VISTEON CORP
Form 10-Q/A
August 13, 2002

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A

(Mark One)

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QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2002, or

o

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-15827

VISTEON CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**38-3519512**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
5500 Auto Club Drive, Dearborn, Michigan	**48126**
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code: (800)-VISTEON

Indicate by checkmark 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 ü No ___

Applicable Only to Corporate Issuers: Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date: As of March 31, 2002, the Registrant had outstanding 130,790,498 shares of Common Stock, par value $1.00 per share.

Exhibit index located on page number 12.

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VISTEON CORPORATION AND SUBSIDIARIES

INTRODUCTORY NOTE

For purposes of this Form 10-Q/A, we have amended and revised Part I Item 1 Financial Statements of the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2002 that was filed on May 1, 2002. This amendment reflects the reissuance of our consolidated financial statements as described further in Note 7 to those consolidated financial statements.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

VISTEON CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME
For the Periods Ended March 31, 2002 and 2001
(in millions, except per share amounts)

	First Quarter	
	2002	**2001**
	(unaudited)	
Sales		
Ford and affiliates	$ 3,646	$ 3,913
Other customers	823	810
Total sales	4,469	4,723
Costs and expenses (Notes 2 and 3)		
Costs of sales	4,356	4,448
Selling, administrative and other expenses	202	207
Total costs and expenses	4,558	4,655
Operating income (loss)	(89)	68
Interest income	6	19
Interest expense	29	36
Net interest expense	(23)	(17)
Equity in net income of affiliated companies	5	4
Income (loss) before income taxes	(107)	55
Provision (benefit) for income taxes	(40)	19
Income (loss) before minority interests	(67)	36
Minority interests in net income of subsidiaries	6	5
Income (loss) before cumulative effect of change in accounting principle	(73)	31
Cumulative effect of change in accounting principle, net of tax (Note 10)	(265)	
Net income (loss)	$ (338)	$ 31

Average number of shares of Common Stock outstanding	131	131
Earnings (loss) per share (Note 4)		
Basic and diluted before cumulative effect of change in accounting principle	$ (0.57)	$ 0.24
Cumulative effect of change in accounting principle	(2.06)	
Basic and diluted	$ (2.63)	$ 0.24
Cash dividends per share	$ 0.06	$ 0.06

The accompanying notes are part of the financial statements.

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VISTEON CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
(in millions)

	March 31, 2002	December 31, 2001
	(unaudited)	(restated)
Assets		
Cash and cash equivalents	$ 815	$ 1,024
Marketable securities	257	157
Total cash and marketable securities	1,072	1,181
Accounts receivable Ford and affiliates	1,710	1,560
Accounts receivable other customers	907	834
Total receivables	2,617	2,394
Inventories (Note 7)	999	942
Deferred income taxes	167	167
Prepaid expenses and other current assets	148	153
Total current assets	5,003	4,837
Equity in net assets of affiliated companies	158	158
Net property	5,233	5,329
Deferred income taxes	487	322
Goodwill (Note 10)		363
Other assets	155	153
Total assets	$ 11,036	$ 11,162
Liabilities and Stockholders Equity		
Trade payables (Note 7)	$ 2,004	$ 1,915
Accrued liabilities	1,019	945
Income taxes payable	28	30
Debt payable within one year	631	629
Total current liabilities	3,682	3,519
Long-term debt	1,285	1,293
Postretirement benefits other than pensions	2,138	2,079
Other liabilities	992	967
Deferred income taxes	12	13
Total liabilities	8,109	7,871
Stockholders equity		
Capital stock		
Preferred Stock, par value $1.00, 50 million shares authorized, none outstanding		
Common Stock, par value $1.00, 500 million shares authorized, 131 million shares issued, 131 million and 130 million shares outstanding, respectively	131	131
Capital in excess of par value of stock	3,316	3,311
Accumulated other comprehensive income	(240)	(231)
Other	(39)	(25)
Earnings retained for use in business (accumulated deficit)	(241)	105

Total stockholders equity	2,927	3,291
Total liabilities and stockholders equity	$ 11,036	$ 11,162

The accompanying notes are part of the financial statements.

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VISTEON CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the Periods Ended March 31, 2002 and 2001
(in millions)

	First Quarter	
	2002	**2001**
	(unaudited)	
Cash and cash equivalents at January 1	$ 1,024	$ 1,412
Cash flows provided by (used in) operating activities	58	(187)
Cash flows from investing activities		
Capital expenditures	(140)	(172)
Purchases of securities	(199)	(85)
Sales and maturities of securities	100	
Other		3
Net cash used in investing activities	(239)	(254)
Cash flows from financing activities		
Commercial paper issuances, net		(15)
Short-term debt, net	(1)	1
Proceeds from issuance of other debt	44	28
Principal payments on other debt	(48)	(31)
Purchase of treasury stock	(11)	
Cash dividends	(8)	(8)
Net cash used in financing activities	(24)	(25)
Effect of exchange rate changes on cash	(4)	(6)
Net decrease in cash and cash equivalents	(209)	(472)
Cash and cash equivalents at March 31	$ 815	$ 940

The accompanying notes are part of the financial statements.

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VISTEON CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
(unaudited)

1. Financial Statements The financial data presented herein are unaudited, but in the opinion of management reflect those adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of such information. Results for interim periods should not be considered indicative of results for a full year. Reference should be made to the consolidated financial statements and accompanying notes included in the company s Annual Report on Form 10-K for the fiscal year ended December 31, 2001, as filed with the Securities and Exchange Commission on March 29, 2002, as amended on August 13, 2002. Certain amounts for prior periods were reclassified to conform with present period presentation.

Visteon Corporation (Visteon) is a leading, global supplier of automotive systems, modules and components. Visteon sells products primarily to global vehicle manufacturers, and also sells to the worldwide aftermarket for replacement and vehicle appearance enhancement parts. Visteon became an independent company when Ford Motor Company (Ford) established Visteon as a wholly-owned subsidiary in January 2000 and subsequently transferred to Visteon the assets and liabilities comprising Ford s automotive components and systems business. Ford completed its spin-off of Visteon on June 28, 2000 (the spin-off). Prior to incorporation, Visteon operated as Ford s automotive components and systems business.

2. Selected costs and expenses are summarized as follows:

	First Quarter	
	2002	2001
	(in millions)	
Depreciation	$ 140	$ 140
Amortization	21	30
Total	$ 161	$ 170

3. Special Charges In the first quarter of 2002, Visteon recorded in costs of sales pre-tax charges of $116 million ($74 million after-tax), as summarized below:

	First Quarter 2002	
	Pre-tax	After-tax
	(in millions)	
Restructuring and other charges:		
First quarter 2002 actions*	$ 95	$ 61
Adjustments to prior year s expenses	(5)	(3)
Total restructuring and other charges	90	58
Loss related to sale of restraint electronics business	26	16
Total special charges	$ 116	$ 74

* Includes $5 million related to the write-down of inventory.

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VISTEON CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

(unaudited)

3. Special Charges (Continued) In the first quarter of 2002, Visteon recorded pre-tax charges of $95 million related to the separation of 820 employees at Markham, Ontario as the company moves nearly all of the non-restraint electronics business to facilities in Mexico, the elimination of about 215 engineering positions in the United States to reduce research and development costs, the closure of our Visteon Technologies facility in California and the related discontinuation of support for our aftermarket navigation systems product line, the closure of our Leatherworks facility in Michigan and the elimination of about 240 manufacturing positions in Mexico. The engineering-related and Mexican manufacturing-related separations, and the closure of Visteon Technologies, were completed in the first quarter of 2002. The separations of the Markham employees are expected to be complete by the end of 2002.

Also in the first quarter of 2002, $5 million of accrued restructuring liabilities relating to prior year restructuring plans were reversed reflecting a change in estimated costs to complete these activities.

Effective April 1, 2002, Visteon completed the sale of its restraint electronics business to Autoliv, Inc. for $25 million. The sale includes Visteon s North American and European order book of approximately $150 million in annual sales to Ford Motor Company and its affiliates, including associated manufacturing operations in Markham, Ontario, as well as related assets and liabilities. As part of the sale, approximately 250 employees from Markham and 110 engineers from Dearborn, Michigan will transfer to Autoliv.

The following table summarizes the activity related to the remaining restructuring reserves from the 2001 actions, as well as restructuring reserve activity related to the 2002 actions. This table does not include the loss related to the sale of the electronics restraint business.

