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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 6-K**

**Report of Foreign Private Issuer  
Pursuant to Rule 13a-16 or 15d-16  
of the Securities Exchange Act of 1934**

**For the month of May 2006**

**Flamel Technologies S.A.**

(Translation of registrant's name into English)

**Parc Club du Moulin à Vent  
33 avenue du Dr. Georges Levy  
69693 Vénissieux cedex France**  
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F

Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes

No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-\_\_\_\_\_

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## INFORMATION FILED WITH THIS REPORT

### Document Index

- 99.1 Notice of a Combined Ordinary and Extraordinary General Meeting of Shareholders on June 12, 2006.
- 99.2 Draft Resolutions submitted to the Ordinary and Extraordinary General Shareholders' Meeting to be held on June 12, 2006.
- 99.3 Management Report prepared by the Board of Directors and presented to the Annual Ordinary General Shareholders' Meeting to be held on June 12, 2006.
- 99.4 Chairman's Report on the Conditions of Preparation and Organization of the Board of Directors and on the Internal Control Procedures Implemented by the Company presented to the Ordinary General Shareholders' Meeting to be held on June 12, 2006.
- 99.5 Board Report to be submitted to the Extraordinary Shareholders' Meetings to be held on June 12, 2006.
- 99.6 Form of Proxy to Shareholders.
- 99.7 Form of Proxy to ADR Holders.
- 99.8 Document and Information Request Form.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Flamel Technologies S.A.

By /s/ Stephen Willard

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Name: Stephen Willard

Title: Chief Executive Officer

Dated: May 30, 2006

**FLAMEL TECHNOLOGIES**  
Société Anonyme with a share capital of Euros 2,891,118.67  
Registered Office :  
Parc Club du Moulin à Vent  
33, avenue du Docteur Georges Lévy  
69693 VENISSIEUX (France)  
379 001 530 R.C.S. LYON

NOTICE OF A COMBINED ORDINARY AND EXTRAORDINARY GENERAL  
MEETING OF SHAREHOLDERS  
ON JUNE 12<sup>th</sup>, 2006

Sent by Mail

Ladies and Gentlemen,

You are cordially invited to attend the Combined Ordinary and Extraordinary General Meeting (the "Meeting") of the shareholders of FLAMEL TECHNOLOGIES (the "Company") which will be held on June 12th at 2 p.m. at the registered office of the Company, with the following agenda :

Agenda

Resolutions within the competence of the ordinary general shareholders' meeting

1. Approval of Statutory Accounts for year ended 31 December 2005
2. Allocation of Results to Retained Earnings
3. Renewal of Mr Elie Vannier as Director
4. Renewal of Mr Cornélis Boonstra as Director
5. Renewal of Mr. Frédéric Lemoine as Director
6. Renewal of Mr. John L. Vogelstein as Director
7. Renewal of Mr. Stephen H. Willard as Director
8. Renewal of Mr Lodewijk J.R. De Vink as Director
9. Determination of the annual amount of Directors' attendance fees
10. Approval of agreements referred to in article L. 225-38 *et seq.* of the Commercial Code,

Resolutions within the competence of the extraordinary general shareholders' meeting

11. Authority granted to the Board of Directors to issue up to 150,000 warrants ("*Bons de Souscription d'Actions*") ("warrants BSA"), reserved to a category of beneficiaries comprising the Directors of the Company who are not officers and/or employees of the Company, but including the Chairman; authorizing the Board of Directors to proceed with the capital increase subsequent to the exercise of these warrants (BSA) and to issue a maximum of 150.000 new ordinary shares
  12. Increase of the share capital reserved to the Company's employees as contemplated by articles L.225-129-6 of the Commercial Code and L.443-5 of the Labor Code.
  13. Authority in connection with filing, publication, and registration formalities
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Please note that in the event that you are not able to attend the meeting, you may either grant a proxy to your spouse or to another shareholder, who will be attending the meeting, or vote by mail. You may also address a proxy to the Company without indicating any representative. In this latter case, please note that the Chairman of the meeting will thus (i) vote in favor of the resolutions approved by the Board of Directors and (ii) vote unfavorably for the other resolutions, which would have not been approved by the Board. If you wish to vote in another way, you shall give a proxy to a representative, who will agree to vote as you require.

Under no circumstances, will you be allowed to return to the Company a document including both instructions of vote by mail and by proxy.

The voting instructions will not be taken into account unless the above-mentioned document, duly filled out, reaches the Company at least three days before the Shareholders' meeting.

THE BOARD OF DIRECTORS

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**IMPORTANT :**

IF THE QUORUM FOR THE ORDINARY MEETING IS NOT MET ON JUNE 12<sup>th</sup>, 2006, SHAREHOLDERS WILL BE INVITED TO VOTE ON A MEETING WHICH WILL BE HELD ON JUNE 19<sup>th</sup>, 2006 ON THE SAME AGENDA, AS DESCRIBED IN THIS NOTICE .

Quorum required under French law: The required quorum for ordinary resolutions is one fifth (20%) of the total outstanding shares. If such quorum is not met, the Board of Directors will give a second notice of Shareholders' Meeting. At this second Meeting, no quorum is required for ordinary resolutions.

The required quorum for extraordinary resolutions is one fourth (25%) of the total outstanding shares with voting rights, upon first call of the shareholders' meeting. If such quorum is not met, the Board of Directors will give a second notice of Shareholders' Meeting. At this second Meeting, which shall not take place earlier than six days after the first meeting, the required quorum is one fifth (20%) of the total outstanding shares with voting rights.

**Enclosed documents:**

- Draft resolutions to be presented to the combined ordinary and extraordinary shareholders' meeting;
- Report of the Board of Directors;
- Table of the Company's results for the last five financial years (appendice of report of the board of directors);
- Report on internal control;
- Report to extraordinary shareholders meeting;
- Form of proxy and vote by mail;
- Document and information request form.

**FLAMEL TECHNOLOGIES**  
*Société Anonyme* with a stated capital of 2,891,118.67 euros  
*Registered Office:*  
Parc Club du Moulin à Vent  
33, avenue du Docteur Georges Lévy  
69693 VENISSIEUX – France  
379 001 530 R.C.S. LYON

**DRAFT RESOLUTIONS SUBMITTED TO THE ORDINARY AND EXTRAORDINARY GENERAL SHAREHOLDERS' MEETING TO BE HELD ON JUNE 12, 2006**

**- DRAFT RESOLUTIONS WITHIN THE COMPETENCE OF THE ORDINARY GENERAL SHAREHOLDERS' MEETING -**

1. Approval of Statutory Accounts for year ended 31 December 2005
2. Allocation of Results to Retained Earnings
3. Renewal of Mr Elie Vannier as Director
4. Renewal of Mr Cornélis Boonstra as Director
5. Renewal of Mr. Frédéric Lemoine as Director
6. Renewal of Mr. John L. Vogelstein as Director
7. Renewal of Mr. Stephen H. Willard as Director
8. Renewal of Mr Lodewijk J.R. De Vink as Director
9. Determination of the annual amount of Directors' attendance fees
10. Approval of agreements referred to in article L. 225-38 *et seq.* of the Commercial Code,

**- DRAFT RESOLUTIONS WITHIN THE COMPETENCE OF THE EXTRAORDINARY GENERAL SHAREHOLDERS' MEETING -**

11. Authority granted to the Board of Directors to issue up to 150,000 warrants ("*Bons de Souscription d'Actions*") ("*warrants BSA*"), reserved to a category of beneficiaries comprising the Directors of the Company who are not officers and/or employees of the Company, but including the Chairman; authorizing the Board of Directors to proceed with the capital increase subsequent to the exercise of these warrants (BSA) and to issue a maximum of 150.000 new ordinary shares
  12. Increase of the share capital reserved to the Company's employees as contemplated by articles L. 225-129-6 of the Commercial Code and L. 443-5 of the Labor Code
  13. Authority in connection with filing, publication, and registration formalities
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**FIRST RESOLUTION***Approval of Statutory Accounts for year ended 31 December 2005*

The General Shareholders' Meeting, voting under the quorum and majority conditions for ordinary general meetings, after having taken cognizance of the financial statements for the fiscal year ended on December 31, 2005, and having heard a reading of the Board of Directors' management report and of the general report of the Statutory Auditor pertaining to said fiscal year, approves, in their entirety, the said financial statements as they have been presented to it, as well as the transactions recorded in such financial statements and reports, which show a loss in the amount of (20,705,494) euros.

Accordingly, the General Shareholders' Meeting grants the Directors full discharge for the performance of their duties during said fiscal year.

Furthermore and in accordance with Section 223 *quater* of the General Tax Code, the General Shareholders' Meeting acknowledges that non tax-deductible expenses or charges as set forth at Section 39-4 of the General Tax Code were incurred for a total of 12,390 Euros during the fiscal year ended December 31, 2005 in relation to non-deductible depreciation of motor vehicles.

Attendance fees for an amount of 160,715 euros were also recorded as non tax-deductible in 2005.

**SECOND RESOLUTION**

After having heard a reading of the Board of Directors' management report, the General Shareholders' Meeting, voting under the quorum and majority conditions for ordinary general meetings, decides to allocate the loss for the financial year ended on December 31, 2005, amounting to (20,705,494) euros, to the carry forward account, which will then amount to (57,245,785) euros.

It is recalled, pursuant to article 243 *bis* of the General Tax Code, that no dividend was distributed for the fiscal years ended December 31, 2004, December 31, 2003 and December 31, 2002.

**THIRD RESOLUTION**

The General Shareholders' Meeting, voting under the quorum and majority conditions for ordinary general meetings, after having heard a reading of the Board of Directors' management report, acknowledging that the term of the Director's office of Elie Vannier expires at the end of this meeting, decides to renew his office for one (1) year, to expire at the end of the General Shareholders' Meeting convened to approve the financial statements for the fiscal year ending December 31, 2006.

Elie Vannier has declared that he complied with all the conditions required by applicable laws and regulations in order to hold such office.

