

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 20-F/A

(Amendment No. 1)

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934
OR
- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2014
OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
OR
- SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 000-28508

FLAMEL TECHNOLOGIES S.A.

(Exact name of Registrant as specified in its charter)

Republic of France

(Jurisdiction of incorporation or organization)

**Parc Club du Moulin à Vent
33, avenue du Docteur Georges Levy
69200 Vénissieux France**
(Address of principal executive offices)

**Phillandas T. Thompson
Senior Vice President and General Counsel
Parc Club du Moulin à Vent
33, avenue du Docteur Georges Levy
69200 Vénissieux France
Fax: +33 472 78 34 35
Tel: +33 472 78 34 34**

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

Title of each class
Ordinary Shares, nominal value 0.122 Euros per share, represented by
American Depositary Shares (as evidenced by American Depositary Receipts),
each representing one Ordinary Share

Name of each exchange on which registered
NASDAQ Global Market

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

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

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

40,191,264 Ordinary Shares, nominal value 0.122 Euros per Ordinary Share

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

Yes No

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

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

Yes No

Indicate by check mark whether registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.

Large accelerated filer Accelerated Filer Non-accelerated filer

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

U.S. GAAP

International Financial Reporting Standards
as issued by the International Accounting
Standards Board

Other

If this is an annual report, indicate by check mark whether the registrant is a shell company.

Yes No

EXPLANATORY NOTE

Flamel Technologies S.A. is filing this Amendment No. 1 to its annual report on Form 20-F for the fiscal year ended December 31, 2014 (the “2014 Form 20-F”), which was originally filed with the Securities and Exchange Commission on April 30, 2015 (the “Original Filing”), for the sole purposes of:

(a) Amending Page F-5 of Item 18 of the Original Filing to include a column that presents the consolidated comprehensive income for the year ended December 31, 2012 in the Consolidated Statements of Comprehensive Income. The column for the year ended December 31, 2012 was inadvertently omitted from Page F-5 of Item 18 of the Original Filing. In accordance with Rule 12b-15 under the Securities Exchange Act of 1934 (the “Exchange Act”), the complete text of Item 18 (*i.e.*, the entire financial statements) as amended is being filed herewith;

(b) correcting a typographical error on page F-3 of Item 18 of the Original Filing to delete an extra zero (“0”) within the descriptive caption of the line item for ordinary shares. As noted in item (a) above, the complete text of Item 18 as amended is being filed herewith;

(c) Filing a Consent of the independent registered public accounting firm, as Exhibit 23.1, to reference the accountants’ report that appears with the financial statements being filed herewith as described in items (a) and (b) above. The Consent being filed herewith also corrects the typographical error contained in the Consent that was attached to the Original Filing as Exhibit 23.1; such original Consent inadvertently referred to the accountants’ report which appears in the Original Filing as being dated April 30, 2014 whereas such accountants’ report was actually dated April 30, 2015; and

(d) In accordance with Rule 12b-15 under the Exchange Act, to include as exhibits the new certifications required by Rule 13a-14(a) under the Exchange Act.

This Amendment No. 1 speaks as of April 30, 2015, which was the filing date of the 2014 Form 20-F. Other than as expressly set forth above, this Amendment No. 1 does not, and does not purport to, amend, update or restate the information in the 2014 Form 20-F as filed in the Original Filing, or reflect any events that have occurred after the date of the Original Filing.

ITEM 18. Financial Statements

The following financial statements, together with the reports of Independent registered public accounting firm thereon, are filed as part of this Annual Report:

Report of independent registered public accounting firm	F-2
Consolidated Balance Sheets as of December 31, 2013 and 2014	F-3
Consolidated Statement of Operations for the Years Ended December 31, 2012, 2013 and 2014	F-4
Consolidated Statement of Comprehensive Income for the Years Ended December 31, 2012, 2013 and 2014	F-5
Consolidated Statements of Shareholders' Equity for the Years Ended December 31, 2012, 2013 and 2014	F-6
Consolidated Statements of Cash Flows for the Years Ended December 31, 2012, 2013 and 2014	F-7
Notes to Consolidated Financial Statements	F-8

See pages F-1 through F-41

The Registrant undertakes to provide to each shareholder requesting the same a copy of each exhibit referred to herein upon payment of a reasonable fee limited to the Registrant's reasonable expenses in furnishing such exhibit.

ITEM 19. Exhibits

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
1.1	Revised <i>Statuts</i> or ByLaws of the Company (6)
2.1	Amended and Restated Deposit Agreement among Flamel, The Bank of New York, as Depositary, and holders from time to time of American Depositary Shares issued thereunder (including as an exhibit the form of American Depositary Receipt) (2)
4.1*	Note Agreement among Flamel Technologies S.A., Flamel US Holdings, Inc. and Éclat Holdings, LLC, dated March 13, 2012 (3)
4.2	Guaranty of Note made by Flamel Technologies S.A. in favor of Éclat Holdings, LLC, dated March 13, 2012 (3)
4.3	Warrant to purchase 2,200,000 American Depositary Shares, each representing one Ordinary Share of Flamel Technologies S.A. (3)
4.4	Warrant to purchase 1,100,000 American Depositary Shares, each representing one Ordinary Share of Flamel Technologies S.A. (3)
4.5	Registration Rights Agreement between Flamel Technologies S.A. and Éclat Holdings, LLC, dated March 13, 2012 (3)
4.6	Facility Agreement among Flamel US Holdings, Deerfield Private Design Fund II, L.P. and Deerfield Private Design International II, L.P. dated December 31, 2012 (1)
4.7*	Royalty Agreement among Eclat Pharmaceuticals LLC, Horizon Santé FLML, Sarl and Deerfield Private Design Fund II, L.P. dated December 31, 2012 (1)
4.8*	Security Agreement between Éclat Pharamaceuticals, LLC and Deerfield Private Design Fund II, L.P. and Horizon Santé FLML, Sarl, dated February 4, 2013 (1)
4.9	Broadfin Facility Agreement, effective as of December 3, 2013 (5)
4.10*	Broadfin Royalty Agreement, dated as of December 3, 2013 (5)
4.11	Asset Purchase Agreement by and among Flamel Technologies and Recipharm Pessac, dated November 26, 2014 (6)
4.12	Master Agreement on Supply of Services and Products by and between Flamel Technologies and Recipharm Pessac, dated December 1, 2014 (6)