	Automotive Operations		Glass Operations	
	Employee-Related	Other	Employee-Related	Total
		(in millions)		
December 31, 2001 reserve balance	$ 16	$	$ 7	$ 23
Pre-tax charges recorded in costs of sales:				
First quarter 2002 actions	81	14		95
Adjustments to prior year s expenses	(3)		(2)	(5)
Total net expense	78	14	(2)	90
Utilization	(49)	(12)	(1)	(62)
March 31, 2002 reserve balance	$ 45	$ 2	$ 4	$ 51

Reserve balances of $23 million and $51 million at December 31, 2001 and March 31, 2002, respectively, are included in current accrued liabilities on the accompanying balance sheets. The March 31, 2002 reserve balance of $51 million includes $15 million related to 2001 restructuring activities. The company currently anticipates that the restructuring activities to which all of the above charges relate will be substantially completed in 2002.

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VISTEON CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

(unaudited)

4. Income (Loss) Per Share of Common Stock Basic income per share of common stock is calculated by dividing the income attributable to common stock by the average number of shares of common stock outstanding during the applicable period, adjusted for restricted stock. The average number of shares of restricted stock outstanding was about 2,250,000 and 910,000 for the first quarter of 2002 and first quarter of 2001, respectively. The calculation of diluted income per share takes into account the effect of dilutive potential common stock, such as stock options and restricted stock. For the first quarter of 2002 potential common stock of about 317,000 shares are excluded as the effect would have been antidilutive.

5. Transactions with Ford and its Affiliates Visteon has been working with Ford to resolve a number of outstanding commercial issues. Visteon s supply agreement and related pricing letter with Ford Motor Company require Visteon to provide Ford with productivity price adjustments for 2001, 2002 and 2003. In March 2002, Visteon and Ford reached an agreement resolving North American pricing for 2001 that is consistent with Visteon s previously established reserves. The agreement also included a consensus on the productivity price adjustment for 2002 calendar year as well as agreement that the companies will negotiate all future year price adjustments in a manner consistent with that followed by other Tier One suppliers. There remains a difference of opinion between Visteon and Ford under the supply agreement and related pricing letter with respect to the pricing and sourcing of products supplied to Ford of Europe. The amount in dispute in this regard for 2001 is approximately $50 million before taxes, representing a unilateral reduction in prices assessed by Ford of Europe. Visteon and Ford are continuing settlement discussions regarding this matter, have recently participated in a mediation process and are intending to proceed with arbitration of this issue if the parties cannot reach agreement, as specified in the supply agreement. Although the outcome of this matter is not fully predictable, we believe our established reserves are adequate. The final amounts, however, could differ materially from the recorded estimates.

6. Land Lease In January 2002, Visteon completed an arrangement with a special-purpose entity, owned by an affiliate of a bank, to lease land in Southeast Michigan suitable for a potential headquarters facility. The lease has an initial lease term through June 30, 2002, at which time Visteon has the option to renew the lease on terms mutually acceptable to Visteon and the lessor, purchase the land or arrange for the sale of the property. Visteon has a contingent liability for up to about $23 million in the event the property is sold for less than full cost.

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VISTEON CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

(unaudited)

7. Inventories Generally, Visteon s policy is to organize arrangements with suppliers to support its production inventory needs with just-in-time deliveries of materials and not take ownership from or authorize payment to suppliers until such time as the materials have been utilized in the production process. During the second quarter of 2002, Visteon became aware that the terms of its purchase orders with certain suppliers did not adequately reflect its understanding of the terms of its pay on production agreements. Accordingly, Visteon has revised its inventory recognition practice related to inventory received from these suppliers to reflect inventory, and the corresponding trade payable, upon receipt rather than when the material is utilized in the production process. As a result, Visteon has revised the following line items in the consolidated balance sheet, with no revision of Visteon s consolidated statement of income or statement of cash flows:

	As Restated		As Originally Reported	
	March 31, 2002	December 31, 2001	March 31, 2002	December 31, 2001
	(in millions)			
Inventories	$ 999	$ 942	$ 872	$ 858
Trade Payables	2,004	1,915	1,877	1,831

Company management is in the process of obtaining formal documentation of these pay on production terms from our vendors and we will reflect these vendor agreements when obtained, on a prospective basis.

Inventories are summarized as follows:

	March 31, 2002	December 31, 2001
	(in millions)	
Raw materials, work-in-process and supplies	$ 853	$ 812
Finished products	146	130
Total inventories	$ 999	$ 942
U.S. inventories	$ 650	$ 589

8. Debt On April 2, 2002, Visteon and Visteon Capital Trust I (the trust) filed a shelf registration statement with the Securities and Exchange Commission to register $800 million in securities. Under this shelf process, in one or more offerings, Visteon may sell notes, preferred stock, common stock, depositary shares, warrants, stock purchase contracts and stock purchase units; and the trust may sell trust preferred securities representing undivided beneficial interests in the trust. This shelf registration statement replaces the prior shelf registration statement filed on June 23, 2000. The registration statement became effective on April 12, 2002. Each time Visteon sells securities under this shelf registration statement, a prospectus supplement will be provided that will contain specific information about the terms of that offering. Except as may otherwise be determined at the time of sale, the net proceeds would be used for general corporate purposes.

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VISTEON CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

(unaudited)

9. Comprehensive Income (Loss) Other comprehensive income mainly includes foreign currency translation adjustments. Total comprehensive income is summarized as follows:

	First Quarter	
	2002	2001
	(in millions)	
Net income (loss)	$ (338)	$ 31
Other comprehensive income (loss)	(9)	(20)
Total comprehensive income (loss)	$ (347)	$ 11

10. Accounting Change In 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 142 (SFAS 142), Goodwill and Other Intangible Assets . SFAS 142 no longer permits amortization of goodwill and establishes a new method of testing goodwill for impairment by using a fair-value based approach. Under this statement goodwill is to be evaluated for possible impairment as of January 1, 2002, and periodically thereafter.

Visteon adopted SFAS 142 on January 1, 2002. As required by this standard, an initial test for goodwill impairment was performed which compared the fair value of our Automotive Operations segment to the segment s net book value. Visteon s stock market capitalization, as well as market multiples and other factors, were used as the basis for determining the fair value of the Automotive Operations segment. Because the fair value of the Automotive Operations segment was less than its net book value, Visteon recorded an impairment loss on goodwill of $363 million ($265 million after-tax) as a cumulative effect of change in accounting principle in the first quarter of 2002. The pre-tax impairment loss consists of $357 million of net goodwill as of December 31, 2001 and $6 million reclassified to goodwill related to certain acquired intangible assets, as required by SFAS 142.

The following presents net income and earnings per share adjusted to reflect the adoption of the non-amortization provisions of SFAS 142 as of the beginning of the period presented:

You should rely only on the information that we incorporate by reference or provide in this prospectus and any accompanying prospectus supplement. We have not authorized anyone to provide you with different information. The selling shareholders are not making an offer of the Securities in any jurisdiction where the offer is not permitted. You should not assume that the information in this prospectus or any prospectus supplement is accurate as of any date other than the date on the front of the relevant documents.

FORWARD-LOOKING STATEMENTS

The statements incorporated by reference or contained in this prospectus discuss our future expectations, contain projections of our results of operations or financial condition, and include other forward-looking information within the meaning of Section 27A of the Securities Act. Our actual results may differ materially from those expressed in forward-looking statements made or incorporated by reference in this prospectus.

Forward-looking statements that express our beliefs, plans, objectives, assumptions or future events or performance may involve estimates, assumptions, risks and uncertainties. Therefore, our actual results and performance may differ materially from those expressed in the forward-looking statements. Forward-looking statements often, although not always, include words or phrases such as the following: will likely result, are expected to, will continue, is anticipated, estimate, intends, plans, projection and outlook. You should not unduly rely o forward-looking statements contained or incorporated by reference in this prospectus.