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**FOURTH RESOLUTION**

The General Shareholders' Meeting, voting under the quorum and majority conditions for ordinary general meetings, after having heard a reading of the Board of Directors' management report, acknowledging that the term of the Director's office of Cornélis Boonstra expires at the end of this meeting, decides to renew his office for one (1) year, to expire at the end of the General Shareholders' Meeting convened to approve the financial statements for the fiscal year ending December 31, 2006.

Cornélis Boonstra has declared that he complied with all the conditions required by applicable laws and regulations in order to hold such office.

**FIFTH RESOLUTION**

The General Shareholders' Meeting, voting under the quorum and majority conditions for ordinary general meetings, after having heard a reading of the Board of Directors' management report, acknowledging that the term of the Director's office of Frédéric Lemoine expires at the end of this meeting, decides to renew his office for one (1) year, to expire at the end of the General Shareholders' Meeting convened to approve the financial statements for the fiscal year ending December 31, 2006.

Frédéric Lemoine has declared that he complied with all the conditions required by applicable laws and regulations in order to hold such office.

**SIXTH RESOLUTION**

The General Shareholders' Meeting, voting under the quorum and majority conditions for ordinary general meetings, after having heard a reading of the Board of Directors' management report, acknowledging that the term of the Director's office of John L. Vogelstein expires at the end of this meeting, decides to renew his office for one (1) year, to expire at the end of the General Shareholders' Meeting convened to approve the financial statements for the fiscal year ending December 31, 2006.

of John L. Vogelstein has declared that he complied with all the conditions required by applicable laws and regulations in order to hold such office.

**SEVENTH RESOLUTION**

The General Shareholders' Meeting, voting under the quorum and majority conditions for ordinary general meetings, after having heard a reading of the Board of Directors' management report, acknowledging that the term of the Director's office of Stephen H. Willard expires at the end of this meeting, decides to renew his office for one (1) year, to expire at the end of the General Shareholders' Meeting called on to approve the financial statements for the fiscal year ending December 31, 2006.

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Stephen H. Willard has declared that he complied with all the conditions required by applicable laws and regulations in order to hold such office.

#### **EIGHTH RESOLUTION**

The General Shareholders' Meeting, voting under the quorum and majority conditions for ordinary general meetings, after having heard a reading of the Board of Directors' management report, acknowledging that the term of the Director's office of Lodewijk J.R. De Vink expires at the end of this meeting, decides to renew his office for one (1) year, to expire at the end of the General Shareholders' Meeting convened to approve the financial statements for the fiscal year ending December 31, 2006.

Lodewijk J.R. De Vink has declared that he complied with all the conditions required by applicable laws and regulations in order to hold such office.

#### **NINTH RESOLUTION**

After having heard a reading of the Board of Directors' management report, the General Shareholders' Meeting voting under the quorum and majority conditions for ordinary general meetings, decides to allocate to the Board of Directors a maximum aggregate amount of 400,000 euros as annual attendance fees (*jetons de presence*) for the fiscal year ending December 31, 2006.

The General Shareholders' Meeting acknowledges that the Board will determine the allocation and payment date of said attendance fees

#### **TENTH RESOLUTION**

After having heard a reading of the Board of Directors' management report, and the statutory auditor's special report regarding the agreements referred to in article L. 225-38 *et seq.* of the Commercial Code, the General Shareholders' Meeting voting under the quorum and majority conditions for ordinary general meetings, approves the agreements entered into or previously authorized and which remained into force during the fiscal year ended December 31, 2005, together with the transactions mentioned therein.

**- DRAFT RESOLUTIONS WITHIN THE COMPETENCE OF THE EXTRAORDINARY GENERAL SHAREHOLDERS' MEETING -**

#### **ELEVENTH RESOLUTION**

The General Shareholders' Meeting, voting under the quorum and majority requirements for extraordinary general meetings, after having heard a reading of the Board of Directors' report and Statutory Auditor's special report, acknowledging that the share capital of the Company is fully paid up,

in accordance with the provisions of Articles L. 225-138 and L. 228-91 *et seq.* of the Commercial Code,

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1. decides to authorize the Board to issue 150,000 warrants (BSA) for a subscription price to be paid up in cash and determined by the Board based on the evaluation of an independent expert. Such evaluation shall be the fair value of the warrants (BSA) which will be in part a function of the subscription price of the shares to be determined by the Board, in accordance with the provisions set forth in paragraph 3 below. The subscription amount of these warrants (BSA), if any, will be registered in a special reserve account labeled "issue premium" which will carry rights for all shareholders;
  2. decides to cancel the preferential right of subscription attributed to the shareholders by Article L. 225-132 of the Commercial Code and to reserve the subscription of these 150,000 warrants (BSA), to the following category of beneficiaries: Directors of the Company who are not officers and/or employees of the Company, but including the Chairman
  3. decides that each warrant (BSA) will give its holder, subject to the terms and conditions set forth hereafter and in the Board's decision to issue the warrants (BSA), the right to subscribe to one share of the Company for a subscription price which shall be the market price for the share, in the form of ADS, on the NASDAQ, on the closing of the trades on the day preceding the decision of the Board to issue such warrants (BSA), provided that such price shall not be less than 80% of the average of the market price for the share on the NASDAQ, in the form of ADS, during the last twenty trading days preceding such Board's decision. In this case, the price for the share shall be equal to 80% of the average of the market price for the share on the NASDAQ, in the form of ADS, during the last twenty trading days preceding such Board's decision;
  4. resolves that the shares thus subscribed upon exercise of the warrants (BSA) shall be fully paid up on the date of their subscription, either in cash or by offset of debt in the conditions laid down by law;
  5. decides that each warrant (BSA) shall be exercised by its holder in accordance with the conditions set forth by the Board's decision to issue the warrants (BSA), provided that such exercise shall occur within five years from the issuance date and that the holder is still a member of the Board of Directors of the Company on the day of such exercise;
  6. If its holder fails to exercise the warrant in whole or in part at the expiry of the above mentioned period, the warrant (BSA) and the attached right to subscribe will lapse automatically;
  7. decides that, as of, at the issuance date of the warrants (BSA), the Company will be entitled to:
    - conduct any change in its corporate organization,
    - conduct any change in its corporate purpose,
    - change the allocation rule of its profits and to redeem its share capital, subject to the Company taking all the necessary measures to protect the warrants holders pursuant to Article L. 228-99 of the Commercial Code,
    - issue preferred shares subject to the Company taking all the necessary measures to protect the warrants holders pursuant to Article L. 228-99 of the Commercial Code;
  8. decides that, in the event the Company issues, under any circumstances, new shares with a preferential right to subscribe reserved to its shareholders, or if the Company conducts a distribution of its reserves, in cash or in kind, and of its share premiums or if the Company changes the allocation of its profits through the issuance of preferred shares, the Company will
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take all the necessary measures to protect the interests of the warrants' holders pursuant to the provisions of Article L. 228-99 of the Commercial Code;

9. decides that, in the case of a capital reduction, motivated or not by losses, and conducted through either a decrease of the par value of the shares or a decrease of the number of shares, the warrants holders' rights will be decreased accordingly as if they had been exercised, before the date when the capital decrease has become final;
  10. acknowledges that, pursuant to the provisions of Article L. 228-103 *et seq.* of the Commercial Code, the warrants' holders will all be grouped together in order to defend their common interests, in an assembly (a "*masse*") with a civil personality. General warrants holders meetings will be convened to authorize any changes in the issuance terms and conditions and to decide on any decision regarding the conditions of subscription or allocation of the shares as set forth at the time issuance took place. Each warrant will give access to one voting right. The conditions regarding the quorum and the majority will be those determined in the second and third paragraph of Article L. 225-96 of the Commercial Code. The expenses incurred in connection with such meetings, as well as, generally, any expenses in connection with the assembly ("*masse*") will be borne by the Company;
  11. Consequently and in accordance with the provisions of Article L. 228-91 of the Commercial Code, authorizes the issue of a maximum of 150.000 new ordinary shares of an approximate nominal value of 0.12 euro each to which exercise of warrants (BSA) will give rise, that is, a capital increase of an approximate maximum nominal amount of 18,294 euros, without taking into account, as the case may be, any additional shares that may be issued to protect the interests of the warrants' holders pursuant to the provisions of Article L. 228-99 of the Commercial Code;
  12. decides that the new shares remitted to the subscriber on exercise of the warrant will be subject to all the provisions of the bylaws of the Company and will carry distribution rights from the date of their creation;
  13. acknowledges that, in accordance with Article L. 225-132 paragraph 6 of the Commercial Code, the decision of the General Shareholders' Meeting automatically entails the waiver by the shareholders of their preferential rights in respect of the shares which may be issued upon exercise of the warrants (BSA), for the benefit of the holders of the above-mentioned 150,000 warrants (BSA);
  14. decides that this authorization is granted for a term of eighteen (18) months starting from the date of this General Shareholders' Meeting;
  15. acknowledges that, such warrants (BSA) shall be issued within a maximum period of eighteen (18) months from the date of the General Meeting in accordance with Article L. 225-138 of the Commercial Code;
  16. decides to grant the Board of Directors with all necessary powers to implement this decision under the terms and conditions set by the present resolution and by law, and in particular:
    - to issue and fix the subscription price of the warrants (BSA)
    - to determine the beneficiaries amongst the category defined by this resolution,
    - to fix the issue price of the shares to be subscribed upon exercise of the warrants (BSA) in accordance with terms and conditions set by the present resolution, the dates, periods and
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conditions of subscription and final details of the issue within the limits laid down by this general meeting of shareholders and to allocate the issue premium, as the case may be,

- to close the subscription period early or extend its date, if required,
- to gather the subscriptions and payments in respect of the subscription for the aforementioned warrants (BSA),
- to record the number of shares issued on exercise of the warrants (BSA) and carry out any formalities resulting from the corresponding increases in share capital and make the corresponding amendments to the bylaws,
- to take any action required to ensure the protection of the warrant holder in the event of financial operations relating to the Company, in accordance with the legal and regulatory provisions in force, and generally, to take any action and carry out any formality which is useful in respect of this issue.