Exhibit Number	(Continued) Description
4.13	Service Agreement by and between Flamel Technologies and Recipharm Pessac, dated December 1, 2014 (6)
4.14	Supply Agreement by and between Flamel Technologies and Recipharm Pessac, dated December 1, 2014 (6)
4.15*	Membership Interest Purchase Agreement by and among Éclat Holdings LLC., Éclat Pharmaceuticals LLC., Flamel Technologies S.A., and Flamel US Holdings Inc., dated March 13, 2012 (6)
8.1	List of Subsidiaries (6)
11.1	Code of Ethics for CEO (<i>Directeur Général</i>), Delegated Managing Directors (<i>Directeurs Généraux Délégués</i>) and Senior Financial Officers (4)
12.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Filed herewith)
12.2	Certification of the Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Filed herewith)
13.1	Certification of the Chief Executive Officer pursuant to USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Furnished herewith)
13.2	Certification of the Principal Financial Officer pursuant to USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Furnished herewith)
23.1	Consent of PricewaterhouseCoopers Audit (Filed herewith)
101.1NS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definitions Linkbase Document

-
- (1) Incorporated by reference to the Company's Annual Report on Form 20-F for the year ended December 31, 2012, filed on April 30, 2013.
 - (2) Incorporated by reference to the Company's registration statement on Form F-6 filed February 12, 2014, as amended (No. 333-193892).
 - (3) Incorporated by reference to the Company's Current Report on Form 6-K, filed March 21, 2012.
 - (4) Incorporated by reference to the Company's Annual Report on Form 20-F for the year ended December 31, 2003, filed on April 26, 2004.
 - (5) Incorporated by reference to the Company's Annual Report on Form 20-F for the year ended December 31, 2013, filed on April 30, 2014.
 - (6) Incorporated by reference to the Company's Annual Report on Form 20-F for the year ended December 31, 2014, filed on April 30, 2015.
- * Confidential treatment has been requested for the redacted portions of this agreement. A complete copy of the agreement, including the redacted portions, has been filed separately with the Securities and Exchange Commission.

FLAMEL TECHNOLOGIES S.A.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	<u>Page</u>
Report of Independent Registered Public Accounting Firm, PricewaterhouseCoopers Audit	F-2
Consolidated Balance Sheets as of December 31, 2013 and 2014	F-3
Consolidated Statements of Operations for the Years Ended December 31, 2012, 2013 and 2014	F-4
Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2012, 2013 and 2014	F-5
Consolidated Statements of Shareholders' Equity for the years Ended December 31, 2012, 2013 and 2014	F-6
Consolidated Statements of Cash flows for the Years Ended December 31, 2012, 2013 and 2014	F-7
Notes to Consolidated Financial Statements	F-8

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Flamel Technologies SA

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

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

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

Lyon, France, April 30, 2015

PricewaterhouseCoopers Audit

Represented by
/s/ Nicolas Brunetaud

Nicolas Brunetaud

FLAMEL TECHNOLOGIES S.A.

CONSOLIDATED BALANCE SHEETS
(Amounts in thousands of dollars except share data)

	Note	December 31,	
		2013	2014
ASSETS			
Current assets:			
Cash and cash equivalents	8	\$ 6,636	\$ 39,760
Marketable securities	9	401	53,074
Accounts receivable (net of allowance of \$144 and \$127 at December 31, 2013 and 2014 respectively)		6,204	1,679
Inventory	10	2,410	6,729
Research and development tax credit receivable current portion	19	14,139	5,932
Prepaid expenses and other current assets	11	2,481	4,418
Total current assets from continuing operations		\$ 32,271	\$ 111,592
Total current assets from Assets held for sale	6	\$ 1,352	\$ 730
Goodwill	13	18,491	18,491
Property and equipment, net	12	2,391	1,776
Intangible assets, net	13	40,139	28,389
Other assets:			
Income tax deferred charge	19		13,102
Research and development tax credit receivable less current portion	19	6,410	-
Other long-term assets from continuing operations		154	125
Total long-term assets from continuing operations		\$ 67,585	\$ 61,883
Total long term from assets held for sale	6	\$ 15,044	\$ 0
Total assets including "assets held for sale"		\$ 116,252	\$ 174,205
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current portion of long-term debt	16 - 24	19,194	42,332
Current portion of capital lease obligations		16	13
Accounts payable		5,099	8,024
Deferred revenue	4	1,264	1,336
Advances from customers		116	-
Accrued expenses	14	6,527	5,667
Other current liabilities	15	7,478	5,659
Income tax payable	19	-	7,643
Total current liabilities from continuing operations		39,694	70,674
Total current liabilities from liabilities held for sale		901	168
Long-term debt, less current portion	16	66,320	76,135
Capital lease obligations, less current portion		15	-
Deferred tax liabilities	19	2,806	-
Other long-term liabilities	15-20	8,314	2,333
Total long-term liabilities from continuing operations		77,455	78,468
Total long-term liabilities from liabilities held for sale		7,714	0
Shareholders' equity :			
Ordinary shares: 25,612,550 issued and outstanding at December 31, 2013 and 40,191,264 at December 31, 2014 (shares authorised 52,683,254) at nominal value of 0.122 euro	18	3,746	6,188
Additional paid-in capital		211,473	346,582
Accumulated deficit		(235,546)	(320,452)
Accumulated other comprehensive income (loss)		10,815	(7,423)
Total shareholders' equity		(9,512)	24,895
Total Liabilities and shareholder's equity including held for sale		\$ 116,252	\$ 174,205

The accompanying notes are an integral part of the Consolidated Financial Statements

FLAMEL TECHNOLOGIES S.A.

CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands of dollars except share data)

	Note	Year ended December 31,		
		2012	2013	2014
Revenue:				
License and research revenue	3	\$ 6,724	\$ 3,026	\$ 2,782
Product sales and services	4	\$ 560	983	11,920
Other revenues		\$ 250	170	73
Total revenue		7,534	4,179	14,775
Costs and expenses:				
Cost of products and services sold		(400)	(562)	(3,383)
Research and development	5	(14,558)	(15,966)	(17,298)
Selling, general and administrative		(14,153)	(13,216)	(15,698)
Fair value remeasurement of acquisition liabilities, incl. related parties	2-16-24	18,834	(28,135)	(57,491)
Impairment of assets	13	(7,170)	-	-
Amortisation of intangible R&D assets	13	-	-	(11,749)
Acquisition note expenses, incl. related parties	24	-	-	(3,013)
Total		(17,447)	(57,879)	(108,632)
Income (loss) from operations		(9,913)	(53,700)	(93,857)
Interest expense	9-16-24	(118)	(2,602)	(5,747)
Interest expense on debt related to the royalty agreement with related parties	16	-	(1,990)	(3,525)
Interest income	9	640	254	963
Foreign exchange gain (loss)	1	(180)	(288)	11,871
Other Income		102	573	(36)
Income (loss) before income taxes		(9,469)	(57,753)	(90,331)
Income tax	19	4,729	11,244	1,407
Net income (loss) from continuing operations		(4,740)	(46,509)	(88,924)
Net income from discontinued operations		\$ 1,512	\$ 3,584	4,018
Net income (loss)		(3,228)	(42,925)	(84,906)
Earnings (loss) per ordinary share (basic)	19			
Continuing operations		\$ (0.19)	\$ (1.83)	\$ (2.45)
Discontinued operations		\$ 0.06	\$ 0.14	\$ 0.11
Net income (loss)		\$ (0.13)	\$ (1.69)	\$ (2.34)
Earnings (loss) per share (diluted):	19			
Continuing operations		\$ (0.19)	\$ (1.83)	\$ (2.45)
Discontinued operations		\$ 0.06	\$ 0.14	\$ 0.11
Net income (loss)		\$ (0.13)	\$ (1.69)	\$ (2.34)
Weighted average number of shares outstanding (in thousands) :				
Basic		25,135	25,450	36,214
Diluted		25,135	25,450	36,214

