practicable, to make the requested election and distribute cash or shares, as the case may be, to such owners in accordance with the terms of the deposit agreement. If the depositary does not receive timely instructions from any owner of ADSs as to such owner's election, the depositary will not make any election with respect to the shares represented by such owner's ADSs and will distribute the shares or cash it receives, if any, in respect of such shares to the relevant owner.

If the depositary determines that any distribution of property other than cash (including our shares and rights to subscribe therefore) is subject to any tax or other governmental charge which the depositary is obligated to withhold, the depositary may, by public or private sale, dispose of all or a portion of such property in such amounts and in such manner as the depositary deems necessary and practicable to pay such taxes or charges and the depositary will distribute the net proceeds of any such sale after deduction of such taxes or charges to the owners of ADSs entitled thereto in proportion to the number of ADSs held by them, respectively.

Upon any change in nominal or par value, split-up, consolidation or any other reclassification of Deposited Securities, or upon any recapitalization, reorganization, merger or consolidation or sale of assets affecting us or to which we are a party, any securities that shall be received by the depositary or custodian in exchange for, in conversion of, or in respect of Deposited Securities will be treated as new Deposited Securities under the deposit agreement, and the ADSs will thenceforth represent, in addition to the existing Deposited Securities, the right to receive the new Deposited Securities so received in exchange or conversion, unless additional ADSs are delivered pursuant to the following sentence. In any such case the depositary may, with our approval and will if we so request, execute and deliver additional ADSs as in the case of a distribution in shares, or call for the surrender of outstanding ADSs to be exchanged for new ADSs specifically describing such new Deposited Securities.

Record Dates

Whenever any cash dividend or other cash distribution becomes payable or any distribution other than cash is made, or whenever rights shall be issued with respect to the Deposited Securities, or whenever for any reason the

depository gives effect to a change in the number of our shares that are represented by each ADS, or whenever the depository shall receive notice of any meeting of holders of shares or other Deposited Securities, or whenever the depository shall find it necessary or convenient, the depository will fix a record date, which shall be the same date as for the shares or a date fixed after consultation with us and as close thereto as practicable (i) for the determination of the owners of ADRs who shall be (a) entitled to receive such dividend, distribution or rights, or the net proceeds of the sale thereof, or (b) entitled to give instructions for the exercise of voting rights at any such meeting, (ii) for fixing the date on or after which each ADS will represent the changed number of shares, all subject to the provisions of the deposit agreement or (iii) to facilitate any other matter for which the record date was set.

Voting of Deposited Securities

The procedures described herein must be followed in order for owners of ADSs to give voting instructions in respect of the underlying shares.

We will use reasonable efforts to request that the depository notify owners of ADSs of upcoming votes and ask for voting instructions from such owners. Upon receipt by the depository of notice of any meeting of holders of shares or other Deposited Securities, the depository shall, at our request, mail to the owners of the ADRs (i) a copy or summary in English of the notice of such meeting sent by us, (ii) a statement that such owner as of the close of business on a record date established by the depository pursuant to the deposit agreement will be entitled, subject to any applicable provisions of French law, our articles of association and the Deposited Securities (which provisions, if any, will be summarized in pertinent part in such statement), to instruct the depository with regard to the exercise of the voting rights, if any, pertaining to the shares or other Deposited Securities represented by such owner's ADSs, (iii) copies or summaries in English of any materials or other documents provided by us for the purpose of enabling such owners to give instructions for the exercise of such voting rights, and (iv) a voting instruction card setting forth the date established by the depository for the receipt of such voting instruction card, the "Receipt Date." The voting instruction card shall include an express indication that such instructions may be given or deemed given (as explained below) (a) if no voting instruction card is received by the depository on or before the Receipt Date, (b) if the depository receives an improperly completed or blank voting instruction card or (c) if the voting instructions included in the voting instruction card are illegible or unclear. Voting instructions may be given only in respect of a number of ADSs representing an integral number of shares. For a discussion of certain requirements relating to an ADR holder's right to vote, see above "Ordinary Shares—Attendance and Voting at Shareholders' Meetings (French law)."