#### **TWELFTH RESOLUTION**

The General Shareholders' Meeting, voting under the quorum and majority requirements for extraordinary general meetings, after having heard a reading of the Board of Directors' report and Statutory Auditor's special report, acknowledging that the share capital of the Company is fully paid up,

in accordance with the provisions of Articles L. 225-129, L. 225-129-1, L. 225-129-6 and L. 225-138-1 of the Commercial Code and Article L. 443-5 *et seq.* of the Labor Code,

1. authorizes the Board of Directors to carry out, on one or more occasions, on its own resolution, an increase of the share capital, through the issuance of shares reserved, directly or through an Employee Profit Sharing FCP (*Fonds commun de placement d'entreprise*), to members of a company sponsored saving plan, as provided for in Article L. 443-1 *et seq.* of the Labor Code, for employees of the Company or its affiliates, as defined under Article L. 225.180 of the Commercial Code, who shall meet additional criteria to be defined by the Board, if any (the "Group Employees");
  2. decides to cancel, in favor of those Group Employees, the preferential subscription rights of the shareholders set forth in Article L. 225-132 of the Commercial Code, to the shares to be issued under this resolution;
  3. decides that this authorization is granted for a term of twenty-six (26) months starting from the date of this General Shareholders' Meeting;
  4. decides to set at 1% of the share capital, as of the date of this meeting, the issuance of shares that could result from the use of this authorization;
  5. decides that the subscription price per share for the shares to be issued in accordance with this authorization shall be determined by the Board of Directors in accordance with Article L. 443-5 of the Labor Code;
  6. decides to grant the Board of Directors with all powers necessary to implement this resolution in accordance with applicable laws and regulations, and subject to the limitations and conditions specified above;
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7. acknowledges that, in the event the Board uses this authorization, it shall so inform the next ordinary general meeting of the shareholders of the operations in accordance with applicable laws and regulations.

**THIRTEENTH RESOLUTION**

The General Shareholders' Meeting grants a power of attorney to the bearer of an original, an except or a copy hereof, in order to effect all publication, filing and other formalities required by law.

**FLAMEL TECHNOLOGIES**

*Société Anonyme* with a stated capital of 2,891,118.67 euros

***Registered Office:***

Parc Club du Moulin à Vent  
33, avenue du Docteur Georges Lévy  
69693 VENISSIEUX — France  
379 001 530 R.C.S. LYON

**MANAGEMENT REPORT PREPARED BY THE BOARD OF DIRECTORS  
AND PRESENTED TO THE ANNUAL ORDINARY GENERAL SHAREHOLDERS'  
MEETING TO BE HELD ON 12<sup>th</sup>, JUNE 2006**

Ladies and Gentlemen,

In accordance with French law and the Company's bylaws, the Board of Directors has called an Ordinary Shareholders' Meeting in order to report on the condition and the business of the Company during the financial year ended on December 31, 2005 (the "Financial Year") and to invite you to accept the financial statements for the financial year.

Moreover, we propose to renew the mandate of the current Members of the Board of Directors for the coming year

During this General Shareholders' Meeting, the statutory auditor's reports will be read.

These reports, the management report, the financial statements, and all related documents are made available to you at the company's registered office, as required by law.

The financial statements presented to you were prepared in accordance with the applicable French accounting laws, principles and methods.

Please note that the accounting methods used in preparing these financial statements are the same as those used in previous financial years.

**I. BUSINESS AND CONDITION OF THE COMPANY DURING THE FINANCIAL YEAR**

The financial year ended December 31, 2005 was a difficult but strong year for the Company with respect to technical progress, investment in people, plant and equipment and preservation of its financial situation, in term of cash.

Furthermore, in June 2005, there was a change in the composition of your Board of Directors. As a result of the change, there was a change of the Directeur Général (CEO) of your Company. We believe that, despite of difficulties this has created, your Company and Board

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of Directors have succeeded in strengthening the Company through these changes and our future is bright.

With respect to its Medusa® platform, the Company completed a successful clinical trial of its formulation of Interferon-alpha and made important progress on a clinical trial of its formulation of Interleukin-2.

With respect to its Micropump® platform, in December 2005, we announced that GSK has submitted a New Drug Application (NDA) for the controlled release formulation of a currently marketed major drug using our technology. We also have pursued very actively the development of our Pessac facility in liaison with this service agreement. We also made important progress on Micropump® formulations of a number of molecules including proton pump inhibitors.

Corning, for its part, continued the commercial promotion of its photochromic eye glasses using the photochromic material developed by Flamel.

For the Financial Year, the Company had net sales in the amount of 17.5 M. Euros, compared with 27.2 M. Euros for the previous financial year.

## **II. RESULTS OF THE FINANCIAL YEAR**

The following results are in accordance with French GAAP.

### **1. Statement of operations**

2005 revenues amounted to 17.5 M. Euros compared to 27.2 M. Euros in 2004. 2005 revenues included 1.3 M. Euros of product sales, 15.3 M. Euros of license and research revenues and 0.9 M. Euros of royalties

Salaries and social charges, representing 28% of total operational costs, increased by 23% in 2005 to 14.5 M. Euros, compared to 11.8 M. Euros in 2004. This was principally due to the growth in the number of employees (254 salaried employees in December 2005 versus 221 salaried employees in December 2004).

Other costs in 2005 grew by 37% resulting from significant investments in research and development activities, and particularly with respect to subcontracting costs of pre clinical, clinical studies and clinical batches.

Positive financial net income of 3.2 M. Euros in 2005 was mainly due to realized gains from the sale of marketable securities of 2.9 M. Euros in 2005, and favorable exchange gain of 0.2 M. Euros.

The loss before tax (and excluding extraordinary items) in 2005 amounted to (27.8) M. Euros compared to a loss of (9.0) M. Euros in 2004.

Together with extraordinary profit of 3.7 M. Euros mainly from BMS termination agreement fees and grants compensated by the provision linked with the change of

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management in June 2005, and research tax credit of 3.4M. Euros, the net loss for the year amounted to 20,705,494 Euros compared with a loss of 6,365,948 Euros for the previous financial year.

2. Balance Sheet

ASSETS

Total assets amounted to 106.3 M. Euros, of which 19.9 M. Euros related to fixed assets and 86.4 M. Euros to current assets.

Accounts receivable at the end of the year were 2.2 M. Euros.

Marketable securities amounted to 70.1 M. Euros at the end of 2005, including money market funds and term deposits, compared to 72.6 M. Euros at the end of 2004.

LIABILITIES

Shareholders' equity, after taking into account the loss for 2005, amounted to 77.5 M. Euros.

The rest of the liabilities amounted to 28.8 M. Euros, with 6.1 M. Euros of accounts payable to suppliers, 2.4 M. Euros of conditional loans from French government agencies, 7.5 M. Euros from GSK financing that will be amortized at the same pace than the fixed assets and a provision linked to the change of management in June 2005 and its financial implication including social charges on stocks options.

3. Capital investments

Capital investments for the year amounted to 20.9M. Euros and were principally utilized for research and development activities, and especially at the Pessac plant, for the building of the Coreg facility..

4. Financing

The Company did not have specific external financing operations in the 2005 year.

In 2005, a total of 830,000 options have been exercised by employees and a total of 1,125,000 BSA (warrants) have been exercised by directors and shareholders leading to a capital increase of 238,430 Euros.

No important event, having any material effect on the financial statements of year 2005, occurred between January 1<sup>st</sup>, 2006 and the date of this management report.

The financial results will be submitted to the approval of the General Shareholders' Meeting. (first resolution)

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**III. IMPROVEMENTS — DIFFICULTIES EXPERIENCED**

The Company made substantial progress during the year, both with respect to its product pipeline and its financial position. Highlights included:

- Successful finalization of clinical trials on Interferon-alpha and progress on Interleukin-2 clinical trial.
- Finalization of the construction of a new production facility in Pessac, funded in part by others, and obtaining significant money from GSK to support our production of their Micropump® formulated product.
- The continued application of our Medusa® and Micropump® technologies to various partnered projects, feasibility studies and proprietary formulations.
- The company announced in September that TAP terminated its license agreement for controlled release Lansoprazole. The company consequently continued the development of PPI products including a phase I clinical trials with Omeprazole.

**IV. ALLOCATION OF RESULTS**

It results from the accounts that we have presented to you that the net result of the financial year shows a loss of 20,705,494 Euros.

We propose you that this loss amounting to 20,705,494 Euros be allocated fully to the carry-forward account which, after allocation, will amount to (57,245,785) Euros. (second resolution).

**V. PURCHASE OF SHARES BY THE COMPANY**

None.

**VI. DIVIDENDS PAID DURING THE PAST THREE FINANCIAL YEARS AND CORRESPONDING TAX CREDIT**

We wish to note, as required by Section 243 bis of the General Tax Code, that no dividends were distributed in the preceding three financial years.

**VII. NON TAX-DEDUCTIBLE EXPENSES**

The Company incurred non tax-deductible expenses for an amount of 12,390 euros corresponding to non tax-deductible depreciation. Jetons de presence (attendance fees) for an amount of 160,715 euros were also recorded as non tax-deductible in 2005.

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**VIII. SIGNIFICANT EVENTS BETWEEN THE CLOSE OF THE FINANCIAL YEAR AND THE DATE OF THIS REPORT**

None

**IX. FORESEEABLE EVOLUTION OF THE COMPANY —PROSPECTS**

The Board of Directors expects the following developments in 2006:

expected continuation and development of the collaboration with GlaxoSmithKline according to the license agreement signed in March 2003;

- expected continuation of the applications of Micropump® and Medusa® technologies to other products, especially with feasibility studies contracted with pharmaceutical companies and also on self-funded projects;
- the establishment of new R&D partnerships to facilitate the commercialization of various projects including for example Interferon alpha; Trigger lock and Basulin®;

The projected revenues and the present cash position will permit the Company to fund its activity and development in 2006.