The accompanying notes are an integral part of the Consolidated Financial Statements

FLAMEL TECHNOLOGIES S.A.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in thousands of dollars except share data)

	Year Ended December 31,		
	2012	2013	2014
Net loss	\$ (3,228)	\$ (42,925)	\$ (84,906)
Other comprehensive income (loss):			
Net foreign currency translation gain (loss)	196	561	(18,040)
Unrealized gain (loss) on Marketable Securities			(198)
Other comprehensive income (loss), net of tax	196	561	(18,238)
Comprehensive loss	\$ (3,032)	\$ (42,364)	\$ (103,144)

The accompanying notes are an integral part of the Consolidated Financial Statements

FLAMEL TECHNOLOGIES S.A.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Amounts in thousands of dollars except share data)

	Ordinary Shares		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehen- sive Income (Loss)	Shareholders' Equity
	Shares	Amount				
Balance at January 1, 2012	24,962,250	\$ 3,641	\$ 205,489	\$ (189,393)	\$ 10,057	\$ 29,794
Subscription of warrants			5			5
Issuance of ordinary shares on exercise of stock options	195,000	31	570			601
Issuance of ordinary shares on vesting of free shares	258,150	42	(42)			-
Stock-based compensation expense			3,136			3,136
Net loss				(3,228)		(3,228)
Other comprehensive income (loss)					196	196
Comprehensive loss						\$ (3,032)
Balance at December 31, 2012	25,415,400	\$ 3,714	\$ 209,158	\$ (192,621)	\$ 10,253	\$ 30,504
Subscription of warrants			(27)			(27)
Issuance of ordinary shares on exercise of stock options or warrants	50,000	8	391			399
Issuance of ordinary shares on vesting of free shares	147,150	24	(24)			-
Stock-based compensation expense			1,975			1,975
Net loss				(42,925)		(42,925)
Other comprehensive income (loss)					562	562
Comprehensive loss						\$ (42,363)
Balance at December 31, 2013	25,612,550	\$ 3,746	\$ 211,473	\$ (235,546)	\$ 10,815	\$ (9,512)
Subscription of warrants			351			351
Issuance of ordinary shares on capital raise	12,400,000	2,099	113,133			115,232
Issuance of ordinary shares to Recipharm AB	1,026,364	156	12,894			13,050
Issuance of ordinary shares on exercise of stock options or warrants	1,001,750	164	5,861			6,025
Issuance of ordinary shares on vesting of free shares	150,600	24	(24)			-
Stock-based compensation expense			2,893			2,893
Net loss				(84,906)		(84,906)
Other comprehensive income (loss)					(18,238)	(18,238)
Comprehensive loss						\$ (103,144)
Balance at December 31, 2014	40,191,264	\$ 6,188	\$ 346,581	\$ (320,452)	\$ (7,423)	\$ 24,895

The accompanying notes are an integral part of the Consolidated Financial Statements

FLAMEL TECHNOLOGIES S.A.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands of dollars except share data)

	Year ended December 31,		
	2012	2013	2014
Cash flows from operating activities:			
Net income (loss)	\$ (3,228)	\$ 42,925	\$ (84,906)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation of property and equipment and intangible assets	3,183	3,062	14,141
Loss (gain) on disposal of property and equipment	(37)	14	(4,952)
Unrealized exchange gain	-	-	(6,252)
Gains on sales of marketable securities	(6)	-	-
Grants recognized in other income and income from operations	(975)	(676)	(589)
Remeasurement of acquisition liabilities and royalty agreements (Note 21)	(18,834)	28,135	60,503
Interest expenses on debt related to the royalty agreement including related party (Note 24)	-	1,990	3,319
Impairment of assets (Note 13)	7,170	-	-
Calculated interest on amortized method	-	712	-
Change in deferred tax (Note 19)	(4,758)	(11,320)	(2,806)
Stock compensation expense (Note 7)	3,040	2,029	2,690
Increase (decrease) in cash from:			
Accounts receivable	2,610	(511)	3,426
Inventory (Note 10)	176	(2,186)	(3,112)
Prepaid expenses and other current assets (Note 11)	800	315	(2,330)
Research and development tax credit receivable	(6,642)	665	13,210
Accounts payable	(613)	1,318	1,092
Deferred revenue	(4,984)	(14)	(55)
Accrued expenses	(742)	1,211	(265)
Other current liabilities	(682)	(517)	6,998
Other long-term assets and liabilities	1,383	(1,977)	(10,730)
Net cash used in operating activities	<u>(23,139)</u>	<u>(20,676)</u>	<u>(10,618)</u>
Cash flows from investing activities:			
Purchases of property and equipment	(1,069)	(1,029)	(1,728)
Proceeds from disposal of property and equipment (Note 6)	67	1,007	13,242
Proceeds from sales of marketable securities (Note 9)	18,246	7,152	13,678
Purchase of marketable securities (Note 9)	(3,567)	(1,085)	(68,275)
Cash transferred on acquisition	1,771	-	-
Net cash provided by (used in) investing activities	<u>15,448</u>	<u>6,044</u>	<u>(43,083)</u>
Cash flows from financing activities:			
Reimbursement of loans	(223)	(475)	(34,392)
Reimbursement of conditional grants (Note 21)	-	-	(355)
Proceeds from loans or conditional grants (Note 21)	6,668	19,333	-
Principal payments on capital lease obligations	(97)	(77)	(161)
Earn-out payment for acquisition	-	(907)	(1,357)
Cash proceeds from issuance of ordinary shares and warrants (Note 18)	607	400	132,260
Net cash provided by financing activities	<u>6,955</u>	<u>18,274</u>	<u>95,995</u>
Effect of exchange rate changes on cash and cash equivalents	22	252	(9,170)
Net increase (decrease) in cash and cash equivalents	(714)	3,894	33,124
Cash and cash equivalents, beginning of year	3,456	2,742	6,636
Cash and cash equivalents, end of year	<u>\$ 2,742</u>	<u>\$ 6,636</u>	<u>\$ 39,760</u>
Supplemental disclosures of cash flow information:			
Income tax paid	56	153	403
Interest paid	118	1,701	4,431
The supplemental schedule of non cash investing and financing activities is as follows			
Capital lease obligations incurred	-	-	-
Fair value of assets acquired at acquisition date:	50,927	-	-
Liabilities assumed at acquisition date:	50,927	-	-

The accompanying notes are an integral part of the Consolidated Financial Statements

FLAMEL TECHNOLOGIES S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of business and summary of significant accounting policies:

1.1. Nature of business

Flamel Technologies, S.A. ("Flamel" or the "Company") is organized as a *Société Anonyme*, a form of corporation under the laws of The Republic of France. The Company was founded in 1990. Flamel is a specialty pharmaceutical company with drug delivery and formulation expertise. The Company is headquartered in Lyon, France and has operations in St. Louis, Missouri, USA, and Dublin, Ireland.