Actual events or results may differ materially from those projected in such forward-looking statements as a result of various factors that may be beyond our control. These factors include, without limitation:

- our ability to secure and maintain effectiveness of the registration statements required under the terms of the October 2007 private placement;
- our ability to pay interest on the Debentures in the form of ordinary shares if we give notice that we will do so;
- the effects of intense competition and technological advances in the industry;
- the uncertainty of market acceptance for our HIFU devices and our revenue per procedure, or RPP, model;
- the uncertainty of reimbursement status of procedures performed with our products;
- the clinical status of our HIFU devices;
- the impact of government regulation, particularly relating to public healthcare systems and the commercial distribution of medical devices;
- dependence on our strategic partners and suppliers;
- any event or other occurrence that would interrupt operations at our primary production facility;
- reliance on patents, licenses and key proprietary technologies;
- product liability risk;
- risk of exchange rate fluctuations, particularly between the euro and the U.S. dollar and between the euro and the Japanese yen; and
- fluctuations in results of operations due to the cyclical nature of demand for medical devices.

Readers should also consider the information contained in Risk Factors in this prospectus and Item 5, Operating and Financial Review and Prospects, in our annual report on Form 20-F for the 2006 financial year incorporated by reference in this prospectus, as well as the information contained in our periodic filings and submissions with the SEC (including our reports on Form 6-K).

Any forward-looking statement speaks only as of the date on which that statement is made. We will not update any forward-looking statement to reflect events or circumstances that occur after the date on which such statement is made.

USE OF PROCEEDS

The proceeds from the sale of Securities offered pursuant to this prospectus are solely for the account of the selling shareholders. Accordingly, we will receive no proceeds from the sale of the Securities. The Warrants may be exercised for cash or, under certain circumstances, via a cashless exercise procedure. If all of the Warrants issued under the October 2007 private placement are fully exercised for cash, we will receive approximately $12.8 million in cash from the Warrant holders. We will use any proceeds received from the exercise of Warrants for the purposes agreed to under the terms of the October 2007 private placement.

CAPITALIZATION AND INDEBTEDNESS

The following table sets out, as of September 30, 2007:

- our consolidated short-term debt and capitalization in accordance with U.S. GAAP; and
- our consolidated capitalization as adjusted to reflect the October 2007 private placement.

Except as disclosed below, there have been no material changes to our consolidated capitalization since September 30, 2007. This table should be read in conjunction with our financial statements, which are incorporated by reference in this prospectus.

		$[1]		$[1]	
	Actual		**As adjusted**		
	(in thousands)		**(in thousands)**		
Current portion of capital lease	537,233	763,892	537,233	763,892	
Capital lease obligations, less current portion	1,151,694	1,637,594	1,151,694	1,637,594	
Short-term debt, including current portion of long-term debt	1,967,238	2,797,215	1,967,238	2,797,215	
Long-term debt, net of current portion of long-term debt	0	0	12,225,971	17,384,109	[2]
Shareholders equity:					
Share capital[3]	1,251,017	1,778,821	1,251,017	1,778,821	
Additional paid-in capital	25,733,960	36,591,118	25,733,960	36,591,118	
Retained earnings, including cumulative foreign translation adjustment	-6,225,488	-8,852,021	-6,225,488	-8,852,021	
Cumulative other comprehensive income	-3,056,872	-4,346,566	-3,056,872	-4,346,566	
Treasury stock[4]	-1,404,627	-1,997,239	-1,404,627	-1,997,239	
Total shareholders equity	16,297,990	23,174,112	16,297,990	23,174,112	
Total capitalization	19,954,155	28,372,813	32,180,126	45,756,922	

(1) Dollar amounts have been translated solely for the convenience of the reader at an exchange rate of 1 = $1.4219, the noon buying rate in The City of New York for cable transfers of euro as certified for customs purposes by the Federal Reserve Bank of New York on September 30, 2007.

(2) Long term debt as adjusted includes the fair value of the convertible debentures warrants, and embedded call option on the Company's stock all issued in the October 2007 private placement net of expenses of $2.6 million.

(3) As of September 30, 2007, we had an issued share capital of 9,624,497 fully paid ordinary shares, including 461,490 shares held as treasury stock, each with a nominal value of 0.13 per share, resulting in outstanding share capital of 9,163,007. Also outstanding at September 30, 2007 were rights for 237,340 of our shares to be granted to certain of our employees upon the achievement of certain performance goals during the 2007-2008 period. Pursuant to the terms of the October 2007 private placement, we expect to issue 4,913,102 shares upon conversion of the Debentures and exercise of the Warrants, including those warrants issued to our placement agent. These estimates are reflected in the As Adjusted column above.

(4) As of September 30, 2007, we held 461,490 of our ordinary shares as treasury stock, a portion of which was dedicated to serve stock purchase option plans as follows:

- 71,525 shares which may be purchased at a price of 3.81 per share and 10,212 shares which may be purchased at a price of 1.83 per share pursuant to the exercise of options that were granted in 1998 and in 1999 and are outstanding;
- 56,000 shares which may be purchased at a price of 2.08 per share and 6,425 shares which may be purchased at a price of 2.02 per share pursuant to the exercise of options that were granted in 2001 and in 2002 and are outstanding; and

- 197,000 shares which may be purchased at a price of 2.60 per share and 15,000 shares which may be purchased at a price of 2.78 per share pursuant to the exercise of options that were granted in 2004 and 2005.

As of October 31, 2007, we had an issued share capital of 9,624,497 fully paid ordinary shares, including 427,740 shares held as treasury stock, each with a nominal value of 0.13 per share, resulting in outstanding share capital of 9,196,757 following exercise of share purchase options by an employee of the Company.

THE OCTOBER 2007 PRIVATE PLACEMENT

On October 31, 2007, we issued and sold to the selling shareholders $20 million aggregate principal amount of our 9% Senior Convertible Debentures due 2012, which we call the Debentures, and warrants to purchase ordinary shares expiring 2013, which we call the Warrants. We also issued warrants to our placement agent. This issue and sale was completed in a private placement, exempt from the registration requirements of the Securities Act. The ordinary shares issuable upon conversion of the Debentures and as payment of interest, under certain circumstances, on the Debentures, will be delivered in the form of Shares or ADSs, each ADS representing one ordinary share. Our extraordinary general shareholders meeting authorized the private placement on May 22, 2007, delegating authority to our Board of Directors to increase our share capital through the issuance of ordinary shares in a private placement to one or more categories of investors. On October 29, 2007, our Board of Directors authorized the private placement pursuant to this delegated authority. We provided copies of the securities purchase agreement, including the forms of the Debentures and the Warrants, and the registration rights agreement entered into in connection with the October 2007 private placement, in our current report on Form 6-K, furnished on October 31, 2007, which is incorporated by reference into the registration statement of which this prospectus forms a part. The summary description of those documents here is qualified by reference to the documents as furnished on Form 6-K.

Brief Description of the Debentures

The Debentures:

- are in an aggregate principal amount of $20 million;
- bear interest at the rate of 9% per annum, payable quarterly on January 1, April 1, July 1 and October 1, beginning on the earlier of the first of these dates after the effective date of the registration statement of which this prospectus forms a part or July 1, 2008;
- bear additional interest if we fail to fulfill our obligations described below under Registration Rights
- are convertible at any time while they are still outstanding into our ordinary shares at the initial conversion price of $6.57, subject to adjustment as set out in the Debentures;
- are, at any time after the one year anniversary of the effectiveness date of the registration statement of which this prospectus forms a part and, subject to the satisfaction of certain conditions, redeemable by us, in an amount up to 50% of the then-outstanding principal amount, if the VWAP for each of any 20 consecutive trading days exceeds $14.78 and in an amount up to 100% of the then-outstanding principal amount if the VWAP for each of any 20 consecutive trading days exceeds $19.71;
- are subject to repurchase by us at the option of the holder upon the occurrence of certain transactions, including a fundamental transaction, change of control transaction or in the event we agree to sell in excess of 40% of our assets, each as defined in the Debentures, and
- mature on October 30, 2012.

The Debentures contain covenants that prevent or limit our ability to, among other things, incur or guarantee additional indebtedness; incur or create liens; amend our charter documents; and pay dividends on our ordinary shares.