**X. RESEARCH AND DEVELOPMENT ACTIVITIES OF THE COMPANY****Medusa®**

The Company continued its development of Basulin®. It made substantial progress with a clinical trial of Medusa® enabled formulations of long-acting Interleukin-2 and finalized successfully a clinical trial on long-acting Interferon-alpha. The Company continued its work on formulation of long-acting human growth hormone, and long-acting Erythropoietin.

**Micropump®**

The company continued its controlled-release formulation of Lansoprazole and Omeprazole after the termination of the agreement with TAP. We made substantial additional progress with our partnership with Glaxo Smithkline, leading to the filing of an NDA in December and the completion of a new Flamel manufacturing facility. We also did important work for other partners and potential partners, including development of our Trigger Lock system to reduce or eliminate opioid abuse

**XI. TABLE OF THE RESULTS OF THE PAST FIVE FINANCIAL YEARS**

In accordance with Section 148 of Regulation n°67 236 dated March 23, 1967, the table summarizing our Company's results for the last five financial years is appended to this report.

(See exhibit1)

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**XII. EMPLOYEES**

The number of employees as of December 31, 2005 was 254.

**XIII. CAPITAL OWNERSHIP**

On December 31, 2005, the share capital of the Company amounted to 2,891,118.68 Euros and consisted of 23,706,590 shares. Approximately 99.77% of the share capital is quoted on the Nasdaq under the form of ADSs, through the Bank of New York.

**XIII. AGREEMENTS REFERRED TO IN SECTIONS L. 225-38 ET SEQ. OF THE COMMERCIAL CODE**

Please note that the statutory auditor has prepared a special report, which is submitted to you, in which he indicates that some agreements referred to in Sections L. 225-38 *et seq.* of the Commercial Code have been entered into or renewed during the last financial year.

We ask you to approve and/or ratify, if applicable, any agreements referred to under Section L. 225-38 *et seq.* of the Commercial Code, which have been entered into or renewed during the Financial Year, and which may be mentioned in the report of the Statutory Auditor. (tenth resolution)

**XV. MANAGEMENT AND CONTROL OF THE COMPANY**

In the second quarter of 2005, disagreements were raised between some of the shareholders of the Company and the Chairman and CEO and Board of Directors. At the June 22<sup>nd</sup> 2005 Shareholders meeting, the former Board of Directors was not reelected including the Chairman and CEO. A new Board of Directors including 3 members has been put in place at that date including a non Executive Chairman. A CEO was also nominated . Three additional Directors have been nominated in October.

Following the resignation of Randy H. Thurman as Director on January 10<sup>th</sup> 2006, Lodewijk J.R. de Vink was nominated as a Director at the same date.

The term of office of each Messrs Elie Vannier, Cornelis Boonstra, Frédéric Lemoine; Lodewijk J.R. de Vink, John L. Vogelstein and Stephen H. Willard in their capacity as directors of the Company, expires at the end of the Ordinary General Shareholders' Meeting to which you are called, we propose to renew their terms of office for one (1) year, *i.e.* until the Ordinary General Shareholders' Meeting that will be convened to vote on the financial statements for the financial year that will end on December 31, 2006. (third, fourth, fifth, sixth, seventh and eighth resolutions)

**XVI. DETERMINATION OF DIRECTORS' ATTENDANCE FEES**

In light of increased involvement by the Directors, greater responsibilities, and the Company strong financial position, we propose that a sum of 400.000 Euros be allocated to the Board

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of Directors as annual attendance fees, which will then determine the allocation of such attendance fees. (ninth resolution) We also propose to have up to a maximum of 150.000 Bons de Souscriptions Autonomes (BSA or warrants) be made available to the Board of Directors for acquisition by directors at a fair market value. (eleventh resolution)

**XVII. TOTAL AMOUNT OF COMPENSATION AND IN-KIND BENEFITS RECEIVED BY EACH DIRECTOR AND OFFICER FROM THE COMPANY AND CONTROLLED COMPANIES DURING THE PAST FINANCIAL YEAR**

For year 2005 (up to June 22<sup>nd</sup>), Mr Soula Président Directeur Général received a total compensation of 223 926 Euros.

For year 2005, Mr. Willard, Director and CEO received a total compensation of 1.022.671 Euros.

**XVIII. LIST OF OFFICES AND POSITIONS IN OTHER COMPANIES, OF EACH DIRECTOR DURING THE FINANCIAL YEAR**

1. Mr Elie Vannier, Président (Chairman)

Mr Vannier is also COO of Grandvision SA and director and chairman of the compensation committee of Promod SAS

2. Mr Cornelis Boonstra, Director

Mr Boonstra is also Director of Hunter Douglas

3. Mr Frédéric Lemoine, Director

Mr Lemoine is also Chairman of the supervisory Board of Areva and Director of Groupama SA

4. Mr John L. Vogelstein, Director

Mr Vogelstein is also Vice Chairman of Warburg Pincus

5. Mr Lodewijk J.R. de Vink, Director.

Mr de Vink is also Director of Roche group and of Alcon Inc

6. Mr. Stephen Willard, Director, CEO

Mr. Willard is also Director of ETRADE Financial, Inc.

**XIX. SIGNIFICANT ACQUISITIONS OF EQUITY INTERESTS IN COMPANIES HAVING THEIR REGISTERED OFFICE IN FRANCE OR ACQUISITION OF THE CONTROL OF SUCH COMPANIES**

None.

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**XX. PERCENTAGE OF THE SHARE CAPITAL HELD BY EMPLOYEES, EITHER DIRECTLY OR VIA AN INVESTMENT FUND OR A COMPANY SAVINGS PLAN**

At the end of 2005, employees held directly 496 shares of the Company.

The Board invites you, after the reading of the reports by the Statutory Auditor, to proceed with the examination and the vote on the resolution submitted to your vote.

Elie Vannier  
Chairman

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## EXHIBIT 1

**FINANCIAL RESULTS OF THE PAST FIVE YEARS**

FLAMEL TECHNOLOGIES — As of December 31, 2005

**FINANCIAL RESULTS OF THE PAST FIVE YEARS**

(Solely for Public limited companies)

Amount in euros

	déc-00	déc-01	déc-02	déc-03	déc-04	déc-05
a) Capital share	1 975 445,35	1 975 445,35	1 975 445,34	2 608 783,07	2 652 688,41	2 891 118,68
b) Number of Ordinary shares	16 197 590	16 197 590	16 197 590	21 391 590	21 751 590	23 706 590
c) Number of preference shares						
d) Number of shares to be issued by :						
- bond conversion						
- exercise of stock-options and warrants	1 415 000	2 110 000	2 535 000	4 415 000	4 758 500	3 465 000

**CAPITAL FOR THE YEAR ENDED**

a) Revenues	10 187 579,27	14 615 521,74	19 503 640,86	37 680 303,02	27 197 059,79	17 454 801,51
b) Income before taxes	-6 556 102,30	-1 872 827,33	4 070 438,96	13 826 400,73	-6 845 679,55	-17 533 232,21
c) Income tax	54 544,07	15 244,90	-585 075,87	-444 583,00	-3 444 473,62	-3 371 868,76
d) Employee's profit-sharing						
e) Income after taxes, depreciation and provisions	-7 028 717,47	-2 850 032,26	3 429 405,22	12 800 853,77	-6 365 947,95	-20 705 494,41
f) amount of distributions						

**OPERATIONS AND EARNINGS OF THE YEAR**

a) Income after taxes and employee's profit-sharing before depreciation and provisions	-0,41	-0,12	0,29	0,67	-0,16	-0,60
b) Income after taxes, employee's profit-sharing, depreciation and provision	-0,43	-0,18	0,21	0,60	-0,29	-0,87
c) Share dividends						

**EARNINGS PER SHARE**

a) Average staff of the year	137	140	139	166	221	254
b) Amount of the payroll	4 731 279,60	4 883 341,03	5 441 633,23	6 449 859,79	8 202 298,68	10 168 449,11
c) Amount of social taxes	2 092 038,30	2 037 944,41	2 323 893,56	2 872 888,98	3 636 093,62	4 360 234,12

**STAFF**



## EXHIBIT 2

**STATEMENT OF POWERS DELEGATED TO BOARD OF DIRECTORS**

<b>POWERS APPROVED BY EXTRAORDINARY GENERAL MEETING TO BOARD OF DIRECTORS</b>		<b>ENACTED BY BOARD OF DIRECTORS</b>			
<b>Date</b>	<b>Nature</b>	<b>Date</b>	<b>Nature</b>	<b>Share Capital Increase</b>	<b>Approval by Board of Directors</b>
10 May 1996	Stock-options « plan 96 » 1.000.000 shares Share capital increase of € 121.959	June 2005 July 2005	100.000 options exercised 100.000 options exercised	€ 12.196 € 12.196	2 March 2006 2 March 2006
20 November 2000	Stock-options « plan 2000 » 1.000.000 shares Share capital increase of € 21.959	June 2005 July 2005 August 2005 September 2005 December 2005	60.000 options exercised 20.000 options exercised 50.000 options exercised 3.000 options exercised 67.000 options exercised	€ 7.318 € 2.439 € 6.097 € 366 € 8.171	2 March 2006 2 March 2006 2 March 2006 2 March 2006 2 March 2006
19 July 2001	Issuance of 70 000 warrants Share capital increase of € 8.537	June 2005	5.000 warrants exercised	€ 610	2 March 2006
19 December 2001	Stock-option « plan 2001 » 750.000 shares Share capital increase of € 91.469	February 2005 June 2005 July 2005	5 options exercised 200.000 options exercised 29.995 options exercised	€ 1 € 24.392 € 3.658	2 March 2006 2 March 2006 2 March 2006
20 June 2002	Issuance of 80 000 warrants Share capital increase of € 9.757	June 2005	20.000 warrants exercised	€ 2.439	2 March 2006
18 February 2003	Stock-options « plan 2003 » 1.000.000 shares Share capital increase of € 121.959	June 2005	200.000 options exercised	€ 24.392	2 March 2006
7 November 2003	Issuance of 200 000 warrants Share capital increase of € 14.640	June 2005	140.000 warrants exercised	€ 17.074	2 March 2006
7 November 2003	Stock-options « plan 2004 » 1.000.000 shares Share capital increase of € 121.900	—	—	—	—
22 June 2004	Issuance of 80 000 warrants Share capital increase of € 9.800	—	—	—	—
4 March 2005	Stock-options « plan 2005 » 1.500.000 shares Share capital increase of € 182.940	—	—	—	—
24 October 2005	Issuance of 250.000 warrants Share capital increase of € 30.490	—	—	—	—

**FLAMEL TECHNOLOGIES**

*Société Anonyme* with a stated capital of 2,891,118.67 euros

Registered Office:

Parc Club du Moulin à Vent  
33, avenue du Docteur Georges Lévy  
69693 VENISSIEUX – France

379 001 530 R.C.S. LYON

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**CHAIRMAN'S REPORT ON THE CONDITIONS OF PREPARATION AND  
ORGANIZATION OF THE BOARD OF DIRECTORS AND ON THE INTERNAL  
CONTROL PROCEDURES IMPLEMENTED BY THE COMPANY**

**PRESENTED TO  
THE ORDINARY GENERAL SHAREHOLDERS' MEETING  
TO BE HELD ON JUNE 12<sup>th</sup>, 2006**

Dear Sirs:

In accordance with Section L. 225-37 of the Commercial Code, please find below a description of the conditions of preparation and organization of the Board of Directors (the "Board") (I) and internal control procedures implemented by the Company (II).