1.2. Management estimates

The accompanying consolidated financial statements were prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates reflected in the consolidated financial statements include, but are not limited to, purchase price allocation of its acquisitions, remeasurement of liabilities accounted at fair value, the recoverability of the carrying amount and estimated useful lives of long-lived assets, in progress R&D and goodwill, share-based compensation expenses, evaluation of long term personnel compensation, calculation of R&D tax credit, and valuation allowance of deferred tax assets. Management makes these estimates using the best information available at the time the estimates are made; however, actual results could differ from those estimates.

1.3. Discontinued Operations

The company divested its development and manufacturing facility in Pessac, France on December 1, 2014 to Recipharm.

The Company followed the guidance in Financial Statements Accounting Standards Board Accounting Standards Codification ("ASC") Topic 205 Presentation of Financial Statements (ASC 205), Topic 360 Property, Plant and Equipment (ASC 360) and Accounting Standards Update (ASU 2014-08), Reporting of Discontinued Operations and Disclosures of Disposals of Components of an Entity in determining the accounting for the divestiture. The Company opted to early adopt the provisions of ASU 2014-08 as its management believes that all criteria for presenting the divestiture of the Pessac Facility and its business as a discontinued operation were met. Presenting the divestiture as a discontinued operation will also provide a better understanding of the results of the Company's new strategy and in assessing the impact of the disposal on the ongoing operations of the entity.

The divestiture represents a strategic shift that had or will have a major effect on our operations and financial results. Since consummating the Éclat acquisition in March 2012, the Company has implemented an altered business model allowing Flamel to blend novel, high-value internally developed products with its drug delivery capabilities and to commercialize niche branded and general pharmaceutical products. Previously, the Company's focus was to develop and license its proprietary drug delivery platforms (Micropump[®], LiquiTime[®], Trigger Lock[™] and Medusa[™]) with pharmaceutical companies and biotechnology partners (e.g. the licensing of Micropump[®] to GSK to develop Coreg CR[®] with GSK commercializing the product). The divestiture of the Pessac Facility to Recipharm and the transfer to Recipharm of the GSK's Supply Agreement and royalty income relating to Coreg CR[®] is an implementation of this revised strategy. Flamel sold over 50% of its historical revenues as a result of this transaction which had or will have a major impact on the Company's operations and financial results.

The divestiture was accomplished in a single transaction and the assets, contracts and liabilities referred to in the Asset Purchase Agreement signed between Flamel and Recipharm were determined to represent a disposal group. This disposal group is considered to be a component of the Company. While the Pessac Facility and its related business were not identified as a reportable segment or operating segment, as the Company operates in only one segment, the Pessac Facility and its related business may be considered as an asset group as the transferred assets, liabilities and contracts represent the lowest level for which identifiable cash flows are largely independent of the cash flows of any other group of assets and liabilities. Flamel transferred all future cash outflows and inflows relating to the Pessac Facility that can be clearly distinguished operationally and for financial reporting purposes.

FLAMEL TECHNOLOGIES S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The results of Discontinued Operations, less income taxes, have been reported as a separate component of income in the statement of operations. The assets and liabilities of the discontinued operation have been reported separately in the asset and liability sections, of the balance sheet for the periods presented therein. See note 6 to the Consolidated Financial Statements in "Item 18. *Financial Statements*" for a description of the facts and circumstances related to the disposal, the gain and loss on disposal and the specific line items included in the statement of operations, balance sheet and cashflow statement relative to the disposal group.

1.4. *Going concern*

Management believes that the cash and cash equivalents and marketable securities of \$92.8 million as of December 2014 are sufficient for the Company to continue as a going concern for at least the next twelve (12) months and does not have substantial doubt as to the organization's ability to continue as a going concern.

1.5. *Principles of consolidation*

The accompanying consolidated financial statements include the Company and its wholly-owned subsidiaries in the United States and Ireland. All inter-company accounts and transactions have been eliminated. The list of the subsidiaries is detailed in Exhibit 8.1.

1.6. *Translation of financial statements of foreign entities and foreign currency transactions*

The reporting currency of the Company and its wholly-owned subsidiaries is the U.S. dollar as permitted by the SEC for a foreign private issuer (S-X Rule 3-20(a)). All financial statement amounts of the Company and any other subsidiary for which the functional currency is the Euro or any other currency other than the U.S. dollar, are translated into U.S. dollar equivalents at exchange rates as follows: (1) asset and liability accounts at year-end rates, (2) income statement accounts at weighted average exchange rates for the year, and (3) shareholders' equity accounts at historical rates. Corresponding translation gains or losses are recorded in shareholders' equity.

Transaction gains and losses are reflected in the statement of operations.

Transactions involving foreign currencies are translated into the functional currency using the exchange rate prevailing at the time of the transactions. Receivables and payables denominated in foreign currencies are translated at year-end exchange rates. The resulting unrealized exchange gains and losses are carried to the statement of operations. As of December 31, 2014 the conversion generates an unrealized exchange rate gain of approximately \$11.6 million.

The Company has not undertaken hedging transactions to cover its currency translation exposure.

1.7. *Revenue recognition*

Revenue includes upfront licensing fees, milestone payments for R&D achievements, compensation for the execution of R&D activities and sales of pharmaceutical products.

Where agreements have more than one deliverable, a determination is made as to whether the license and R&D elements should be recognized separately or combined into a single unit of account in accordance with ASU 2009-13, Revenue with Multiple Deliverables.

The Company uses a Multiple Attribution Model, referred to as the milestone-based method:

- As milestones relate to discrete development steps (i.e. can be used by the partners to decide whether to continue the development under the agreement), the Company views that milestone events have substance and represent the achievement of defined goals worthy of the payments. Therefore, milestone payments based on performance are recognized when the performance criteria are met and there are no further performance obligations.

FLAMEL TECHNOLOGIES S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- Non-refundable technology access fees received from collaboration agreements that require the Company's continuing involvement in the form of development efforts are recognized as revenue ratably over the development period.
- R&D work is compensated at a non-refundable hourly rate for a projected number of hours. Revenue on such agreements is recognized at the hourly rate for the number of hours worked as the R&D work is performed. Costs incurred under these contracts are considered costs in the period incurred. Payments received in advance of performance are recorded as deferred revenue and recognized in revenue as services are rendered.