In addition, the Debentures contain default provisions, among which include failure to pay interest, principal or liquidated damages owing on the Debentures when due and payable; the registration statement of which this prospectus forms a part is not declared effective by October 26, 2008, the 360th calendar day after the October 2007 private placement was closed; the lapse of the effectiveness of any registration statement required to be kept effective by us for more than 35 consecutive trading day or 45 non-consecutive trading days in any 12 month period (with certain exceptions); our failure to deliver restricted ADRs or ADRs, as applicable, to holders upon conversion; and a default by us in any obligations under any indebtedness greater than $150,000 which results in such indebtedness being accelerated. Upon the occurrence of an event of default, the outstanding principal amount, plus accrued but unpaid interest, liquidated damages and other amounts owing in respect of the Debentures become, at the holder s election, immediately due and payable in cash. The aggregate amount payable upon acceleration by reason of event of default will be equal to the greater of 130% of the outstanding principal amount of the Debenture to be accelerated, plus 100% of accrued and unpaid interest thereon or the outstanding principal amount of the Debenture to be accelerated, plus all accrued and unpaid interest thereon divided by the conversion price in effect on the date specified in the Debenture, multiplied by the VWAP on the date specified in the Debenture.

For so long as the debentures are outstanding, we agreed to offer those investors who purchased Debentures in the October 2007 private placement the right to participate in certain types of financings we arrange in the future, up to 50% of the value of such financing. We must provide this opportunity unless the offering is an underwritten public offering or an exempt issuance . Securities issued to our employees under plans, subject to certain volume limits, will be an exempt issuance, as will securities issued pursuant to strategic transactions with persons who are engaged in a business synergistic with ours. However, securities issued to persons who are not engaged in a synergistic business, such as a financial investor, are not exempt issuances, and the investors will be permitted to participate in such financings.

Subject to the satisfaction of certain conditions, we may pay interest on the Debentures in our ordinary shares at the interest conversion rate set out in the Debentures. The interest conversion rate is equal to 90% of the lesser of the average of the VWAPs for 20 consecutive trading days ending on the trading day immediately prior to the interest payment date or the average of the VWAPs for the 20 consecutive trading days that is immediately prior to the date the interest conversion shares are issued and delivered if the delivery is after the interest payment date. Notice of our election to pay interest in kind must be provided 20 trading days immediately prior to the applicable interest payment date and is irrevocable as to that interest payment date. In the event we are not permitted to pay interest in the form of ordinary shares because we fail to satisfy the conditions for such payment, at the holder s election, we may deliver cash in an amount equal to the product of the number of ordinary shares otherwise deliverable in connection with the payment of interest due on that interest payment date by the highest daily VWAP during the period beginning on the interest payment date and ending on the trading day immediately prior to the date the payment is actually made. If the holder elects not to receive the cash payment, an event of default may arise.

We have agreed to deliver restricted ADRs or ADRs, as applicable, not later than 3 trading days after each conversion date. In the event we fail to deliver restricted ADRs or ADRs, as applicable, by the fifth business day after the conversion date, we must pay as liquidated damages to the holder, in cash, $10 per trading day per each $1,000 principal amount being converted, increasing to $20 per trading day on the fifth business day after the liquidated damages begin to accrued, until the restricted ADRs or ADRs, as applicable, are delivered. In addition, if we fail to deliver a restricted ADR or ADR, as applicable by the fifth business day following the conversion date and if after such date the holder is required by its broker to purchase (in an open market transaction or otherwise) ADRs to deliver in satisfaction of a sale by the holder of ADRs which the holder anticipated receiving in the form required (a Buy-In), then we shall pay in cash to such holder the amount by which (x) the holder s total purchase price (including brokerage commissions, if any) for the ADRs so purchased exceeds (y) the amount obtained by multiplying (A) the number of ADRs the holder was entitled to receive by (B) the price at which the sell

order giving rise to such purchase obligation was executed. A similar provision exists with respect to the common stock underlying each of the warrants issued to the holders.

We have agreed to indemnify the holders for any losses they may incur as a result of any untrue or alleged untrue statements of material fact in a registration statement, preliminary prospectus or prospects, unless such action is based upon a violation which occurs in reliance on and in conformity with information furnished in writing to us the indemnified person specifically for inclusion in the registration statement, prospectus supplement or prospectus.

Brief Description of the Warrants

We issued warrants to purchase up to 1,680,000 of our ordinary shares at an exercise price of $6.87 per warrant. The Warrants may be exercised for cash or, under certain circumstances, via a cashless exercise procedure. The Warrants expire on October 30, 2013. Under the registration rights agreement, the shares issuable upon exercise will be registered for resale by selling shareholders on a registration statement subsequent to the registration statement of which this prospectus forms a part.

Registration Rights

In connection with the October 2007 private placement, we granted the selling shareholders registration rights. We will use our reasonable best efforts to have the registration statement of which this prospectus forms a part declared effective by the Securities and Exchange Commission, or the SEC, by the date that ranges from 90 calendar days from closing up to the date that is 150 calendar days from closing, depending on whether the SEC reviews the registration statement of which this prospectus forms a part. In addition, we have agreed to file additional registration statements as necessary in order to register for resale by the selling shareholders all of the remaining ordinary shares issuable upon conversion of the Debentures and under certain circumstances, payable as interest under the Debentures, as well as all of the shares issuable upon exercise of the Warrants. We have agreed to use our reasonable best efforts to have any such additional registration statements declared effective by the SEC within the time limits set out in the registration rights agreement.

Further, we have agreed to use our reasonable best efforts keep the registration statement of which this prospectus is a part effective until the earlier of:

- the date that all of the Securities covered by the registration statement have been sold by the selling shareholders; or
- the date that all Securities covered by the registration statement may be sold by non-affiliates pursuant to Rule 144(k) as determined by our counsel pursuant to a written opinion letter or otherwise pursuant to Rule 144 without regard to any of the volume or manner of sale requirements of Rule 144.

We will not be required to maintain the registration statement of which this prospectus forms a part with respect to Securities held by the selling shareholders if such Securities are sold pursuant to the registration statement or Rule 144 under the Securities Act, Securities held by a selling shareholder become eligible for sale by the holder thereof pursuant to Rule 144(k) under the Securities Act, the relevant Securities have been sold in a transaction not subject to the registration requirements of the Securities Act, or if all of the Securities held by a selling shareholder may be sold under Rule 144 under the Securities Act during any 90-day period.

Finally, we also agreed that the registration statement of which this prospectus forms a part will remain continuously effective as to the Securities included in it, and that the selling shareholders will otherwise be able to use it to resell their Securities, except for certain allowed time periods, which are not

to exceed 30 consecutive trading days or 60 trading days in the aggregate in any 365 day period. We will be permitted to suspend the availability of the registration statement and this prospectus during specified periods in circumstances where we deem such suspension appropriate, including circumstances relating to periods where there may exist material non-public information relating to us that, in the opinion of our Board of Directors, would be prejudicial to us or our shareholders if disclosed. In these cases, we may prohibit offers and sales of Securities pursuant to the registration statement. If we suspend the availability of the registration statement for longer than the permitted time periods, we may be required, among other things, to pay liquidated damages to the selling shareholders.

In the event the registration statement of which this prospectus forms a part is not declared effective by the initial effectiveness date, or ceases to remain continuously effective as set out above, we must pay to each holder an amount equal to 1% of the aggregate purchase price paid by holder for any registrable securities not then registered for resale pursuant to an effective registration statement. The maximum aggregate liquidated damages payable to a holder shall be 12% of the aggregate subscription amount paid by such holder. If we fail to pay any liquidated damages pursuant to these provisions within seven days after they are payable, we will pay interest thereon at the rate of 15% per annum.

The selling shareholders, including their permitted transferees, pledgees, donees or other successors, may sell the Securities being offered by them under this prospectus from time to time on any exchange, market or trading facility on which the Securities are traded or in private transactions, and at prices and at terms that may be at fixed, prevailing market or negotiated prices that may vary. Information regarding the selling shareholders, the Securities they are offering to sell under this prospectus and the times and manner in which they may offer and sell those Securities is provided in the sections of this prospectus captioned Selling Shareholders and Plan of Distribution .

The registration of Securities pursuant to this prospectus and the related registration statement does not necessarily mean that any of those Securities will ultimately be offered for sale by the selling shareholders.

Placement Agent Compensation

In connection with the private placement, we retained Cowen and Company LLC, who we refer to as Cowen, as our exclusive placement agent. Cowen received the following compensation: (i) a cash fee of 6% of the gross proceeds (for an aggregate of $1,200,000), (ii) a warrant to purchase 4% of the ordinary shares that are issuable upon conversion of the Debentures and exercise of the Warrants (in the form of 121,765 warrants at an exercise price equal to $6.57 per ordinary share and 67,200 warrants at an exercise price of $6.87 per share) and (iii) a cash amount equal to 6% of all the exercise price of all Warrants, payable only upon exercise of the Warrants (for an aggregate of up to $393,340), and not in respect of Warrants that are cancelled or expire. The warrants issued to Cowen have the same terms and conditions as the Warrants.