Upon receipt by the depository from an owner of ADSs of a properly completed voting instruction card on or before the Receipt Date, the depository will either, in its discretion (i) use reasonable efforts, insofar as practical and permitted under any applicable provisions of French law and our articles of association, to vote or cause to be voted the shares represented by such ADSs in accordance with any non-discretionary instructions set forth in such voting instruction card or (ii) forward such instructions to the custodian and the custodian will use its reasonable efforts, insofar as practical and permitted under any applicable provisions of French law and our articles of association, to vote or cause to be voted the shares represented by such ADSs in accordance with any non-discretionary instructions set forth in such voting instruction card. If no voting instruction card is received by the depository from an owner with respect to any of the shares represented by such owner's ADSs on or before the Receipt Date, or if the voting instruction card is improperly completed or blank, or if the voting instructions included in the voting instruction card are illegible or unclear, such owner shall be deemed to have instructed the depository to vote such shares and the depository 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.

We and the depository may modify or amend the above voting procedures or adopt additional voting procedures from time to time as we and the depository determine may be necessary or appropriate to comply with French or United States law or our articles of association. There can be no assurance that such modifications, amendments or additional voting procedures will not limit the practical ability of owners and beneficial owners of ADSs to give voting instructions in respect of the shares represented by ADSs or will not include restrictions on the ability of owners and beneficial owners of ADSs to sell ADSs during a specified period of time prior to a shareholders' meeting.

Reports and Other Communications

The depositary will make available for inspection by owners of ADSs at its Corporate Trust Office any reports, notices and other communications, including any proxy soliciting material, received from us, which are both (a) received by the depositary, the custodian or a nominee of either as the holder or the Deposited Securities and (b) transmitted to the holders of our shares or other Deposited Securities by us. The depositary will also, at our request, send to the owners copies of such reports, notices and communications when furnished by us pursuant to the deposit agreement, including English-language versions, as applicable, of any such reports, notices and communications.

Amendment and Termination of the Deposit Agreement

The form of ADSs and any provisions of the deposit agreement may at any time and from time to time be amended by agreement between us and the depositary in any respect which we and the depositary may deem necessary or desirable without the consent of the owners of ADSs. However, any amendment that imposes or increases any fees or charges (other than taxes and other governmental charges, registration fees, cable, telex or facsimile transmission costs, delivery costs or other such expenses), or which otherwise prejudices any substantial existing right of ADS owners, will not take effect as to outstanding ADSs until the expiration of 30 days after notice of any amendment has been given to the owners of outstanding ADSs. Every owner of an ADS at the time any such amendment so becomes effective, will be deemed, by continuing to hold such ADS, to consent and agree to such amendment and to be bound by the deposit agreement as amended thereby. In no event will any amendment impair the right of any owner of an ADS to surrender such ADS and receive therefor the Deposited Securities represented thereby, except to comply with mandatory provisions of applicable law.

The depositary will at any time at our direction terminate the deposit agreement by mailing notice of such termination to the owners of the ADSs then outstanding 30 days prior to the date fixed in such notice for such termination. The depositary may likewise terminate the deposit agreement by mailing notice of such termination to us and the owners of all ADSs then outstanding, if any time 60 days having expired after the depositary will have delivered to us written notice of its election to resign and a successor depositary shall not have been appointed and accepted its appointment, in accordance with the terms of the deposit agreement. If any ADSs remain outstanding after the date of termination of the deposit agreement, the depositary thereafter will discontinue the registration of transfers of ADSs, will suspend the distribution of dividends to the owners thereof and will not give any further notices or perform any further acts under the deposit agreement, except the collection of dividends and other distributions pertaining to the Deposited Securities, the sale of rights and other property and the delivery of underlying shares, together with any dividends or other distributions received with respect thereto and the net proceeds of the sale of any rights or other property, in exchange for surrendered ADSs (after deducting the fees of the depositary and other expenses set forth in the deposit agreement). At any time after the expiration of one year from the date of termination, the depositary may sell the Deposited Securities then held thereunder and hold uninvested the net proceeds of such sale together with any other cash, unsegregated and without liability for interest, for the *pro rata* benefit of the owners that have not theretofore surrendered their ADSs, such owners thereupon becoming general creditors of the depositary with respect to such net proceeds. After making such a sale, the depositary will be discharged from all obligations under the deposit agreement, except to account for net proceeds and other cash (after deducting the fees of the depositary and other expenses set forth in the deposit agreement and any applicable taxes or other governmental charges).