**I. Conditions of preparation and organization of the Board of Directors**

As of December 31, 2004, 99.77 % of the share capital of the Company was deposited with the Bank of New York and the corresponding ADRs are held by the public on the US market. 0.23 % of the share capital is held by various individuals.

The Board is composed of 6 members, each appointed for a duration of 1 year.

The main qualities expected from a Board member is his/her : (i) willingness to develop an active understanding of the business and strategy of the Company and to participate in its development, (ii) understanding of the business environment of the Company, (iii) ability to work with others, (iv) the courage to express dissenting opinions (v) the sense of responsibilities, and (vi) integrity.

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**A. Conditions of preparation of the works of the Board of Directors**

The activities of the Board are led by the Chairman of the Board.

The Chairman of the Board:

- approves the documents prepared by the Company's internal departments;
- organizes and directs the works of the Board;
- ascertains that each director can fulfill his duties;
- ascertains that each receives the information and documents necessary for the fulfillment of his duties; and
- ascertains that the representatives of the Works Council are convened and provided with all the information and documents necessary for the fulfillment of their duties.

**B. Conditions of organization of the work of the Board of Directors**

The Chairman organizes the activities of the Board. The Board is convened at least once a year for the approval of the accounts and as many times as necessary in consideration of the development of the Company's business.

In 2005, the Board met 8 times, upon call of the Chairman.

The attendance rate was 100% in 2005 except on two separate occasions where one Board member was not present. The meetings of the Board of Directors were all chaired by the Chairman of the Board.

Representatives of the Works Council have attended all Board meetings.

The minutes of each Board meeting were presented by the Chairman to the Board members for approval. The minutes are inserted in the Company's ledgers after signature by the Chairman, one director and the secretary.

With respect to each Board meeting, the Directors were provided with all documents necessary for the fulfillment of their duties. In between Board meetings, the directors are regularly provided with all significant information regarding the Company.

**II. Internal control procedures**

The Company organized committees and implemented procedures allowing control of compensation, the preparation and certification of the financial statements, public disclosure and the ethics of the Company's executives and financial officers. A project has been put in place during 2005 in order to allow the Company to comply with the Sarbanes Oxley article 404 at the end of 2006. This project is progressing in line with expected outcome and is conducted under the supervision of the CFO with regular updates at each Audit Committee meeting.

**A. Compensation Committee**

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A Compensation Committee is appointed by the Board to consider, recommend and oversee the Company's incentive-compensation plans and equity-based plans determined by the Board and to assist the Board in the discharge of the Board's responsibilities relating to compensation of (i) the Company's Chief Executive Officer (*Directeur Général*) ("CEO"), (ii) the Company's Chairman of the Board (*Président du Conseil d'Administration*), in the event that the office of *Directeur Général* is not held by the Chairman of the Board, (iii) the Delegated Managing Directors (*Directeurs Généraux Délégués*), if any, and (iv) other executive officers (CFO and COO). The responsibilities granted or delegated to the Compensation Committee in this Charter are subject always to the powers reserved by French law to the CEO (*Directeur Général*), the Board and the shareholders' meetings and the Compensation Committee is authorized to seek any necessary waivers from applicable U.S. securities laws and regulations and NASD rules and regulations, as it deems appropriate with respect to the foregoing. To the extent required under applicable U.S. securities laws and regulations and NASD rules and regulations, any such waivers or non-compliance shall be disclosed annually in the Company's annual report on Form 20-F.

The charter of this Committee has been reviewed and approved at the Compensation Committee meeting held in 2005.

#### **B. Audit Committee**

The Audit Committee is appointed by the Board to be directly responsible, by delegation of the CEO as required by French law, for the appointment, compensation and oversight of the work of any registered public accounting firm employed by the Company, with the exception of statutory auditors, and to assist in Board oversight of: (1) the integrity of the financial statements of the Company; (2) the adequacy of the Company's system of internal controls; (3) the compliance by the Company with legal and regulatory requirements; (4) the qualifications and independence of the Company's independent auditors; and (5) the performance of the Company's independent and internal auditors. The Audit Committee shall have, upon special delegation of the CEO as required by French law, the authority to engage, and obtain advice and assistance from, outside legal, accounting and other advisers, and the Company shall provide appropriate funding therefore as determined by the Audit Committee. The responsibilities granted or delegated to the Audit Committee in this Charter are subject always to the powers reserved by French law to the CEO, the Chairman of the Board (*Président du Conseil d'Administration*), the Board and the shareholders' meetings and the Audit Committee is authorized to seek any necessary waivers from applicable U.S. securities laws and regulations and Nasdaq rules and regulations, as it deems appropriate with respect to the foregoing. To the extent required under applicable U.S. securities law and regulations and Nasdaq rules and regulations, any such waivers or non-compliance shall be disclosed annually in the Company's annual report on Form 20-F.

The charter of this Committee has been reviewed and approved in 2005.

#### **C. Procedure for Pre-Approval of Independent Auditor Services**

The Audit Committee has established guidelines regarding the engagement of the Company's independent auditor to perform services for the Company. These guidelines are valid for audit and non-audit services. These guidelines have been amended in 2005 as follows :

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For audit services (including statutory audit engagements as required under local country laws), the independent auditor must provide the Audit Committee with an engagement letter during the fiscal year outlining the scope of the audit services proposed to be performed during the fiscal year. This letter, including the budget, must be agreed to by the Audit Committee. All other audit fees are approved under a pre approval process from the Audit committee.

For non-audit services, Company's senior management must submit to the Audit Committee for pre-approval, under the same pre-approval process as the audit fees, the list of non-audit services that it recommends the Audit Committee engage the independent auditor to provide for the fiscal year. Company's senior management and the independent auditor must each confirm to the Audit Committee that each non-audit service on the list is permissible under all applicable legal requirements. A list of non permissible non audit services have been reviewed and approved in 2005 by the Audit Committee.

#### **D. Procedure for reporting questionable accounting and auditing matters**

The Audit Committee of the Company's Board of Directors established procedures in order to facilitate the reporting by employees of any information pertaining to questionable accounting or audit practices.

These procedures include how employees may report questionable accounting practices, the review of any such reports and the inquiry, which may be conducted in this regard. These procedures have been established such to respect the rules recommended by the CNIL.

#### **E. Disclosure Committee**

The Disclosure Committee assists the Chief Executive Officer (*Directeur Général*) and Chief Financial Officer or persons performing similar functions (the "**Senior Officers**") in fulfilling their responsibility for oversight of the accuracy and timeliness of the disclosures made by the Company by being responsible for the following tasks:

- Design and establish controls and other procedures of the Company that are designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified by the rules and forms and such information is accumulated and communicated to management, including the Senior Officers, as appropriate to allow timely decisions regarding such required disclosure ("**Disclosure Controls**").
  - Monitor the integrity and effectiveness of the Company's Disclosure Controls.
  - Review and supervise the preparation of the Company's annual report on Form 20-F, quarterly reports on Form 6-K, any amendments to the foregoing,
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and any other reports or public disclosures that the Board of Directors or the Audit Committee requests that the Committee review and supervise.

- Evaluate the effectiveness of the Company's Disclosure Controls as of the end of the period covered by the Company's Annual Report on Form 20-F and each Quarterly Report on Form 6-K (collectively, the "**periodic reports**").
- Discuss with the Senior Officers all relevant information with respect to the Committee's proceedings, the preparation of the disclosure statements and the Committee's evaluation of the effectiveness of the Company's Disclosure Controls.
- Provide a certification to the Senior Officers prior to the filing with the SEC of each periodic report as to (i) the Committee's compliance with its policies and procedures and proper performance of the responsibilities that have been assigned to it and (ii) the Committee's conclusions resulting from its evaluation of the effectiveness of the Disclosure Controls.

**F. Code of Ethics for CEO (*directeur général*), executive managing directors (*directeurs généraux délégués*) and senior financial officers**

The Company has Standards of Business Conduct applicable to all directors, employees and officers of the Company. The principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions (collectively the "senior financial officers"), are bound by the provisions set forth therein relating to ethical conduct, conflicts of interest and compliance with law.

Elie Vannier  
Chairman

TRANSLATED FROM THE FRENCH**FLAMEL TECHNOLOGIES**

Société Anonyme with a stated capital of 2,891,118.67 euros

**Registered Office:**Parc Club du Moulin à Vent  
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**BOARD REPORT TO BE SUBMITTED TO THE EXTRAORDINARY  
SHAREHOLDERS' MEETINGS  
TO BE HELD ON JUNE 12<sup>th</sup>, 2006**

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Ladies and Gentlemen,

We have called you in an Extraordinary General Shareholders' Meeting in order to submit to your approval the proposed issuances of a total number of 150,000 warrants (BSA) reserved to certain Board members of the Company and to authorize the Board of Directors to proceed with an increase of share capital by issuing shares whose subscription is reserved to the Company's employees members of a corporate saving plan (*plan d'épargne d'entreprise*).