THE OFFERING

The selling shareholders, including their permitted transferees, pledgees, donees or other successors, may sell the Securities being offered by them under this prospectus from time to time on any exchange, market or trading facility on which the Securities are traded or in private transactions, and at prices and at terms that may be at fixed, prevailing market or negotiated prices that may vary. Information regarding the selling shareholders, the Securities they are offering to sell under this prospectus and the times and manner in which they may offer and sell those Securities is provided in the sections of this prospectus captioned Selling Shareholders and Plan of Distribution .

The registration of Securities pursuant to this prospectus and the related registration statement does not necessarily mean that any of those Securities will ultimately be offered for sale by the selling shareholders.

Information on Outstanding Shares

As of October 31, 2007, the authorized capital stock of the Company consisted of 9,624,497 fully issued, fully paid registered shares, nominal value 0.13 per share. The high and low market price of our ADSs for the month of October, 2007, was $6.62 and $5.60 respectively. See Item 9, The Offer and Listing Trading Markets, included in our annual report on Form 20-F for the 2006 financial year, which is incorporated by reference in this prospectus.

As of October 31, 2007, we had 9,196,757 issued and outstanding shares (excluding 427,740 shares of treasury stock and shares owned by affiliates). As of December 31, 2006 (the date of the most recent balance sheet included in our financial statements incorporated by reference to our Form 20-F filed on March 30, 2007, File No. 000-29374) we had 9,324,497 total shares issued. Our only issuance of shares since January 1, 2003, was our issuance on August 3, 2006 of 961,676 shares at a price of $7.75 per share in connection with a private placement, 100,000 shares on March 5, 2007 in connection with the exercise of subscription options at an exercise price of 1.28 per share and 200,000 shares on April 5, 2007 in connection with the exercise of warrants by HealthTronics at an exercise price of $1.50 per share.

The extraordinary general meeting of our shareholders held on May 22, 2007 delegated to our Board of Directors the authority to issue up to 6,000,000 additional shares, either in the form of shares or through the issuance of securities exercisable for or convertible into our shares. In certain circumstances, these securities may be issued without preferential subscription rights. 600,000 of these shares were authorized to be granted to certain of our employees through the issuance of options to subscribe for newly issued shares. On October 29, 2007, 504,088 shares were granted to certain employees of the Company, allowing them to subscribe to new ordinary shares under certain conditions.

In addition, as of October 31, 2007, we had the following securities outstanding that may result in the issuance of additional shares:

- 237,340 shares to be granted to certain of our employees, depending on whether they achieve certain performance goals during the 2007-2008 period.

As of October 31, 2007, we also had options outstanding to purchase shares that we currently hold as treasury stock, meaning their sale will not result in issuance of additional shares, in the following amounts:

- 71,525 shares may be purchased at a price of 3.81 per share and 10,212 shares may be purchased at a price of 1.83 per share pursuant to the exercise of options that were granted in 1998 and in 1999 and are outstanding;

56,000 shares may be purchased at a price of 2.08 per share and 6,425 shares may be purchased at a price of 2.02 per share pursuant to the exercise of options that were granted in 2001 and in 2002 and are outstanding; and

172,000 shares may be purchased at a price of 2.60 per share pursuant to the exercise of options that were granted in 2004.

In addition, the extraordinary general meeting of our shareholders held on May 22, 2007 delegated to our Board of Directors the authority to issue options to our employees to purchase up to 105,328 shares that we currently hold as treasury stock.

For more detail on warrants or options granted by us, see Note 15 to our Consolidated Financial Statements, Item 6 Directors, Senior Management and Employees and Item 7 Major Shareholders and Related Party Transactions, each included in our annual report on Form 20-F for the 2006 financial year, which is incorporated by reference in this prospectus.

SELLING SHAREHOLDERS

The ordinary shares, in the form of shares or ADRs, which we refer to as the Securities, being offered by the selling Shareholders are issuable (i) upon conversion of the Debentures and (ii) as interest on the Debentures. For additional information regarding the Debentures, see The October 2007 Private Placement . We are registering the Securities in order to permit the selling shareholders to offer the Securities for resale from time to time. Except for the ownership of the Debentures and the Warrants and otherwise as set out in the table below, the selling shareholders have not had any material relationship with us within the past three years.

In accordance with the terms of registration rights agreements with the holders of the Debentures and the Warrants, this prospectus generally covers the resale of a portion of the Securities issuable upon conversion of the Debentures (assuming that the Debentures are convertible at their initial conversion price and without taking into account any limitations on the conversion of the Debentures set forth in such Debentures) and a portion of the Securities that we may, under certain circumstances, issue to pay interest on the Debentures. Because the conversion price of the Debentures may be adjusted solely to protect security holders from the dilutive effects of certain changes to our share capital we may make, the number of Securities that will actually be issued may be more or less than the number of Securities being offered by this prospectus.

Under the terms of the Debentures and the Warrants, a selling shareholder may not convert the Debentures, or exercise the Warrants, to the extent such conversion or exercise would cause such selling shareholder, together with its reporting units (as defined in the Debentures), to beneficially own a number of shares that would exceed 4.99% of our then outstanding ordinary shares (including, any ordinary shares evidenced by ADRs) following such conversion or exercise, excluding for purposes of such determination ordinary shares issuable upon conversion of the Debentures which have not been converted and upon exercise of the Warrants which have not been exercised. The number of shares in the second column does not reflect this limitation. In addition, the selling shareholders may, upon not less than 61 days prior notice to us, increase this limitation to 9.99% of our then outstanding ordinary shares. The selling shareholders may sell all, some or none of their ADRs in this offering. See Plan of Distribution.

The table below lists the selling shareholders and other information regarding the beneficial ownership of the Securities by each of the selling shareholders. The second column lists the number of Securities beneficially owned by each selling shareholder, based on its ownership of the Debentures and the Warrants, as of October 31, 2007, assuming conversion of all the Debentures and exercise of all Warrants held by the selling shareholders on that date, without regard to any limitations on conversions or exercise. Where applicable, it includes any of our shares held by the selling shareholders prior to the October 2007 private placement. The third column lists the Securities being offered by this prospectus by the selling shareholders. The fourth column assumes the sale of all of the Securities offered by the selling shareholders pursuant to this prospectus.

Name of Selling Stockholder	Number of Ordinary Shares Owned Prior to Offering	Maximum Number of Ordinary Shares to be Sold Pursuant to this Prospectus	Number of Ordinary Shares Owned After Offering
Alex DeBartolo IRA[1]	33,620[2]	14,965	18,665[2]
Bruce Foundation[1]	29,620[3]	14,965	14,655[3]
Bruce Fund, Inc.[1]	1,080,643[4]	299,319	781,324[4]
Cranshire Capital, L.P.[5]	354,310	224,489	129,821
Leestma Family Foundation[1]	58,941[6]	29,931	29,010[6]
Liberty Harbor Master Fund I, L.P.[7]	1,653,449	1,047,616	605,833
Little Flower Fund[1]	27,620[8]	14,965	12,655[8]
Midsummer Investment, Ltd.[9]	1,889,656	1,197,274	692,382
Professional Life & Casualty[1]	274,207[10]	149,660	124,547[10]
TOTAL	5,402,066[11]	2,993,184	2,408,882[11]

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[1] According to public filings with the SEC, Bruce & Co., Inc., an entity under common control with this entity, reported beneficially owing, as of October 30, 2007, 1,556,653 of our ordinary shares, equivalent to 16.99% of our outstanding ordinary shares.

[2] Includes 10,000 of our ordinary shares owned by the selling shareholder prior to the October 2007 private placement, which are not being sold under the registration statement of which this prospectus forms a part. R. Jeffrey Bruce has voting and dispositive power over the securities held by Alex DeBartolo IRA.

[3] Includes 6,000 of our ordinary shares owned by the selling shareholder prior to the October 2007 private placement, which are not being sold under the registration statement of which this prospectus forms a part. R. Jeffrey Bruce has voting and dispositive power over the securities held by Bruce Foundation.