Charges of Depositary

The depositary will charge any party depositing or withdrawing shares or any party surrendering ADSs or to whom ADSs are issued (including, without limitation, issuance pursuant to a stock dividend or stock split declared by the Company or an exchange of stock regarding the ADSs or Deposited Securities or a distribution of ADSs pursuant to the deposit agreement) where applicable; (1) taxes and other governmental charges; (2) such registration fees as may from time to time be in effect for the registration of transfers of shares generally on the share register of the Company (or any appointed agent of the Company for transfers and registration of shares) and applicable to transfers of shares to the name of the depositary or its nominee or the custodian or its nominee on the making of deposits or withdrawals; (3) such cable, telex and facsimile transmissions expenses as are expressly provided in the deposit agreement; (4) such expenses as are incurred by the depositary in the conversion of foreign currency pursuant to the deposit agreement; (5) a fee of \$5.00 or

less per 100 ADSs (or portion thereof) for the delivery and for the surrender of ADSs pursuant to the deposit agreement; (6) a fee of \$0.02 or less per ADS (or portion thereof) for any cash distribution pursuant to the deposit agreement; and (7) a fee for the distribution of securities other than shares under the deposit agreement, such fee being in an amount equal to the fee for the delivery referred to above which would have been charged as a result of the deposit of such securities and (treating all such securities as if they were shares) if they had not been instead distributed by the depositary to owners of the ADSs.

The depositary, pursuant to the deposit agreement, may own and deal in any class of our securities and in ADSs.

Liability of Owner for Taxes

If any tax or other governmental charge shall become payable by the custodian or the depositary with respect to any ADS or any Deposited Securities represented by the ADSs evidenced by such ADS, such tax or other governmental charge will be payable by the owner of such ADS to the depositary. The depositary may refuse to effect any transfer of such ADS or any withdrawal of Deposited Securities underlying such ADS and may apply such dividends, distributions or the proceeds of any such sale to pay any such tax or other governmental charge and the owner of such ADS will remain liable for any deficiency.

Transfer of American Depositary Shares

The ADSs are transferable on the books of the depositary, provided that the depositary may close the transfer books (when other than in the ordinary course of business in consultation with us to the extent practicable) at any time, or from time to time, when deemed expedient by it in connection with the performance of its duties or at our written request. As a condition precedent to the execution and delivery, registration of transfer, split-up, combination or surrender of any ADS, the delivery of any distribution thereon, or withdrawal of any Deposited Securities, the Company, depositary, custodian or Registrar may require payment from the owner of the ADS or the depositor of the shares of a sum sufficient to reimburse it for any tax or other governmental charge and any stock transfer, registration or conversion fee with respect thereto (including any such tax or charge and fee with respect to shares being deposited or withdrawn) and payment of any applicable fees payable by the holders of ADSs.

The depositary may refuse to effect the transfer of the ADSs, to register the transfer of any ADS or to make any distribution on, or related to, shares until it has received such proof of citizenship or residence, exchange control approval or other information as it may deem necessary or proper. The delivery, transfer, registration of transfer of outstanding ADSs and surrender of ADSs generally may be suspended or refused during any period when the transfer books of the depositary, the Company and the Registrar are closed or if any such action is deemed necessary or advisable by the depositary or the Company, at any time or from time to time subject to the provisions of the deposit agreement. Notwithstanding anything in the deposit agreement to the contrary, the surrender of outstanding ADSs and the withdrawal of Deposited Securities may not be suspended except as permitted in General Instruction I(A)(1) to Form F-6 (as such form may be amended from time to time) under the Securities Act, which currently permits suspension only in connection with (i) temporary delays caused by closing the transfer books of the depositary or the Company or the deposit of shares in connection with voting at a shareholders' meeting or the payment of dividends, (ii) the payment of fees, taxes and similar charges and (iii) compliance with any U.S. or foreign laws or governmental regulations relating to the ADSs or the withdrawal of the Deposited Securities. See above "American Depositary Shares—Voting of Deposited Securities" with respect to additional transfer restrictions.

Acquisitions of ADSs

Pursuant to the terms of the deposit agreement, all notifications and approvals required pursuant to our articles of association or under French law in connection with the acquisition of shares are applicable in all respects.