**Warrants which may be purchased by Members of the Board of Directors; Proposed issuances of 150,000 warrants (BSA) reserved to certain Board members of the Company and would be Board members of the Company (eleventh resolution).**

During the course of the current Shareholders' Meeting, we have proposed the renewal of the appointment of the six Board members, being Messrs. Elie Vannier (President), Cornelis Boonstra, Frédéric Lemoine, John L. Volgestein, Stephen H. Willard and Lodewijk J.R. Dr Vink.

The Company's management believes that equity compensation is the best way to align the interests of directors and shareholders, as well as to retain and attract key persons. Therefore, in connection with their contribution to the management of the Company, the Company proposes that you decide upon the issuance of up to 150,000 warrants (BSA) in the form used to compensate previous boards of directors.

In order to provide us with greater flexibility, we propose that you authorize the Board to make use of such authorization during an eighteen-month period and to delegate to the board the power to determine the beneficiaries of these warrants (BSA), as well as the subscription price of these warrants (BSA) to be determined pursuant to their fair value.

This decision to issue warrants (BSA), if you decide to adopt it, requires the cancellation of the preferential subscription rights of the shareholders in respect of the subscription of these warrants (BSA), for the benefit of their beneficiaries.

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We inform you therefore that you will have to cancel the preferential right of subscription attributed to the shareholders by article L. 225-132 paragraph 6 of the Commercial Code and to reserve the subscription of these 150,000 warrants (BSA) to the beneficiaries determined by the Board amongst the class of persons consisting of the Directors of the Company who are not officer and/or employee of the Company (but including the Chairman) as stated in the resolution submitted to your approval.

We propose that you decide to authorize the Board to issue 150,000 warrants (BSA) for a subscription price to be paid up in cash and determined by the Board based on the evaluation of an independent expert. Such evaluation shall be the fair value of the warrants (BSA) which will be in part a function of the subscription price of the shares to be determined by the Board, in accordance with the provisions set forth in the paragraph below.

We propose that you decide that each warrant (BSA) will give its holder, subject to the terms and conditions set forth hereafter and in the Board's decision to issue the warrants (BSA), the right to subscribe to one share of the Company for a subscription price which shall be the market price for the share, in the form of ADS, on the NASDAQ, on the closing of the trades on the day preceding the decision of the Board to issue such warrants (BSA), provided that such price shall not be less than 80% of the average of the market price for the share on the NASDAQ, in the form of ADS, during the last twenty trading days preceding such Board's decision. In this case, the price for the share shall be equal to 80% of the average of the market price for the share on the NASDAQ, in the form of ADS, during the last twenty trading days preceding such Board's decision.

We propose that you decide that each warrant (BSA) shall be exercised by its holder in accordance with the conditions set forth by the Board's decision to issue the warrants (BSA), provided that such exercise shall occur within five years from the issuance date and that the holder is still a member of the Board of Directors of the Company on the day of such exercise. If its holder fails to exercise the warrant in whole or in part at the expiry of the above mentioned period, the warrant (BSA) and the attached right to subscribe will lapse automatically.

We propose that you decide that, as of, at the issuance date of the warrants (BSA), the Company will be entitled to:

- conduct any change in its corporate organization,
- conduct any change in its corporate purpose,
- change the allocation rule of its profits and to redeem its share capital, subject to the Company taking all the necessary measures to protect the warrants holders pursuant to Article L. 228-99 of the Commercial Code,
- issue preferred shares subject to the Company taking all the necessary measures to protect the warrants holders pursuant to Article L. 228-99 of the Commercial Code;

We propose that you decide that, in the event the Company issues, under any circumstances, new shares with a preferential right to subscribe reserved to its shareholders, or if the Company conducts a distribution of its reserves, in cash or in kind, and of its share premiums or if the Company changes the allocation of its profits through the issuance of preferred shares, the Company will take all the necessary measures to protect the interests of the warrants' holders pursuant to the provisions of Article L. 228-99 of the Commercial Code.

We propose that you decide that, in the case of a capital reduction, motivated or not by losses, and conducted through either a decrease of the par value of the shares or a decrease of the number of shares, the warrants holders' rights will be decreased accordingly as if they had been exercised, before the date when the capital decrease has become final.

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We propose that you acknowledge that, pursuant to the provisions of Article L. 228-103 et seq. of the Commercial Code, the warrants' holders will all be grouped together in order to defend their common interests, in an assembly (a "*masse*") with a civil personality. General warrants holders meetings will be convened to authorize any changes in the issuance terms and conditions and to decide on any decision regarding the conditions of subscription or allocation of the shares as set forth at the time issuance took place. Each warrant will give access to one voting right. The conditions regarding the quorum and the majority will be those determined in the second and third paragraph of Article L. 225-96 of the Commercial Code. The expenses incurred in connection with such meetings, as well as, generally, any expenses in connection with the assembly ("*masse*") will be borne by the Company.

We propose that you decide the issue of a maximum of 150.000 new ordinary shares of an approximate nominal value of 0.12 euro each to which exercise of warrants (BSA) will give rise, that is, a capital increase of an approximate maximum nominal amount of 18,294 euros, without taking into account, as the case may be, any additional shares that may be issued to protect the interests of the warrants' holders pursuant to the provisions of Article L. 228-99 of the Commercial Code.

We propose that you decide that the new shares remitted to the subscriber on exercise of the warrant will be subject to all the provisions of the bylaws of the Company and will carry distribution rights from the date of their creation.

We propose that you decide that this authorization is granted for a term of eighteen (18) months starting from the date of this General Shareholders' Meeting.

We propose that you acknowledge that, such warrants (BSA) shall be issued within a maximum period of eighteen (18) months from the date of the General Meeting in accordance with Article L. 225-138 of the Commercial Code.

Finally we propose that you decide to grant the Board of Directors with all necessary powers to implement this decision under the terms and conditions set by the present resolution and by law, and in particular:

- to issue and fix the subscription price of the warrants (BSA)
  - determine the beneficiaries amongst the category defined by this resolution,
  - to fix the issue price of the shares to be subscribed upon exercise of the warrants (BSA) in accordance with terms and conditions set by the present resolution, the dates, periods and conditions of subscription and final details of the issue within the limits laid down by this general meeting of shareholders and to allocate the issue premium, as the case may be,
  - to close the subscription period early or extend its date, if required,
  - to gather the subscriptions and payments in respect of the subscription for the aforementioned warrants (BSA),
  - to record the number of shares issued on exercise of the warrants (BSA) and carry out any formalities resulting from the corresponding increases in share capital and make the corresponding amendments to the bylaws,
  - to take any action required to ensure the protection of the warrant holder in the event of financial operations relating to the Company, in accordance with the legal and regulatory provisions in force, and generally, to take any action and carry out any formality which is useful in respect of this issue.
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**Proposed issuances of shares reserved to the Company's employees (twelfth resolution).**

In compliance with the provisions of article L. 225-129-6 of the Commercial Code and of Article L. 443-5 of the Labor Code, we remind you that the shareholders must, for every proposed capital increase in cash submitted to them, be also invited to vote on a contemplated capital increase to be effected pursuant to the provisions of Article L. 443-5 of the Labor Code, *i.e.* by reserving the said increase to employees having subscribed to and any person authorized to subscribe to a company savings plan, even though the company concerned has not implemented such a plan.

In consideration of the above-mentioned operations, we therefore invite you to vote on a proposed capital increase reserved to employees of the Company (resolution twelve).

This capital increase would imply the cancellation of the preferential subscription rights of the shareholders, the holders of warrants and holders of any other securities giving access to the share capital in under the terms and conditions provided by applicable laws and regulations.

In order to comply with this legal provisions, we submit to your approval a draft resolution authorizing the Board of Directors and grant it all powers, for a term not to exceed 26 months in order to increase the share capital of the Company in a maximum nominal amount of 1% of the share capital as of the date of the General Meeting and to set the amount of the subscription price, in accordance with the terms and conditions set forth at Article L. 443-5 of the French Labor Code, under the supervision of the statutory auditor, and the number of shares granted to each beneficiary, pursuant to Article L. 225-138 of the Commercial Code.

We draw your attention to the fact that the Company does not have a company savings plan. In addition, the Board considers this authorization unnecessary considering the Company's current situation. Therefore, we suggest to you to vote **against** such resolution.

**Authority to be given in connection with filing, publication, and registration formalities (Thirteenth resolution)**

The Thirteenth resolution is the standard resolution, which gives the necessary powers to carry out legal publication and other formalities in relation to the Combined Ordinary and Extraordinary General Meeting.

\* \*

With regard to the resolutions to be approved in accordance with the quorum and majority requirements of ordinary general meeting (resolutions one through ten), we recommend that stockholders vote in favor of resolutions one through ten.

With regard to the resolutions to be approved in accordance with the quorum and majority requirements of extraordinary general meetings (resolutions eleven through Thirteen), we recommend that stockholders vote in favor of resolutions eleven, and Thirteen and **against** resolution twelve.

The Board of Directors

+IMPORTANT : avant d'exercer votre choix, veuillez prendre connaissance des instructions situées au verso / Before selecting, please see instructions on reverse side

**QUELLE QUE SOIT L'OPTION CHOISIE, DATER ET SIGNER AU BAS DU FORMULAIRE / WHICHEVER OPTION IS USED, DATE AND SIGN AT THE BOTTOM OF THE FORM**

A o Je désire assister à cette assemblée et demande une carte d'admission : dater et signer au bas du formulaire / I wish to attend the shareholders' meeting and request an admission card : date and sign at the bottom of the form.  
 B o J'utilise le formulaire de vote par correspondance ou par procuration ci-dessous, selon l'une des 3 possibilités offertes / I prefer to use the postal voting form or the proxy form as specified below.