[4] Includes 608,229 of our ordinary shares owned by the selling shareholder prior to the October 2007 private placement, which are not being sold under the registration statement of which this prospectus forms a part. R. Jeffrey Bruce has voting and dispositive power over the securities held by Bruce Fund, Inc.

[5] Mitchell P. Kopin, the president of Downsview Capital, Inc., the general partner of Cranshire Capital, L.P, has sole voting control and investment discretion over securities held by Cranshire Capital, L.P. Each of Mitchell P. Kopin and Downsview Capital, Inc. disclaims beneficial ownership of the shares held by Cranshire Capital, L.P.

[6] Includes 11,700 of our ordinary shares owned by the selling shareholder prior to the October 2007 private placement, which are not being sold under the registration statement of which this prospectus forms a part. R. Jeffrey Bruce has voting and dispositive power over the securities held by Leestma Family Foundation.

[7] Liberty Harbor Master Fund I, L.P. is an affiliate of Goldman Sachs & Co. It is unable to state whether any of its affiliates, including Goldman Sachs & Co. has had a material relationship with us in the past thee years. To the best of our knowledge, we do not have a material relationship with Goldman Sachs & Co. or any of its affiliates. The investment manager of the Selling Shareholder is GS Investment Strategies, LLC. No individual within GS Investment Strategies, LLC has solve voting and investment power with respect to the securities.

[8] Includes 4,000 of our ordinary shares owned by the selling shareholder prior to the October 2007 private placement, which are not being sold under the registration statement of which this prospectus forms a part. R. Jeffrey Bruce has voting and dispositive power over the securities held by Little Flower Fund.

[9] Michel Amsalem and Scott D. Kaufman have voting and dispositive power over the securities held by Midsummer Investment, Ltd.

[10] Includes 38,000 of our ordinary shares owned by the selling shareholder prior to the October 2007 private placement, which are not being sold under the registration statement of which this prospectus forms a part. R. Jeffrey Bruce has voting and dispositive power over the securities held by Professional Life & Casualty.

[11] Includes the additional shares owned by the applicable selling shareholders prior to the October 2007 private placement as indicated in the preceding footnotes.

DESCRIPTION OF AMERICAN DEPOSITARY RECEIPTS

American Depositary Receipts

The Bank of New York, as depositary, will execute and deliver the ADRs. ADRs are American Depositary Receipts. Each ADR is a certificate evidencing a specific number of American Depositary Shares, also referred to as ADSs. Each ADS will represent one share (or a right to receive one share) deposited with the principal Paris office of Société Générale, as custodian for the depositary. Each ADS will also represent any other securities, cash or other property which may be held by the depositary. The depositary s corporate trust office at which the ADRs will be administered is located at 101 Barclay Street, New York, New York 10286. The Bank of New York s principal executive office is located at One Wall Street, New York, New York 10286.

You may hold ADSs either directly (by having an ADR registered in your name) or indirectly through your broker or other financial institution. If you hold ADSs directly, you are an ADR 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 ADR holders described in this section. You should consult with your broker or financial institution to find out what those procedures are.

As an ADR holder, we will not treat you as one of our shareholders and you will not have shareholder rights. French law governs shareholder rights. The depositary will be the holder of the shares underlying your ADSs. As a holder of ADRs, you will have ADR holder rights. A deposit agreement among us, the depositary and you, as an ADR holder, and the beneficial owners of ADRs 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. Directions on how to obtain copies of those documents are provided under Where you can find more information about us.

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 Item 10, Additional Information(Memorandum and Articles of Association(Form and Holding of Shares (French law) in our annual report on Form 20-F for the 2006 financial year, which is incorporated by reference in this prospectus. 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 deposit with the custodian of our shares, or evidence of rights to receive our shares, and pursuant to appropriate instruments of transfer, it will execute and deliver through its Corporate Trust Office to the person or persons specified by the depositor, ADRs registered in the name or names of such person or persons for the number of ADRs 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 an ADR at the Corporate Trust Office of the depositary for the purpose of withdrawal of the Deposited Securities represented by the ADSs evidenced by such ADR, 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, ADR owners are entitled to delivery to it or upon its order of the shares and any other Deposited Securities at the time represented by the ADS or ADSs evidenced by such ADR 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 and documents of title for such delivery will be at the risk and expense of the ADR holder.

Subject to the terms and conditions of the deposit agreement and any limitations established by the depositary, unless requested by us to cease doing so, the depositary may deliver ADRs prior to the deposit of shares, referred to as a Pre-Release. The depositary may deliver shares upon the receipt and cancellation of ADRs which have been Pre-Released, whether or not such cancellation is prior to the termination of such Pre-Release or the depositary knows that such ADR has been Pre-Released. The depositary may receive ADRs in lieu of our shares in satisfaction of a Pre-Release. Each Pre-Release must be (a) preceded or accompanied by a written representation and agreement from the person to whom the ADRs or shares are to be delivered (the Pre-Releasee) that the Pre-Releasee, or its customer, (i) owns the shares or ADRs to be remitted, as the case may be, (ii) transfers all beneficial right, title and interest in such shares or ADRs as the case may be, to the depositary in its capacity as such and for the benefit of the beneficial owners, and (iii) will not take any action with respect to such shares or ADRs, as the case may be, that is inconsistent with the transfer of beneficial ownership (including, without the consent of the depositary disposing of such shares or ADRs, as the case may be, other than in satisfaction of such Pre-Release), (b) at all times fully collateralized with cash, U.S. government securities or such other collateral as the depositary determines, in good faith, will provide similar liquidity and security, (c) terminable by the depositary on not more than five (5) business days notice and (d) subject to such further indemnities and credit regulations as the depositary deems appropriate. The number of our shares not deposited but represented by ADSs outstanding at any time as a result of Pre-Releases will not normally exceed 30% of the shares deposited under the deposit agreement, but the depositary reserves the right to disregard such limit from time to time as it deems reasonably appropriate, and may, with our prior written consent, change such limit for purposes of general application. The depositary will also set dollar limits with respect to Pre-Release transactions to be entered into with any particular Pre-Releasee on a case-by-case basis as the depositary deems appropriate. For purposes of enabling the depositary to fulfill its obligations to the owners of ADRs under the deposit agreement, the collateral referred to in clause (b) above will be held by the depositary as security for the performance of the Pre-Releasee s obligations to the depositary in connection with a Pre-Release transaction, including the Pre-Releasee s obligation to deliver shares or ADRs upon termination of a Pre-Release transaction (and shall not, for the avoidance of doubt, constitute Deposited Securities under the deposit agreement). Neither we nor the custodian will incur any liability to the owners or beneficial owners of ADRs as a result of certain aspects of Pre-Releases.

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, 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 ADRs entitled thereto, in proportion to the number of ADSs representing such Deposited Securities evidenced by ADRs 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 ADR or ADRs or otherwise. The amount distributed will be reduced by any amount on account of taxes to be withheld by us or the depositary. See Item 10, Additional Information—Taxation of U.S. Investors—Dividends in our annual report on Form 20-F for the 2006 financial year, which is incorporated by reference in this prospectus.

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.

In certain circumstances, the depositary has agreed to use its reasonable efforts to enable U.S. resident beneficial owners of ADRs to comply with certain procedures that may be required by the French Treasury for purposes of obtaining treaty benefits in respect of dividends or other distributions of the Company. See Item 10, Additional Information(Taxation of U.S. Investors(Procedures for Claiming Treaty Benefits in our annual report on Form 20-F for the 2006 financial year, which is incorporated by reference in this prospectus. For a description of certain material French tax consequences of purchasing, owning and disposing of ADSs, see Item 10, Additional Information—French Taxation and Item 10, Additional Information—Taxation of U.S. Investors each included in our annual report on Form 20-F for the 2006 financial year, which is incorporated by reference in this prospectus.

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 of outstanding ADRs entitled thereto, in proportion to the number of ADSs representing such Deposited Securities held by them, respectively, additional ADRs evidencing 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 evidenced by ADRs, 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 ADRs for 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. If additional ADRs are not so distributed, 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 ADRs 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 ADR or ADRs, 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 Risk Factors Risks Relating to Ownership of Securities Preferential subscription rights may not be available to U.S. persons.

In circumstances in which rights would not otherwise be distributed, if an owner of ADRs 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 execute and deliver an ADR or ADRs to such owner pursuant to the deposit agreement.