General

Neither the depositary nor we, nor our respective directors, employees, agents or controlling persons (as defined under the Securities Act) will be liable to any owner or beneficial owner of ADSs if by reason of any provision of any

present or future law or regulation of the United States, France or any other country, or of any other governmental or regulatory authority or stock exchange or by reason of any provision, present or future, of our articles of association, or by reason of any act of God or war or other circumstance beyond its or our control, the depositary or us or any of its or our directors, employees, agents or controlling persons (as defined under the Securities Act) shall be prevented, delayed or forbidden from, or be subject to any civil or criminal penalty on account of, doing or performing any act or thing which by the terms of the deposit agreement or the Deposited Securities it is provided will be done or performed; nor will we or the depositary incur any liability to any owner or beneficial owner of ADSs by reason of any nonperformance or delay, caused as aforesaid, in the performance of any act or thing which by the terms of the deposit agreement it is provided will or may be done or performed, or by reason of any exercise of, or failure to exercise, any discretion provided for under the deposit agreement or our articles of association.

We and the depositary assume no obligation, nor shall either we or the depositary be subject to any liability under the deposit agreement, except that each agrees to perform their respective obligations specifically set forth therein without negligence or bad faith.

The depositary will keep books at its Corporate Trust Office in The City of New York for the registration of transfers of ADSs, which at all reasonable times will be open for inspection by the owners of ADSs, provided that such inspection will not be for the purpose of communicating with owners in the interest of a business or object other than our business or a matter related to the deposit agreement or the ADSs.

The depositary may appoint one or more co-transfer agents for the purposes of effecting transfers, combinations and split-ups of ADSs at designated transfer offices on behalf of the depositary. In carrying out its functions, a co-transfer agent may require evidence of authority and compliance with applicable laws and other requirements by owners or persons entitled to ADSs and will be entitled to protection and indemnity to the same extent as the depositary.

Governing Law

The deposit agreement and the ADSs are governed by the laws of the State of New York.

Annual Certification
Pursuant to Section 302 of Sarbanes-Oxley Act of 2002

Certification by the Principal Executive Officer pursuant to Securities Exchange Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Ryan Rhodes, 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: March 28, 2024

/s/ RYAN RHODES
Title: Chief Executive Officer

**Annual Certification
Pursuant to Section 302 of Sarbanes-Oxley Act of 2002**

I, Ken Mobeck, 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: March 28, 2024

/s/ KEN MOBECK
Title: Chief Financial Officer

**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, 2023 (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 the information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 28, 2024

/s/ RYAN RHODES
Ryan Rhodes
Chief Executive Officer

Dated: March 28, 2024

/s/ KEN MOBECK
Ken Mobeck
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.

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the registration statements No. 333-268265, No. 333-261182, No. 333-259857, No. 333-257142 and No. 333-217160 on Form S-8 and No. 333-255101 on Form F-3 of our reports dated March 28, 2024, with respect to the consolidated financial statements of EDAP TMS S.A. and subsidiaries, and the effectiveness of internal control over financial reporting.

Lyon, March 28, 2024

KPMG S.A

Stéphane Gabriel Devin
Partner

EDAP TMS S.A.
Clawback Policy
Effective November 8, 2023

Purpose

As required pursuant to Rule 5608 of the listing standards of the Nasdaq Stock Market LLC (the “*Stock Exchange*”), Section 10D of the Securities Exchange Act of 1934, as amended (the “*Exchange Act*”), and Rule 10D-1 under the Exchange Act, the Board of Directors (the “*Board*”) of EDAP TMS S.A. (the “*Company*”), upon the recommendation of the Compensation Committee (the “*Committee*”), has adopted this Clawback Policy (the “*Policy*”) to empower the Company to recover Covered Compensation (as defined below) erroneously awarded to a Covered Officer (as defined below) in the event of an Accounting Restatement (as defined below).

Notwithstanding anything in this Policy to the contrary, at all times, this Policy remains subject to interpretation and operation in accordance with the final rules and regulations promulgated by the U.S. Securities and Exchange Commission (the “*SEC*”), the final listing standards adopted by the Stock Exchange, and any applicable SEC or Stock Exchange guidance or interpretations issued from time to time regarding such Covered Compensation recovery requirements (collectively, the “*Final Guidance*”). Questions regarding this Policy should be directed to the Head of Legal Affairs.