Revenue is generally realized or realizable and earned when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the seller's price to the buyer is fixed or determinable, and collectability is reasonably assured. The Company records revenue from product sales when title and risk of ownership have been transferred to the customer, which is typically upon delivery to the customer and when the selling price is determinable. As is customary in the pharmaceutical industry, the Company's gross product sales are subject to a variety of deductions in arriving at reported net product sales. When the Company recognizes revenue from the sale of its products, an estimate of provision for sales return and allowances is recorded which reduces product sales. These adjustments include estimates for product returns, chargebacks, payment discounts and other sales allowances and rebates. The estimate for chargebacks is determined when product is shipped from the wholesalers to their customers. The return allowance, when estimable, is based on an analysis of the historical returns of the product or similar products.

For generic products and branded products sold in mature and stable markets where changes in selling price are rare, the Company recognizes revenues upon shipment. For branded products where market conditions remain volatile and selling price is subject to change the Company recognizes revenue based on net product sales of wholesalers to their customers. For new product launches the Company recognizes revenue once sufficient data is available to determine product acceptance in the marketplace such that product returns may be estimated based on historical data and there is evidence of reorders and consideration is made of wholesaler inventory levels. Net product sales of wholesalers to their customers are determined using sales data from an independent, renowned wholesaler inventory tracking service. Net sales of wholesalers to their customers are calculated by deducting estimates for returns for wholesaler customers, chargebacks, payment discounts and other sales or discounts offered from the applicable gross sales value. Estimates for product returns are adjusted periodically based upon historical rates of returns, inventory levels in the distribution channel and other related factors.

When Flamel receives revenue under signed feasibility study agreements, revenue is then recognized over the term of the agreement as services are performed.

The Company receives financial support for various research and investment projects from governmental agencies. Revenue from conditional grants related to specific development projects is recognized as an offset to operating expenses when all conditions stated in the grant have been met and the funding has been received. Revenues from unconditional grants for R&D projects are recognized as an offset to R&D expense on a pro-rata basis over the duration of the program. Funding can be received to finance certain R&D projects which are repayable on commercial success of the project. In the absence of commercial success, the Company is released of its obligation to repay the funds and the funds are recognized in the Income Statement as 'Other Income'.

Flamel benefits from tax credits on a percentage of eligible R&D costs. These tax credits can be refundable in cash or offset against taxable income and are not contingent upon future taxable income. As explained in note 5 to the Consolidated Financial Statements, the company determined that the research tax credit should be classified as a R&D grant and the tax credit is recognized as an offset to R&D expense.

1.8. Governmental Grants

The Company receives financial support for various research or investment projects from governmental agencies.

The Company recognizes conditional grants related to specific development projects conditioned on completion of investment program and ongoing employment at the facilities as an offset to operating expenses once all conditions stated in the grant have been met.

The Company recognizes unconditional grants for R&D (R&D) projects requiring the collaboration of both private and public research partners as an offset to R&D expense on a pro-rata basis over the duration of the program.

FLAMEL TECHNOLOGIES S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company receives funds to finance R&D projects. These funds are repayable on commercial success of the project. In the absence of commercial success, the Company is released of its obligation to repay the funds and as such the funds are recognized in the Income Statement as 'Other Income'. The absence of commercial success must be formally confirmed by the granting authority. Should the Company wish to discontinue the R&D to which the funding is associated, the granting authorities must be informed.

1.9. R&D costs

R&D expenses comprise the following types of costs incurred in performing R&D activities: salaries, allocated overhead and occupancy costs, clinical trial and related clinical or development manufacturing costs, contract and other outside service fees, filing fees and regulatory support. R&D expenditures are charged to operations as incurred.

The Company does not disclose research development costs per partner funded contract and does not believe such disclosure would be material to investors.

1.10. Concentration of credit risk

The Company's cash and cash equivalents are mainly deposited with Morgan Stanley, Crédit Agricole, HSBC, and Commerce Bank.

The marketable securities issued by Morgan Stanley and from Crédit Agricole have strong credit ratings.

The Company's revenues are derived mainly from product sales and services and collaborative R&D contracts with pharmaceutical companies based in Europe and the United States and wholesalers based in the United States. All significant customers are discussed in Note 3.

The Company performs ongoing credit evaluations of its customers and maintains provisions for potential credit losses as considered necessary. The Company generally does not require collateral. Historically, the Company has not experienced significant credit losses on its customer accounts. The allowance for doubtful accounts was \$139,000, \$144,000 and \$127,000 at December 31, 2012, 2013 and 2014, respectively.

1.11. Earnings per share

Basic earnings (loss) per share are computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding for the period. Diluted earnings per share reflects potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company. The dilutive effects of the Company's common stock options and warrants is determined using the treasury stock method to measure the number of shares that are assumed to have been repurchased using the average market price during the period, which is converted from U.S. dollars at the average exchange rate for the period. Such securities are not considered in computing diluted loss per share as their effects would be anti-dilutive.

1.12. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash on deposit and fixed term deposit being highly liquid investments with a maturity of three months or less at the date of purchase.

1.13. Marketable securities

Marketable securities consist of highly liquid investments in money market mutual funds. Marketable securities are classified as available-for-sale securities in accordance with ASC 320-10, "Accounting for Certain Investments in Debt and Equity Securities" These investments are recorded at fair value, which is based on quoted market prices. Accordingly, unrealized gains and losses are included in accumulated other comprehensive income until realized.

FLAMEL TECHNOLOGIES S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1.14. Accounts Receivable

Accounts receivable are stated at amounts invoiced net of allowances for doubtful accounts. The Company makes judgments as to its ability to collect outstanding receivables and provides allowances for the portion of receivables deemed uncollectible. Provision is made based upon a specific review of all significant outstanding invoices.

1.15. Inventories

Inventories consist of raw materials and finished products, which are stated at cost determined under the first-in, first-out ("FIFO") method. Raw materials used in the production of pre-clinical and clinical products are expensed as R&D costs when consumed. The Company establishes reserves for inventory estimated to be obsolete, unmarketable or slow-moving on a case by case basis.

1.16. Property and equipment

Property and equipment is stated at historical cost less accumulated depreciation. Depreciation and amortization are computed using the straight-line method over the following estimated useful lives:

Land and buildings	20 years
Laboratory equipment	4 - 8 years
Office and computer equipment	3 years
Furniture, fixtures and fittings	5-10 years

1.17. Goodwill and intangible assets

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

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

Intangible assets consist primarily of purchased licenses and intangible assets corresponding to acquired, in progress R&D recognized as part of the Éclat acquisition purchase price allocation. Acquired IPR&D has an indefinite life and is not amortized until completion and development of the project, at which time the IPR&D becomes an amortizable asset. Amortization of acquired IPR&D is computed using the straight-line method over estimated useful life of the assets.