The depositary will not offer rights to owners of ADRs unless both the rights and the securities to which such rights relate are either exempt from 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 ADRs 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 ADRs informing them of the distribution and stating that owners of ADRs 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 ADRs 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 therefor) 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 ADRs 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 ADRs 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 ADRs as in the case of a distribution in shares, or call for the surrender of outstanding ADRs to be exchanged for new ADRs 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 depositary gives effect to a change in the number of our shares that are represented by each ADS, or whenever the depositary shall receive notice of any meeting of holders of shares or other Deposited Securities, or whenever the depositary shall find it necessary or convenient, the depositary 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 ADR holders to give voting instructions in respect of the underlying shares.

Upon receipt by the depositary of notice of any meeting of holders of shares or other Deposited Securities, the depositary 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 depositary pursuant to the deposit agreement (which will normally be approximately five days before such meeting) 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 depositary 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 depositary for the receipt of such voting instruction card, referred to as the Receipt Date. 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 Item 10 Additional Information Memorandum and Articles of Association Attendance and Voting at Shareholders Meetings in our annual report on Form 20-F for the 2006 financial year, which is incorporated by reference in this prospectus.

Upon receipt by the depositary from an Owner of ADSs of a properly completed voting instruction card on or before the Receipt Date, the depositary 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. The depositary will only vote, or cause to be voted, or attempt to exercise the right to vote that attaches to, shares represented by ADSs in respect of which a properly completed voting instruction card has been received. The depositary will not vote, or cause to be voted, or attempt to exercise the right to vote that attaches to, shares represented by ADSs in respect of which the voting instruction card is improperly completed or in respect of which (and to the extent) the voting instructions included in the voting instruction card are illegible or unclear.

We and the depositary may modify or amend the above voting procedures or adopt additional voting procedures from time to time as we and the depositary 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 ADRs 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 ADRs 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 ADRs 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) generally transmitted to the holders of 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 of our annual reports.

Amendment and Termination of the Deposit Agreement

The form of ADRs 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 ADRs. 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 ADR owners, will not take effect as to outstanding ADRs until the expiration of 30 days after notice of any amendment has been given to the owners of outstanding ADRs. Every owner of an ADR at the time any such amendment so becomes effective, will be deemed, by continuing to hold such ADR, 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 ADR to surrender such ADR 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 ADRs 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 ADRs 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 ADRs remain outstanding after the date of termination of the deposit agreement, the depositary thereafter will discontinue the registration of transfers of ADRs, 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 ADRs (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 ADRs, 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 ADRs or to whom ADRs 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 ADRs or Deposited Securities or a distribution of ADRs 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 to be at the expense of persons depositing shares or owners of ADRs; (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 execution and delivery and for the surrender of ADRs 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 execution 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 ADRs.

The depositary, pursuant to the deposit agreement, may own and deal in any class of our securities and in ADRs.

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 ADR or any Deposited Securities represented by the ADSs evidenced by such ADR, such tax or other governmental charge will be payable by the owner of such ADR to the depositary. The depositary may refuse to effect any transfer of such ADR or any withdrawal of Deposited Securities underlying such ADR 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 ADR will remain liable for any deficiency.

Transfer of American Depositary Receipts

The ADRs 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 ADR, the delivery of any distribution thereon, or withdrawal of any Deposited Securities, the Company, depositary, custodian or Registrar may require payment from the person presenting the ADR 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 ADRs.

The depositary may refuse to deliver ADRs, to register the transfer of any ADR 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 ADRs and surrender of ADRs 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 ADRs 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 ADRs or the withdrawal of the Deposited Securities. See 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, or our respective directors, employees, agents or affiliates will be liable to any owner or beneficial owner of ADRs 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 affiliates 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 ADRs 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 ADRs, which at all reasonable times will be open for inspection by the owners of ADRs, 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 ADRs.

The depositary may appoint one or more co-transfer agents for the purposes of effecting transfers, combinations and split-ups of ADRs 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 ADRs and will be entitled to protection and indemnity to the same extent as the depositary.

Governing Law

The deposit agreement is governed by the laws of the State of New York.

PLAN OF DISTRIBUTION

We are registering a portion of the Securities issuable upon conversion of the Debentures and issued as interest on the Debentures to permit the resale of these shares by the selling shareholders from time to time after the date of this prospectus. We will not receive any of the proceeds from the sale by the selling shareholders of the Securities registered on the registration statement of which this prospectus forms a part. We will bear all fees and expenses incident to our obligation to register the Securities.

The selling shareholders may sell all or a portion of the Securities beneficially owned by them and offered hereby from time to time directly or through one or more underwriters, broker-dealers or agents. If the Securities are sold through underwriters or broker-dealers, the selling shareholders will be responsible for underwriting discounts or commissions or agent's commissions. The Securities may be sold in one or more transactions at fixed prices, at prevailing market prices at the time of the sale, at varying prices determined at the time of sale, or at negotiated prices. These sales may be effected in transactions, which may involve crosses or block transactions,

on any national securities exchange or quotation service on which the securities may be listed or quoted at the time of sale;

in the over-the-counter market;

in transactions otherwise than on these exchanges or systems or in the over-the-counter market;

through the writing of options, whether such options are listed on an options exchange or otherwise;

ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;

block trades in which the broker-dealer will attempt to sell the Securities as agent but may position and resell a portion of the block as principal to facilitate the transaction;
purchases by a broker-dealer as principal and resale by the broker-dealer for its account;

an exchange distribution in accordance with the rules of the applicable exchange;

privately negotiated transactions;

short sales entered into after the effective date of the registration statement of which this prospectus is a part;

pursuant to Rule 144 under the Securities Act;

broker-dealers may agree with the selling shareholders to sell a specified number of such Securities at a stipulated price per Security;

a combination of any such methods of sale; and

any other method permitted pursuant to applicable law.

If the selling shareholders effect such transactions by selling Securities to or through underwriters, broker-dealers or agents, such underwriters, broker-dealers or agents may receive commissions in the form of discounts, concessions or commissions from the selling Shareholders or commissions from purchasers of the Securities for whom they may act as agent or to whom they may sell

as principal (which discounts, concessions or commissions as to particular underwriters, broker-dealers or agents may be in excess of those customary in the types of transactions involved). In connection with sales of the Securities or otherwise, the selling shareholders may enter into hedging transactions with broker-dealers, which may in turn engage in short sales of the Securities in the course of hedging in positions they assume. The selling shareholders may also sell Securities short and deliver Securities covered by this prospectus to close out short positions. Notwithstanding the foregoing, we have advised each selling shareholder that it may not use Securities registered on the registration statement of this prospectus forms a part to cover short sales of Securities made prior to the date on which the registration statement of which this prospectus forms a part shall have been declared effective by the U.S. Securities and Exchange Commission. The selling shareholders may also loan or pledge Securities to broker-dealers that in turn may sell such Securities.

The selling shareholders may pledge or grant a security interest in some or all of the Debentures, Warrants or the Securities owned by them and, if they default in the performance of their secured obligations, the pledgees or secured parties may offer and sell the Securities from time to time pursuant to this prospectus or any amendment to this prospectus under Rule 424(b)(3) or other applicable provision of the Securities Act of 1933, as amended, amending, if necessary, the list of selling shareholders to include the pledgee, transferee or other successors in interest as selling Shareholders under this prospectus. The selling shareholders also may transfer and donate the Securities in other circumstances in which case the transferees, donees, pledgees or other successors in interest will be the selling beneficial owners for purposes of this prospectus.

The selling shareholders and any broker-dealer participating in the distribution of the Securities may be deemed to be underwriters within the meaning of the Securities Act, and any commission paid, or any discounts or concessions allowed to, any such broker-dealer may be deemed to be underwriting commissions or discounts under the Securities Act. At the time a particular offering of the Securities is made, a prospectus supplement, if required, will be distributed which will set forth the aggregate amount of Securities being offered and the terms of the offering, including the name or names of any broker-dealers or agents, any discounts, commissions and other terms constituting compensation from the selling shareholders and any discounts, commissions or concessions allowed or reallowed or paid to broker-dealers.

Under the securities laws of some states, the Securities may be sold in such states only through registered or licensed brokers or dealers. In addition, in some states the Securities may not be sold unless such Securities have been registered or qualified for sale in such state or an exemption from registration or qualification is available and is complied with.