Policy Statement

Unless a Clawback Exception (as defined below) applies, the Company will recover reasonably promptly from each Covered Officer the Covered Compensation Received (as defined below) by such Covered Officer in the event that the Company is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (each, an “*Accounting Restatement*”). If a Clawback Exception applies with respect to a Covered Officer, the Company may forgo such recovery under this Policy from such Covered Officer.

Covered Officers

For purposes of this Policy, “*Covered Officer*” is defined as any current or former “*officer*” which include, at a minimum, the Company’s chief executive officer, principal financial officer, principal accounting officer (or if there is no such accounting officer, the controller), any vice-president of the Company in charge of a principal business unit, division, or function (such as sales, administration, or finance), any other officer who performs a policy-making function, or any other person who performs similar policy-making functions for the Company. Officers of the Company’s parent(s) or subsidiaries are deemed officers of the Company if they perform such policy-making functions for the Company. Policy-making function is not intended to include policy-making functions that are not significant.

The determination of who constitutes a Covered Officer shall be made by the Board upon the recommendation of the Committee.

Covered Compensation

For purposes of this Policy:

- “**Covered Compensation**” is defined as the amount of Incentive-Based Compensation (as defined below) Received during the applicable Recovery Period (as defined below) that exceeds the amount of Incentive-Based Compensation that otherwise would have been Received during such Recovery Period had it been determined based on the relevant restated amounts, and computed without regard to any taxes paid.

Incentive-Based Compensation Received by a Covered Officer will only qualify as Covered Compensation if: (i) it is Received on or after October 2, 2023; (ii) it is Received after such Covered Officer begins service as a Covered Officer; (iii) such Covered Officer served as a Covered Officer at any time during the performance period for such Incentive-Based Compensation; and (iv) it is Received while the Company has a class of securities listed on a national securities exchange or a national securities association.

For Incentive-Based Compensation based on stock price or total shareholder return, where the amount of erroneously awarded Covered Compensation is not subject to mathematical recalculation directly from the information in an Accounting Restatement, the amount of such Incentive-Based Compensation that is deemed to be Covered Compensation will be based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or total shareholder return upon which the Incentive-Based Compensation was Received, and the Company will maintain and provide to the Stock Exchange documentation of the determination of such reasonable estimate.

- “**Incentive-Based Compensation**” is defined as any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure (as defined below). For purposes of clarity, Incentive-Based Compensation includes compensation that is in any plan, other than tax-qualified retirement plans, including long term disability, life insurance, and supplemental executive retirement plans, and any other compensation that is based on such Incentive-Based Compensation, such as earnings accrued on notional amounts of Incentive-Based Compensation contributed to such plans.
- “**Financial Reporting Measure**” is defined as a measure that is determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and any measures that are derived wholly or in part from such measures. Stock price and total shareholder return are also Financial Reporting Measures.
- Incentive-Based Compensation is deemed “**Received**” in the Company’s fiscal period during which the Financial Reporting Measure specified in the Incentive-Based Compensation award is attained, even if the payment or grant of the Incentive-Based Compensation occurs after the end of that period.

Recovery Period

For purposes of this Policy, the applicable “**Recovery Period**” is defined as the three completed fiscal years immediately preceding the Trigger Date (as defined below) and, if applicable, any transition period resulting from a change in the Company’s fiscal year within or immediately following those three completed fiscal years (provided, however, that if a transition period between the last day of the Company’s previous fiscal year end and the first day of its new fiscal year comprises a period of nine to 12 months, such period would be deemed to be a completed fiscal year).

For purposes of this Policy, the “**Trigger Date**” as of which the Company is required to prepare an Accounting Restatement is the earlier to occur of: (i) the date that the Board, applicable Board committee, or officers authorized to take action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare the Accounting Restatement or (ii) the date a court, regulator, or other legally authorized body directs the Company to prepare the Accounting Restatement.