1.18. Impairment of Long-Lived Assets

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

FLAMEL TECHNOLOGIES S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1.19. Income taxes

The Company accounts for income taxes in accordance with ASC 740. Under ASC 740, deferred tax assets are determined based on the difference between the financial reporting and tax basis of assets and liabilities, applying enacted statutory tax rates in effect for the year in which the tax differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in the tax laws and rates on the date of enactment.

FLAMEL TECHNOLOGIES S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1.20. Research credit tax

The Company is eligible to receive a French research tax credit that is calculated based on a percentage of eligible R&D costs. The tax credit can be refundable in cash and is not contingent on future taxable income. As such, the Company considers the research credit tax as a grant, offsetting operating expenses.

1.21. Employee stock options and warrants

The Company accounts for Stock based compensation based on grant-date fair value estimated in accordance with ASC 718.

The Company estimated the fair value of stock options and warrants using a Black-Scholes option-pricing valuation model (“Black-Scholes model”).

The Company uses a simplified method to estimate the maturity. The Company considered historical data was insufficient and irrelevant relative to the grant of stock-options and warrants to a limited population and the simplified method was used to determine the expected term for stock-options and warrants granted.

The Company recognizes compensation cost, net of an estimated forfeiture rate, using the accelerated method over the requisite service period of the award.

1.22. Long-Term Debt

The Long Term debt associated with the acquisition liabilities arising from the acquisition of Eclat Pharmaceuticals are accounted at fair-value (*see note 2 – Business Combinations and note 16 Long-Term Debt*). Changes in fair value are recorded in the income statement in operating expenses as remeasurement of acquisition liabilities.

The long-term debt associated with the Deerfield Facility and Broadfin Facility Agreements are accounted for at amortized cost and were fully reimbursed in March 2014. The Company elected the fair value option for the measurement of the long-term liability associated with the Deerfield and Broadfin Royalty Agreements (*see note 16 Long-Term Debt*). Changes in fair value are recorded in the income statement in interest expense on the debt related to the royalty agreement.

1.23. Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, “Revenue from contracts with customers (topic 606)” (“ASU 2014-09”). ASU 2014-09 is effective for reporting periods beginning after December 15, 2016. The Company is assessing the impact of the provisions of ASU 2014-09 on the consolidated financial position and results of operations of the Company.

In April 2014, the FASB issued ASU No. 2014-08, “Presentation of Financial Statements (topic 205) and Property, Plant, and Equipment (Topic 360)” (“ASU 2014-08”). ASU 2014-08 requires new disclosures related to Discontinued Operations. ASU 2014-08 is effective for reporting periods beginning after December 15, 2014. The company has elected to adopt ASU No. 2014-08 as of December 31, 2014. See 1.3 and note 6 – Discontinued Operations.

In August 2014, the FASB issued ASU Update No. 2014-15, Presentation of Financial Statements – Going Concern: Disclosure of Uncertainties about an Entity’s Ability to continue as a Going Concern (subtopic 205-40). Update 2014-15 requires management to assess an entity’s ability to continue as a going concern every reporting period, and provide certain disclosures if management has substantial doubt about the entity’s ability to operate as a going concern, or an express statement if not, by incorporating and expanding upon certain principles that are currently in U.S. auditing standards. Update 2014-15 is effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. Upon adoption the Company will use the guidance in ASU 2014-15 to assess going concern. Management believes that the cash and cash equivalents of \$92.8 million as of December 2014 are sufficient for the company to continue as a going concern for at least the next twelve months and does not have substantial doubt as to the organization’s ability to continue as a going concern.

FLAMEL TECHNOLOGIES S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Business combinations

Effective March 13, 2012, Flamel acquired, through its wholly owned subsidiary Flamel US Holdings, Inc., or Flamel US, all of the membership interests of Éclat Pharmaceuticals, LLC (or “Éclat Pharmaceuticals”) from Éclat Holdings, LLC (or “Éclat Holdings”) an affiliate of Flamel’s largest shareholder Deerfield Capital L.P. Éclat Pharmaceuticals operates as a specialty pharmaceuticals business focused on the development, approval and commercialization of niche brands and generic pharmaceutical products. In exchange for all of the issued and outstanding membership interests of Éclat Pharmaceuticals, Flamel US provided consideration consisting of:

- a \$12 million senior, secured six-year note that is guaranteed by the Company and its subsidiaries and secured by the equity interests and assets of Éclat;
- two warrants to purchase a total of 3,300,000 American Depositary Shares, each representing one ordinary share of Flamel (“ADSs”)
- a commitment to make earn out payments of 20% of any gross profit generated by certain Éclat Pharmaceuticals products
- a commitment to pay 100% of any gross profit generated by Hycet[®] up to a maximum of \$1 million.

The Purchase Agreement also contains certain representations and warranties, covenants, indemnification and other customary provisions.

The \$12 million senior secured six-year note that accrued interest at an annual rate of 7.5% was repaid on March 24, 2014 (see note 16 – Long Term Debt).

In addition to the note, two six year warrants were issued to purchase an aggregate of 3,300,000 ADSs, each representing one ordinary share, of Flamel. One warrant is exercisable for 2,200,000 ADSs at an exercise price of \$7.44 per ADS, and the other warrant is exercisable for 1,100,000 ADSs at an exercise price of \$11.00 per ADS.

The acquisition-date fair value of the consideration transferred totaled \$50,927,000 which consisted of the following:

(Amounts in thousands of US dollars)	
Note	5,625
Warrants	12,065
Deferred consideration	33,237
Total acquisition liabilities	50,927

The fair value of the note was estimated using a probability-weighted discounted cash flow model. This fair value measurement is based on significant inputs not observable in the market and thus represents a level 3 measurement as defined in ASC 820. The key assumptions are as follows: 20% discount rate, 72% probability of success.

The fair value of the warrants was determined by using a Black-Scholes option pricing model with the following assumptions:

Share price	\$	7.29
Risk-free interest rate		2.00%
Dividend yield		-
Expected volatility		56.26%
Expected term		6.0 years

The deferred consideration fair value was estimated by using a discounted cash flow model based on probability adjusted annual gross profit of each of the Éclat Pharmaceuticals products. A discount rate of 20% has been used, except for Hycet[®] for which a discount rate of 13% has been retained.

The Company’s result of operations in future periods will be affected by the movements in the fair value of the acquisition liabilities which are remeasured at each balance sheet date. Changes in fair value will be recognized in operating income. Changes in assumptions or other variants used to calculate the fair value of acquisition liabilities, such as, but not limited to, the Company’s share price, volatility of the share price, discount rates, probability assessment of success in completing development and commercializing acquired products, market share, market size and selling prices negotiated for each product will have an effect on the fair value of the acquisition liabilities. (See note 16 Long Term Debt and note 21 Fair Value of Financial Instruments).