<p><b>FLAMEL TECHNOLOGIES</b></p> <p>Société Anonyme au capital de 2.891.118,67                  Siège social : Parc Club du Moulin à Vent                  33, avenue du Docteur Georges Lévy                  69693 VENISSIEUX – France                  379 001 530 R.C.S. LYON</p>	<p><b>ASSEMBLEE GENERALE MIXTE                  ORDINAIRE ET EXTRAORDINAIRE</b>                  du 12 juin 2006 (à 14 heures au siège social) sur 1<sup>ère</sup>                  convocation ou du 19 juin 2006 sur deuxième convocation</p> <p><b>COMBINED ORDINARY AND EXTRAORDINARY                  GENERAL MEETING</b>                  of June 12th, 2006 (at 2.00 pm. at the registered office)(1<sup>st</sup>                  calling) or June 19th, 2006 (2<sup>nd</sup> calling)</p>	<p>CADRE RESERVE / For Company's use only</p> <p>Identifiant / Account</p> <p>Nombre d'actions                  Number of shares</p> <p>Nombre de voix / Number of voting rights :</p>
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<p><b>o JE VOTE PAR CORRESPONDANCE / I VOTE BY POST</b>                  Cf. au verso renvoi (3) — See reverse (3)</p> <p>Je vote OUI à tous les projets de résolutions présentés ou agréés par le Conseil d'administration, à l'EXCEPTION de ceux que je signale en noircissant comme ceci n la case correspondante et pour lesquels je vote NON ou je m'abstiens.</p> <p><i>I vote FOR all the draft resolutions presented or approved by the Board of Directors EXCEPT those indicated by a shaded box – like this n for which I vote against or abstain.</i></p>	<p>Sur les projets de résolutions <b>non approuvés ou non agréés</b> par le Conseil d'administration, je vote en noircissant comme ceci n la case correspondante à mon choix.</p> <p><i>On the draft resolutions not approved by the Board of Directors, I cast my vote by shading the box of my choice – like thisn.</i></p>	<p><b>o JE DONNE POUVOIR AU                  PRESIDENT DE L'ASSEMBLEE                  GENERALE</b></p> <p><b>Date et signer au bas du formulaire sans rien remplir</b></p> <p><i>I HEREBY GIVE MY PROXY TO THE CHAIRMAN OF THE MEETING</i>                  Date and sign the bottom of the form without completing it                  Cf. au verso renvoi (2) – See reverse (2)</p>	<p><b>o JE DONNE POUVOIR A</b>                  (soit le conjoint, soit un autre actionnaire – cf. renvoi (2) au verso – pour me représenter à l'assemblée                  / I HEREBY APPOINT (you may give your PROXY either to your spouse or to another shareholder – see reverse (2) – to represent me at the above-mentioned meeting.</p> <p>M., Mme ou Mlle / Mr., Mrs. or Miss :</p> <p>Adresse / Address :</p>
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<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>Oui/ Yes</b>	<b>Non/No Abst/Abs</b>
o	o	o	o	o	o		
<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>			<b>12</b>	o o
o	o	o	o				
<b>11</b>	<b>13</b>						
o	o						

Nom, Prénom, Adresse de l'actionnaire (si ces informations figurent déjà, les vérifier et les rectifier éventuellement)  
 / Surname, first name, address of the shareholder (if this information is already supplied, please verify and correct if necessary)  
 Cf. au verso renvoi (1) — See reverse (1)

\_\_\_\_\_

\_\_\_\_\_

Si des amendements ou des résolutions nouvelles étaient présentés en assemblée / If amendments or new resolutions are presented during the meeting :

— Je donne pouvoir au Président de l'A.G. de voter en mon nom / I appoint the Chairman of the meeting to vote on my behalf ..... o

— Je m'abstiens (l'abstention équivaut à un vote contre) / I abstain from voting (is equivalent to a vote against) ..... o

— Je donne procuration (cf. au verso renvoi (2)) à M., Mme ou Mlle \_\_\_\_\_ pour voter en mon nom / I appoint (see reverse (2)) Mr., Mrs. or Miss / to vote on my behalf. .... o

**Date et signature :**

\_\_\_\_\_

<p>Pour être prise en considération, toute formule doit parvenir au plus tard :                  in order to be considered, this completed form must be returned at the latest :</p> <p>A la SOCIETE / to the Company</p>	<p>Sur 1<sup>ère</sup> convocation / on 1<sup>st</sup> notification AGO- AGE /                  ordinary meeting / extraordinary meeting</p> <p>9 juin 2006 / June 9, 2006</p>	<p>Sur 2<sup>ème</sup> convocation / on 2<sup>nd</sup> notification AGO- AGE /                  ordinary meeting / extraordinary meeting</p> <p>16 juin 2006 / June 16, 2006</p>
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## UTILISATION DU DOCUMENT

- A. L'actionnaire désire assister personnellement à l'assemblée. Dans ce cas, il doit, au recto du document, cocher la case A puis dater et signer au bas du formulaire.
- B. A défaut, l'actionnaire peut utiliser le formulaire de vote (\*). Dans ce cas, il doit, au recto du document, cocher la case B et choisir l'une des trois possibilités :
- Voter par correspondance (cocher la case appropriée, puis dater et signer au bas du formulaire)
  - Donner pouvoir au Président de l'Assemblée Générale (dater et signer au bas du formulaire sans remplir)
  - Donner pouvoir à une personne dénommée (cocher et compléter la case appropriée, puis dater et signer au bas du formulaire)

## QUELLE QUE SOIT L'OPTION CHOISIE la signature de l'actionnaire est indispensable

(1) Le signataire est prié d'inscrire très exactement, dans la zone réservée à cet effet, ses nom (en majuscules d'imprimerie), prénom usuel et adresse ; si ces indications figurent déjà sur le formulaire, il est demandé au signataire de les vérifier et, éventuellement, de les rectifier.

Pour les personnes morales, indiquer le nom, prénom et qualité du signataire.

Si le signataire n'est pas lui-même un actionnaire (exemple : Administrateur légal, Tuteur, etc.) il doit mentionner ses nom, prénom et la qualité en laquelle il signe le formulaire de vote.

Le formulaire adressé pour une Assemblée vaut pour les autres Assemblées successives convoquées avec le même ordre du jour (Art. 131-3-§3 du décret du 23 mars 1967).

### VOTE PAR CORRESPONDANCE

(3) Art. L. 225-107 du Code de Commerce (extrait) :

« Tout actionnaire peut voter par correspondance, au moyen d'un formulaire dont les mentions sont fixées par décret. Les dispositions contraires des statuts sont réputées non écrites.

Pour le calcul du quorum, il n'est tenu compte que des formulaires qui ont été reçus par la Société avant la réunion de l'Assemblée, dans les conditions de délais fixés par décret. Les formulaires ne donnant aucun sens de vote ou exprimant une abstention sont considérés comme des votes négatifs. »

Si vous désirez voter par correspondance, vous devez obligatoirement cocher la case JE VOTE PAR CORRESPONDANCE au recto. Dans ce cas, il vous est demandé :

**Pour les projets de résolutions proposées ou agréés par le Conseil d'Administration ou le Directoire ou la Gérance :**

-- soit de voter « oui » pour l'ensemble des résolutions en ne noirissant aucune case,

-- soit de voter « non » ou de vous « abstenir » (ce qui équivaut à voter « non ») sur certaines ou sur toutes les résolutions en noirissant individuellement les cases correspondantes.

**Pour les projets de résolutions non agréés par le Conseil d'Administration ou le Directoire ou la Gérance :**

-- de voter résolution par résolution en noirissant la case correspondant à votre choix,

En outre, pour le cas où des amendements aux résolutions présentées ou des résolutions nouvelles seraient déposées lors de l'Assemblée, il vous est demandé d'opter entre 3 solutions (pouvoir au Président de l'Assemblée Générale, abstention ou pouvoir à personne dénommée), en noirissant la case correspondante à votre choix.

(\*) Le texte des résolutions figure dans le dossier de convocation joint au présent formulaire (art D 133) : ne pas utiliser à la fois « JE VOTE PAR CORRESPONDANCE » et « JE DONNE POUVOIR A » art D 133-8). La langue française fait foi.

### POUVOIR AU PRÉSIDENT DE L'ASSEMBLEE GENERALE OU POUVOIR A UNE PERSONNE DENOMMEE

(2) Art. L. 225-106 du Code de Commerce (extrait) :

« Un actionnaire peut se faire représenter par un autre actionnaire ou par son conjoint. »

Tout actionnaire peut recevoir les pouvoirs émis par d'autres actionnaires en vue d'être représenté à une Assemblée, sans autres limites que celles résultant des dispositions légales ou statutaires fixant le nombre maximal des voix dont peut disposer une même personne tant en son nom personnel que comme mandataire. Avant chaque réunion de l'Assemblée Générale des actionnaires, le Président du Conseil d'Administration ou le Directoire, selon le cas, peut organiser la consultation des actionnaires mentionnés à l'article L. 225-102 afin de leur permettre de désigner un ou plusieurs mandataires pour les représenter à l'Assemblée Générale conformément aux dispositions du présent article. Cette consultation est obligatoire lorsque, les statuts ayant été modifiés en application de l'article L. 225-23 ou de l'article L. 225-71, l'Assemblée Générale ordinaire doit nommer au Conseil d'Administration ou au Conseil de surveillance, selon le cas, un ou des salariés actionnaires ou membres des Conseils de surveillance des fonds communs de placement d'entreprise détenant des actions de la société.

Les clauses contraires aux dispositions des alinéas précédents sont réputées non écrites.

**Pour toute procuration d'un actionnaire sans indication de mandataire, le Président de l'Assemblée Générale émet un vote favorable à l'adoption de projets de résolutions présentés ou agréés par le Conseil d'Administration ou le Directoire, selon le cas, et un vote défavorable à l'adoption de tous les autres projets de résolution. Pour émettre tout autre vote, l'actionnaire doit faire choix d'un mandataire qui accepte de voter dans le sens indiqué par le mandant.**

**NB : Si les informations contenues sur le présent formulaire sont utilisées pour un fichier nominatif informatisé, elles sont soumises aux prescriptions de la Loi 78-17 du 6 janvier 1978, notamment en ce qui concerne le droit d'accès et de rectification pouvant être exercé par l'intéressé.**

## INSTRUCTIONS FOR COMPLETION

A. If the shareholder wishes to attend the meeting personally, tick box A on the front of the document. Please also date and sign at the bottom of the form.