There can be no assurance that any selling shareholder will sell any or all of the Securities registered pursuant to the shelf registration statement, of which this prospectus forms a part. If the selling shareholders use this prospectus for any sale of the Securities, they will be subject to the prospectus delivery requirements of the Securities Act unless an exemption therefrom is available.

The selling shareholders and any other person participating in such distribution will be subject to applicable provisions of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder, including, without limitation, Regulation M of the Exchange Act, which may limit the timing of purchases and sales of any of the Securities by the selling Shareholders and any other participating person. Regulation M may also restrict the ability of any person engaged in the distribution of the Securities to engage in market-making activities with respect to the Securities. All of the foregoing may affect the marketability of the Securities and the ability of any person or entity to engage in market-making activities with respect to the Securities.

We will pay all expenses of the registration of the Securities pursuant to the registration rights agreement, estimated to be $1,400,416.27 in total, including, without limitation, Securities and Exchange

Commission filing fees and expenses of compliance with state securities or blue sky laws; provided, however, that a selling shareholder will pay all underwriting discounts and selling commissions, if any. We will indemnify the selling shareholders against liabilities, including some liabilities under the Securities Act, in accordance with the registration rights agreements, or the selling shareholders will be entitled to contribution. We may be indemnified by the selling shareholders against civil liabilities, including liabilities under the Securities Act, that may arise from any written information furnished to us by the selling shareholder specifically for use in this prospectus, in accordance with the related registration rights agreement, or we may be entitled to contribution.

Once sold under the shelf registration statement, of which this prospectus forms a part, the Securities will be freely tradable in the hands of persons other than our affiliates.

EXPENSES

The following are the estimated expenses to be incurred in connection with the distribution of the Securities registered under this registration statement, which will be paid by us. All amounts shown are estimates except the SEC registration fee. Any selling commissions, brokerage fees and any applicable transfer taxes, and fees and disbursements of counsel for the selling shareholder are payable individually by the selling shareholders.

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Legal fees and expenses	1,312,000
Accounting fees and expenses	51,000
ADR Conversion Fees	37,000
SEC registration fee	416.27
Total	1,400,416.27

ENFORCEABILITY OF CIVIL LIABILITIES

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

LEGAL MATTERS

The validity of the ordinary shares will be passed upon by Cleary Gottlieb Steen and Hamilton LLP, 12, rue de Tilsitt, 75008 Paris, France, our French counsel.

EXPERTS

The consolidated financial statements of EDAP TMS S.A. incorporated in this prospectus by reference from our annual report on Form 20-F for the year ended December 31, 2006 have been audited by Ernst & Young, Tour du Crédit Lyonnais, 129 Rue Servient, 69326 Lyon Cedex 03, France, an independent registered public accounting firm, as stated in their report, which is incorporated herein by reference, and have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

PART II

INFORMATION NOT REQUIRED IN THE PROSPECTUS

Item 8. ***Indemnification of Directors and Officers***

The French Commercial Code prohibits provisions of articles of association (*statuts*) that limit the liability of directors or officers. However, directors and officers insurance is customary in France and commentaries suggest that companies may indemnify their directors and officers against liability they can be exposed to as a result of their duties, provided that such insurance or indemnity may not apply in the case of gross negligence (*faute lourde*) or willful misconduct (*faute intentionnelle*).

We maintain liability insurance for our directors and officers, including insurance against liabilities under the U.S. Securities Act of 1933, as amended.

Item 9. ***Exhibits***

	Description
5	Opinion of Cleary Gottlieb Steen & Hamilton LLP, French counsel to the registrant.
23.1	Consent of Ernst & Young.
23.2	Consent of Cleary Gottlieb Steen & Hamilton LLP (included in 5 above).
24	Powers of attorney (included in the signature pages herein).
99.1	Purchase Agreement dated as of October 29, 2007, among EDAP TMS S.A. and each purchaser signatory thereto, including the form of Debentures and the form of Warrants.*
99.2	Registration Rights Agreement dated as of October 29, 2007, among EDAP TMS S.A. and the investors signatory thereto.*

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*Incorporated by reference to the issuer s report on Form 6-K, furnished on October 31, 2007.

Item 10. ***Undertakings***

(a) The undersigned registrant hereby undertakes:

(1) to file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set

forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

provided, however, that paragraphs (a)(1)(i), (a)(1)(ii) and (a)(1)(iii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Commission by the registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of this registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) To file a post-effective amendment to the registration statement to include any financial statements required by Item 8.A. of Form 20-F at the start of any delayed offering or throughout a continuous offering. Financial statements and information otherwise required by Section 10(a)(3) of the Act need not be furnished, *provided*, that the registrant includes in the prospectus, by means of a post-effective amendment, financial statements required pursuant to this paragraph (a)(4) and other information necessary to ensure that all other information in the prospectus is at least as current as the date of those financial statements. Notwithstanding the foregoing, with respect to the registration statement, a post-effective amendment need not be filed to include financial statements and information required by Section 10(a)(3) of the Act or Item 8.A. of Form 20-F if such financial statements and information are contained in periodic reports filed with or furnished to the Commission by the registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement.

(5) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. *Provided, however*, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the

registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

(6) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, EDAP TMS S.A. certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Vaulx en Velin, France, on November 30, 2007.

EDAP TMS SA

By: /s/ MARC OCZACHOWSKI
Name: *Marc Oczachowski*
Title: *Chief Executive Officer*

By: /s/ ERIC SOYER
Name: *Eric Soyer*
Title: *Chief Financial Officer*

KNOW ALL MEN BY THESE PRESENTS that each person whose signature appears below severally constitutes and appoints Philippe Chauveau and Marc Oczachowski (with full power to each of them to act alone), his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities to do any and all things and execute any and all instruments that such attorney may deem necessary or advisable under the Securities Act of 1933, as amended (the Securities Act), and any rules, regulations and requirements of the Securities and Exchange Commission (the Commission) in connection with the registration under the Securities Act of the securities of the Company and any securities or Blue Sky law of any of the states of the United States of America in order to effect the registration or qualification (or exemption therefrom) of the said securities for issue, offer, sale or trade under the Blue Sky or other securities laws of any of such states and in connection therewith to execute, acknowledge, verify, deliver, file and cause to be published applications, reports, consents to service of process, appointments of attorneys to receive service of process and other papers and instruments which may be required under such laws, including specifically, but without limiting the generality of the foregoing, the power and authority to sign his name in his capacity as an Officer, Director or Authorized Representative in the United States of America or in any other capacity with respect to this registration statement and any registration statement in respect of securities of the Company that is to be effective upon filing pursuant to Rule 462(b) (collectively, the Registration Statement) and/or such other form or forms as may be appropriate to be filed with the Commission or under or in connection with any Blue Sky laws or other securities laws of any state of the United States of America or with such other regulatory bodies and agencies as any of them may deem appropriate in respect of the securities of the Company, and with respect to any and all amendments, including post-effective amendments, to this Registration Statement and to any and all instruments and documents filed as part of or in connection with this Registration Statement.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on November 30, 2007.

By: /s/ Philippe Chauveau
Name: Philippe Chauveau
Title: Chairman of the Board of Directors

By: /s/ Marc Oczachowski
Name: Marc Oczachowski
Title: Chief Executive Officer
(Principal Executive Officer)

By: /s/ Eric Soyer
Name: Eric Soyer
Title: Chief Financial Officer

(Principal Financial and Accounting Officer)

By: /s/ Pierre Beysson
Name: Pierre Beysson
Title: Director

By: /s/ H. de Bantel
Name: Hugues de Bantel
Title: Director

By: /s/ Lee Sanderson, CPA
Name: Lee Sanderson
Title: Authorized Representative in the United States of America

EXHIBIT INDEX

	Description
5	Opinion of Cleary Gottlieb Steen & Hamilton LLP, French counsel to the registrant.
23.1	Consent of Ernst & Young.
23.2	Consent of Cleary Gottlieb Steen & Hamilton LLP (included in 5 above).
24	Powers of attorney (included in the signature pages herein).
99.1	Purchase Agreement dated as of October 29, 2007, among EDAP TMS S.A. and each purchaser signatory thereto, including the form of Debentures and the form of Warrants.*
99.2	Registration Rights Agreement dated as of October 29, 2007, among EDAP TMS S.A. and the investors signatory thereto.*

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*Incorporated by reference to the issuer s report on Form 6-K, furnished on October 31, 2007.