FLAMEL TECHNOLOGIES S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The transaction was accounted for as a business combination under the acquisition method of accounting. Accordingly, the tangible assets and identifiable intangible assets acquired and liabilities assumed were recorded at fair value, with the remaining purchase price recorded as goodwill.

A total of \$47.3 million of the acquired intangible assets was allocated to in-process R&D (IPR&D) assets that were recognized at fair value on the acquisition date. The fair value was determined using an income approach, including a discount rate of 20%, applied to probability adjusted after-tax cash flows. The estimated costs to complete the IPR&D projects represents management's best estimate of expected costs. The difference between the purchase price and the fair value of the assets acquired and liabilities assumed of \$18.5 million was allocated to goodwill. This goodwill is attributable to the remaining product opportunities identified by the acquired entity at the date of acquisition, but for which limited development had occurred and the regulatory approval process had not commenced. None of the goodwill is expected to be deductible for income tax purposes.

(See note 13 *Goodwill and Intangible Assets*).

3. License, research and consulting agreements:

3.1. *Merck Serono, a division of Merck KGaA*

On December 20, 2007 Flamel Technologies entered into a relationship with Merck Serono, a division of Merck KGaA, to investigate the applicability of Flamel's Medusa™ for the extended release of a therapeutic protein of Merck Serono's portfolio.

In consideration of the agreement signed in 2007, Merck Serono made an upfront payment of \$2.7 million, which has been amortized over the initial feasibility period. In February 2009 Merck Serono exercised the option to license Medusa™ triggering a payment of \$ 6.5 million (€5.0 million). Under the terms of the agreement, the Company was eligible to receive up to \$53.0 million (€41.0 million) in milestone payments upon certain agreed-upon development events.

On November 2, 2012, Flamel received notice from Merck Serono to terminate for convenience the development and license agreement, effective January 31, 2013. For the year 2012, the Company recognized \$2,745,000 of amortization of the initial up-front and option payments, of which \$1,426,000 relates to accelerated amortization due to termination.

3.2. *Eagle Pharmaceuticals*

On October 12, 2011 the Company entered into a license and development agreement with Eagle Pharmaceuticals for the development of a Medusa™-based hydrogel depot formulation of the small molecule antibiotic, tigecycline. In consideration of this agreement, the Company recognized R&D revenues of \$345,000. Milestone payments amounting to \$1.2 million (€0.9 million) will be received upon achievement of certain development and commercial events.

In 2012, the Company recognized R&D revenues of \$659,000. The Company also recognized \$43,000 of amortization of the initial up-front fee.

In 2013, the Company recognized R&D revenues of \$31,600 as amortization of the initial up-front fee

3.3. *Corning*

In December 1998, the Company signed a long-term research and product development agreement with Corning France and Corning Incorporated. Pursuant to the terms of this agreement, Flamel received royalties on the sales of Corning products that utilize Flamel's innovations.

FLAMEL TECHNOLOGIES S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company recognized royalties on Corning's sales of \$152,000 in 2012, \$111,000 in 2013 and on February 12, 2014 the Company signed an amendment effectively terminating the research and product development agreement and received a payment of \$336,000 excluding sales taxes.

3.4. Others

The Company recognized license and R&D revenues with undisclosed partners for an amount of \$3.3 million in 2012; \$3.0 million in 2013 and \$2.8 million in 2014.

4. Product sales and services

Flamel recognized product sales of \$11.9 million in 2014 compared to \$1.0 million in 2013 and \$0.6 million in 2012.

The Company launched Bloxiverz[®] in July of 2013 and determined that market acceptance of the product had not occurred given the absence of wholesaler reorders and insufficient data to determine product returns. For the twelve months ended December 31, 2013, the criteria for recognizing the revenue were not met and the Company deferred \$1.1M of revenue as of December 31, 2013. The Company determined as of March 31, 2014 that given significant wholesaler reorders and sufficient data obtained from the independent wholesaler tracking service regarding product returns from its customers, the Company could begin recognizing net product sales of Bloxiverz[®] based on indirect sales. Net product sales of wholesalers to their customers are determined using sales data from an independent, wholesaler inventory tracking service and are calculated by deducting estimates for returns for wholesalers' customers, chargebacks, payment discounts and other sales or discounts offered from the applicable gross sales value. Bloxiverz[®] product is purchased by hospitals from the wholesalers primarily through contractual agreements with group purchasing organizations ("GPOs"). The Company recognized net product sales of \$10.2 million in the twelve months ended December 31, 2014 for Bloxiverz[®] sales from wholesalers to hospitals. A total of \$7.0M of net revenue on shipments to wholesalers has been deferred as of December 31, 2014. Gross product sales to hospitals amounted to \$15.8 million in the twelve months ended December 31, 2014.

The Company launched Vazculep[™] in October of 2014 and determined that market acceptance of the product had not occurred given its short period of time on the market and that sufficient data to determine product returns had not yet been achieved. For the twelve months ended December 31, 2014, the criteria for recognizing the revenue were not met and the Company deferred \$2.7 million of revenue as of December 31, 2014.

A summary of recognized net sales for the twelve months ended December 31, 2014 and ending net deferred sales as of December 31, 2014 for the Company's two (2) FDA-approved products as of December 31, 2014 is presented below:

Year Ended December 31, 2014 (\$ in thousands)	Sales Recognized in the Current Period		Deferred Sales Deferred Sales	Deferred Sales reclassified against outstanding Accounts Receivable	Ending Deferred Sales for which Payment has been Collected			
Gross Sales	\$	15,789	\$	11,051	\$	(9,420)	\$	1,630
Less:								
Chargebacks	\$	3,363	\$	132	\$	(23)	\$	109
Wholesaler distribution fees		1,470		972		(823)		149
Cash discounts and other		326		225		(188)		37
Fees and returns		419		-		-		-
Net Sales	\$	10,211	\$	9,722	\$	(8,386)	\$	1,335

FLAMEL TECHNOLOGIES S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The sales deductions discussed above are presented in the consolidated financial statements as reductions to gross revenues or deferred revenue, as presented above, and a decrease to accounts receivable or an increase to accrued liabilities. A summary of fiscal year 2014 changes for each reserve or liability for Bloxiverz[®], Vazculep[™] and the Company's generic pharmaceutical product is as follows:

Year Ended December 31, 2014 (\$ in Thousands)	Beginning Balance	Additions	Reductions	Ending Balance
Accounts Receivable Reserves:				
Chargebacks	\$ 483	\$ 4,832	\$ (4,307)	\$ 1,008
Wholesaler distribution fees	102	2,619	(1,642)	1,079
Cash Discounts and other	28	733	(508)	252
Liabilities:				
GPO fees	\$ 6	\$ 267	\$ (161)	\$ 112
Sales returns	42	200	(8)	234
Medicaid rebates	37	16	(29)	24
Total	698	8,667	(6,656)	2,709

Actual product returns and other allowances incurred are dependent upon future events and may be different from the Company's recorded provisions. The Company continually monitors the factors that influence such estimates and makes adjustments when it is believed that deductions may differ from established allowances.