B. Otherwise, the shareholder may use this form as a postal vote (\*).

In this case, check box B on the front of the form and choose one of the three possibilities:

- use the postal voting form (tick the appropriate box, date and sign below)
- give your proxy to the Chairman of the meeting (date and just sign at the bottom without filling in)
- give your proxy to another shareholder (tick and fill in the appropriate box, date and sign below)

### WHICHEVER OPTION IS USED the shareholder's signature is necessary

(1) The shareholder should write his exact name and address in capital letters in the space provided: if this information is already supplied, please verify and correct if necessary. If the shareholder is a legal entity, the signatory should indicate his/her full name and the capacity in which he is entitled to sign on the legal entity's behalf. If the signatory is not the shareholder (e.g. a legal guardian, etc.), please specify your full name and the capacity in which you are signing the proxy. The forms sent for one meeting will be valid for all meetings subsequently convened with the same agenda (art. 131-3-§3 of March 23, 1967 Decree).

### POSTAL VOTING FORM

(3) Art L. 225-107 of Code de Commerce (extract): "A shareholder can vote by post using a postal voting form determined by law.

Any other methods are deemed to be invalid".

Only the forms received by the Company before the meeting, within the time limit and conditions determined by law, are valid to calculate the quorum.

The forms giving non voting directions or indicating abstention are deemed to vote against.

If you wish to use the postal voting form, you must tick the box on the front of the document "I VOTE BY POST".

In such event, please comply with the following instructions:

**For the resolutions proposed or agreed by the Board, you can:**

-- either vote "for" all the resolutions by leaving the boxes blank

-- or vote "against" or "abstention" (*which is equivalent to voting against*) by shading boxes of your choice,

**For the resolutions not agreed by the Board, you can:**

-- vote resolution by resolution by shading the appropriate boxes.

In the case of amendments or new resolutions during the shareholders' meeting, you are requested to choose between three possibilities (proxy to the chairman of the meeting, abstention or proxy to another shareholder by shading the appropriate box.

### PROXY TO THE CHAIRMAN OF THE MEETING OR PROXY TO ANOTHER SHAREHOLDER

(2) Art L. 225-106 of Code de Commerce (extract): "A shareholder can have himself/herself represented by another shareholder or by his/her spouse."

Any shareholder can receive proxies issued by the other shareholders to have themselves represented at a meeting, without any other limitations than those laid down by the law or by the articles of association fixing the maximum number of votes to which a person is entitled both in his/her own name or a proxy. Before each shareholders' meeting, the Chairman of the Board of Directors or the Executive Board may consult the shareholders listed in article L. 225-102 in order to allow them to designate one or several proxies to represent them at the shareholders' meeting in accordance with this article. Such consultation is obligatory when the articles of association, having been modified pursuant to articles L. 225-23 or L. 225-71, require the shareholders' ordinary meeting to appoint to the Board of Directors or the Executive Board, one or more shareholder employees or members of the Executive Board of a pension fund holding shares in the company. The clauses in contradiction with the provisions of the foregoing paragraphs are deemed to be invalid.

**When proxies do not indicate the name of the appointed proxy, the chairman of the meeting will vote the proxy in favor of the adoption of the draft resolutions presented or approved by the Board of Directors or the Executive Board, and will vote the proxy against the adoption of all the other draft resolutions. To give any other vote, the shareholder must choose a proxy who accepts to vote as he/she indicates.**

(\*) The text of the resolutions are in the notification of the meeting which is sent with this proxy (art D 133) : please do not use both « I VOTE BY POST » and « I HEREBY APPOINT » (art D 133-8). The French version of this document governs. The English translation is for convenience only.

**NB : If any information included in this form is used for a computer file, it is protected by the provisions of law 78-17 of January 6, 1978, especially about rights of access and alteration that can be exercised by interested parties.**

If no instructions are received by the Depositary from any Owner with respect to any of the Deposited Securities represented by the American Depositary Shares evidenced by such Owner's Receipts on or before the date established by the Depositary for such purpose, the Depositary shall deem such Owner to have instructed the Depositary to vote such Deposited Securities and the Depositary shall vote such Deposited Securities in favor of any resolution proposed by the management of the Issuer and against any resolution not proposed by such management, except in case where (i) the Issuer does not wish such vote cast, (ii) substantial opposition exists or (iii) such matter materially and adversely affects the rights of holders of Shares or American Depositary Shares.

NOTE:

As registered owners of American Depositary Shares are not registered as holders of Shares on the registry maintained by or on behalf of Flamel Technologies, S.A., in accordance with French company law and the *statuts* of the Flamel Technologies S.A., registered owners of American Depositary Shares have no standing to (i) appear and vote at any meeting of holders of Shares, or (ii) propose any resolution at any shareholders' meeting. If a holder of American Depositary Shares wishes to appear and vote at any meeting of the holders of Shares, or to propose any resolution at such meeting, such holder must surrender its receipts and withdraw the corresponding Deposited Securities pursuant to Section 2.5 of the Deposit Agreement and become registered on the registry maintained by or on behalf of Flamel Technologies S.A. at least (i) one (1) Paris Business Day prior to the date of the relevant shareholders' meeting to appear and vote at such meeting, or (ii) twenty-five (25) calendar days prior to the date of the relevant shareholders' meeting to propose any such resolution.

C

6 DETACH PROXY CARD HERE 6

Mark, Sign, Date and Return the Proxy Card Promptly Using the Enclosed Envelope.



Votes must be indicated (x) in Black or Blue ink.

	FOR	AGAINST	ABSTAIN		FOR	AGAINST	ABSTAIN	Extraordinary Resolutions	FOR	AGAINST	ABSTAIN
<b>Ordinary Resolutions</b>											
1. Approval of Statutory Accounts for year ended 31 December 2005	C	C	C	6. Renewal of Mr. John L. Vogelstein as Director	C	C	C	11. Authority granted to the Board of Directors to issue up to 150,000 warrants ("Bons de souscription d' actions") ("warrants BSA"), reserved to a category of beneficiaries comprising the directors of the company who are not officers and/or employees of the company, but including the chairman; authorizing the board of directors to proceed with the capital increase subsequent to the exercise of these warrants (BSA) and to issue a maximum of 150,000 new ordinary shares	C	C	C
2. Allocation of Results to Retained Earnings	C	C	C	7. Renewal of Mr. Stephen H. Willard as Director	C	C	C	12. Increase of the share capital reserved to the Company's employees as contemplated by articles L.225-129-6 of the Commercial Code and L. 443-5 of the Labor Code	C	C	C
3. Renewal of Mr Elie Vannier as Director	C	C	C	8. Renewal of Mr Lodewijk J.R. De Vink as Director	C	C	C	13. Authority in connection with filing, publication, and registration formalities	C	C	C
4. Renewal of Mr Cornélis Boonstra as Director	C	C	C	9. Determination of the annual amount of Directors' attendance fees	C	C	C				
5. Renewal of Mr. Frédéric Lemoine as Director	C	C	C	10. Approval of agreements referred to in article L. 225-38 et seq. of the Commercial Code.	C	C	C				

The Board of Directors advise to vote in favor of all resolutions, except for resolution 12.

SCAN LINE

The Voting Instruction must be signed by the person in whose name the relevant Receipt is registered on the books of the Depositary. In the case of a Corporation, the Voting Instruction must be executed by a duly authorized Officer or Attorney.

Date Share Owner sign here

Co-Owner sign here

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**Flamel Technologies S.A.**  
**Instructions to The Bank of New York, as Depositary**  
**(Must be received prior to 5:00 p.m. on June 5, 2006)**

The undersigned registered owner of American Depositary Shares hereby requests and instructs The Bank of New York, as Depositary, to endeavor, in so far as practicable, to vote or cause to be voted the amount of Ordinary Shares or other deposited securities represented by such American Depositary Shares registered in the name of the undersigned on the books of the Depositary as of the close of business on May 4, 2006 at the Combined Shareholders Meeting of Flamel Technologies S.A. to be held on June 12, 2006 in respect of the resolutions specified on the reverse.

**NOTE:**

**Please direct the Depositary how it is to vote by placing an X in the appropriate box beside each resolution.**

To change your address, please mark this box.      c

To include any comments, please mark this box.      c

**Please complete and date this proxy on the reverse side and return it promptly in the accompanying envelope.**

**DOCUMENT AND INFORMATION REQUEST FORM**

I, the undersigned:

\_\_\_\_\_ (first and last names and address) owner of \_\_\_\_\_ (number of shares owned) registered shares of Flamel Technologies, a *Société Anonyme* with a share capital of Euros 2.891.118,67 having its registered office at Parc Club du Moulin à Vent, 33, avenue du Docteur Georges Lévy, 69693 VENISSIEUX (France), identified under number 379 001 530 R.C.S. LYON (the “Company”),

Hereby request that the documents referred to at Section 135 of Decree n°67-236 dated March 23, 1967 and relating to the combined ordinary and extraordinary meeting of the shareholders of the Company to be held at the registered office on June 12th at 2 p.m., be addressed to me at \_\_\_\_\_.

In my capacity of owner of registered shares, I hereby also request in accordance with Article 138 of the above-mentioned Decree that a proxy form together with the documents and information set forth at Articles 133 and 135 of the above-mentioned Decree be addressed to me on the occasion of each subsequent shareholders’ meeting.\*

I hereby declare that these shares are registered in an account held by CACEIS or Crédit Lyonnais\*\*.

Done in \_\_\_\_\_, on \_\_\_\_\_

*Signature of the shareholder*

- 
- \*To be deleted if not requested
  - \*\* To be deleted if unuseful