Clawback Exceptions

The Company is required to recover all Covered Compensation Received by a Covered Officer in the event of an Accounting Restatement unless (i) one of the following conditions are met and (ii) the Committee has made a determination that recovery would be impracticable in accordance with Rule 10D-1 under the Exchange Act (under such circumstances, a “*Clawback Exception*” applies):

- the direct expense paid to a third party to assist in enforcing this Policy would exceed the amount to be recovered (and the Company has already made a reasonable attempt to recover such erroneously awarded Covered Compensation from such Covered Officer, has documented such reasonable attempt(s) to recover, and has provided such documentation to the Stock Exchange);
- recovery would violate home country law that was adopted prior to November 28, 2022 (and the Company has already obtained an opinion of home country counsel, acceptable to the Stock Exchange, that recovery would result in such a violation, and provided such opinion to the Stock Exchange); or
- recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of Section 401(a)(13) or Section 411(a) of the Internal Revenue Code and regulations thereunder. For purposes of clarity, this Clawback Exception only applies to tax-qualified retirement plans and does not apply to other plans, including long term disability, life insurance, and supplemental executive retirement plans, or any other compensation that is based on Incentive-Based Compensation in such plans, such as earnings accrued on notional amounts of Incentive-Based Compensation contributed to such plans.

Prohibitions

The Company is prohibited from paying or reimbursing the cost of insurance for, or indemnifying, any Covered Officer against the loss of erroneously awarded Covered Compensation.

Administration and Interpretation

The Board will administer this Policy in accordance with the Final Guidance, and will have full and exclusive authority and discretion to supplement, amend, repeal, interpret, terminate, construe, modify, replace and/or enforce (in whole or in part) this Policy, including the authority to correct any defect, supply any omission or reconcile any ambiguity, inconsistency or conflict in the Policy, subject to the Final Guidance. The Board will review the Policy from time to time and will have full and exclusive authority to take any action it deems appropriate.

The Board will have the authority to offset any compensation or benefit amounts that become due to the applicable Covered Officers to the extent permissible under Section 409A of the Internal Revenue Code of 1986, as amended, and as it deems necessary or desirable to recover any Covered Compensation.

This Policy shall not preclude any other compensation recoupment or clawback policies, arrangements or provisions of the Company (“*Other Recovery Provisions*”); to the extent recovery of compensation is achieved by the Company under this Policy, there shall be no duplication of recovery under Other Recovery Provisions, except as may be required by law.

Each Covered Officer, upon being so designated or assuming such position, is required to execute and deliver to the Head of Legal Affairs an acknowledgment of and consent to this Policy, in a form reasonably acceptable to and provided by the Company from time to time, (i) acknowledging and consenting to be bound by the terms of this Policy, (ii) agreeing to fully cooperate with the Company in connection with any of such Covered Officer’s obligations to the Company pursuant to this Policy, and (iii) agreeing that the Company may enforce its rights under this Policy through any and all reasonable means permitted under applicable law as it deems necessary or desirable under this Policy. For the avoidance of doubt, each Covered Officer will be fully bound by, and must comply with, this Policy, whether or not such Covered Officer has executed and returned such acknowledgement and consent form to the Company.

Disclosure

This Policy, and any recovery of Covered Compensation by the Company pursuant to this Policy that is required to be disclosed in the Company’s filings with the SEC, will be disclosed as required by the Securities Act of 1933, as amended, the Exchange Act, and related rules and regulations, including the Final Guidance.

EDAP TMS S.A.

Clawback Policy Acknowledgment and Consent

The undersigned hereby acknowledges that he or she has received and reviewed a copy of the Clawback Policy (the "**Policy**") of EDAP TMS S.A.(the "**Company**"), effective as of November 8, 2023, as adopted by the Company's Board of Directors upon the recommendation of the Compensation Committee.

Pursuant to such Policy, the undersigned hereby:

- acknowledges that he or she has been designated as (or assumed the position of) a Covered Officer (as defined in the Policy);
- acknowledges and consents to the Policy;
- acknowledges and consents to be bound by the terms of the Policy;
- agrees to fully cooperate with the Company in connection with any of the undersigned's obligations to the Company pursuant to the Policy, including, without limitation, the repayment by or recovery from the undersigned of Covered Compensation (as defined in the Policy); and
- agrees that the Company may enforce its rights under the Policy through any and all reasonable means permitted under applicable law as the Company deems necessary or desirable under the Policy.

ACKNOWLEDGED AND AGREED:

Name:

Date:

[EDAP TMS S.A. *Clawback Policy Acknowledgement and Consent*]