5. R&D expenses

Total R&D expenditures can be disaggregated in the following significant type of expenses (\$USD in millions):

In millions of U.S. Dollars	2012	2013	2014
R&D Expenses	21.2	21.8	22.8
R&D Tax Credit	(6.5)	(5.8)	(5.5)
Grants	(0.1)	-	-
Total	14.6	16.0	17.3

As of December 31, 2012 the Company recognized to the income statement unconditional grants for a total of \$103,000. No unconditional grants have been recognized to the income statement in 2013 and 2014.

6. Discontinued Operations

On December 1, 2014, the Company signed an Asset Purchase Agreement with Recipharm for the divestiture of its development and manufacturing facility located in Pessac, France.

The assets included in the divestiture were tangible equipment, furniture and fixtures, inventories and all intellectual property rights relating to the operation and technological know-how necessary in manufacturing the products that are produced in the facility and the assignment to Recipharm of all employees, customer contracts and liabilities which primarily relate to agreements of the Company with GlaxoSmithKline ("GSK") for the manufacture and sale of Coreg CR[®]. Coreg CR[®] was Flamel's lead product using the Micropump drug delivery platform that was developed with GSK and has been approved and sold in the US since 2007. The semi-finished product is manufactured in the Pessac Facility. The contracts assigned to Recipharm exclude the Amended 2003 License Agreement and 2004 License Agreement (collectively "License Agreements") between Flamel and GSK for the development of Coreg CR[®]. However, the royalties to be earned by Flamel from the sales of Coreg CR[®] were transferred to Recipharm as part of the Asset Purchase Agreement. All costs and future revenues relating to the manufacture and sale of Coreg CR[®] were transferred to Recipharm.

Royalties from Coreg CR[®] sales amounted to \$6.9 million in 2012, \$6.8 in 2013 and \$6.3 in 2014. Revenues from sales of Coreg CR[®] microparticles to GSK amounted to \$9.1 in 2012, \$8.0 million in 2013 and \$6.7 million for 2014. Revenues from research revenues with undisclosed partners amounted to \$2.6 million in 2012, \$3.5 million in 2013 and \$2.0 million in 2014.

The supply Agreement originally signed between Flamel and GSK in December 2004, included payments to Flamel of \$20,717,000 to support the costs and capital expenditure relative to the creation of a manufacturing area for the production of commercial supply of the product. The capital expenditures consist of both buildings and fixtures, and production equipment with Flamel having immediate title to buildings and fixtures. However, title to production equipment remains with GSK for the duration of the supply agreement. A total of \$8,188,000 was incurred on the acquisition of buildings and fixtures and a total of \$11,138,000 was incurred on behalf of GSK for the purchase of production equipment and associated costs.

FLAMEL TECHNOLOGIES S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In July 2006, Flamel and GSK entered into a further agreement whereby GSK partly sponsored the extension of the then existing Pessac Facility from two lines to three. GSK had exclusive use of part of this equipment for the production of Coreg CR[®] microparticles. The total funding provided by GSK amounted to \$8.1 million to finance the acquisition of equipment, buildings and fixtures.

The funds received from GSK to finance the acquisition of assets owned by Flamel were classified as other liabilities (current and long-term) and amortized on a pro-rata basis over the expected life of the related assets and as an offset of the depreciation of the related assets. On the divestiture of the facility the remaining liability was offset against the gain on sale of the tangible assets.

The aggregate consideration paid for the acquired assets and business was \$13.2 million, plus the value of acquired inventory determined using inventory valuation methodology as defined by the two parties. All cash and receivables pertaining to Pessac Facility business prior to the sale were retained by Flamel. A contribution of \$0.7 million was made to finance potential future retirement indemnities payable on transferred employees. The business was accounted for as a discontinued operation in the fourth quarter of 2014 and, therefore, the operating results of our Pessac Facility business were included in Discontinued Operations in our consolidated financial statements for all years presented. We recognized a \$5.0 million gain on disposal, which was included in our income from Discontinued Operations, in fiscal year 2014.

Summary results of operations for the Pessac business were as follows:

In thousands of U.S. Dollars	Fiscal Year		
	2012	2013	2014
Revenues	\$ 18,570	\$ 18,265	\$ 14,967
Income (loss) from operations	1,550	3,667	(875)
Gain (loss) on disposal	-	-	5,007
Interest Expense	(11)	(9)	(4)
Income taxes	(27)	(74)	(110)
Income (loss) from discontinued operations, net of tax	\$ 1,512	\$ 3,584	\$ 4,018

Carrying amounts of major classes of assets and liabilities classified as held for sale in the statement of financial position are as follows:

In thousands of U.S. Dollars	December 31,	
	2013	2014
Accounts receivable, net	\$ -	\$ 730
Inventories	1,352	-
Total major classes of current assets of the discontinued operations	1,352	730
Net Property, plant and equipment	15,044	-
Total major classes of non current assets of the discontinued operations	15,044	-
Total assets of the disposal group classified as held for sale	16,396	730
Current portion of capital lease obligations	69	-
Accounts payable	-	168
Other current liabilities	832	-
Total major classes of Current Liabilities of the discontinued operations	901	168
Capital lease obligations, less current portion	88	-
Other liabilities	7,626	-
Total major classes of Non-Current Liabilities of assets Held for sale	7,714	-
Total liabilities of the disposal group classified as held for sale	8,615	168

FLAMEL TECHNOLOGIES S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The major cash-flows related to Discontinued Operations presented in the statement of cash-flows are as follows

	2012	2013	2014
Capital Expenditures	\$ 766	\$ 872	\$ 1,271
Depreciation and Amortization	1,910	1,751	1,709
Operating and Investing non-cash elements	(975)	(676)	(740)

In connection with the Asset Purchase Agreement, the Company entered into a number of other agreements with Recipharm.

Master Agreement on Supply and Services of Products (“MSA”)

Recipharm will provide various services in the domain of R&D and manufacture of pharmaceutical products for an initial non-cancellable period of five years.

Over the initial term, any services to be provided to shall include internal and external costs incurred by Recipharm plus 20%, which has been determined to be fair value for such services. The minimum amount of services per year, for a cumulative total of \$22.5 million as follows:

First Year	\$ 4.25 millions
Second Year	\$ 4.25 millions
Third Year	\$ 4.25 millions
Fourth and Fifth Year each	\$ 4.86 millions

Transitional Service Agreement

In order to provide for the orderly transition of the Pessac Facility business to Recipharm, transitional services will be provided over a period of six months. The Transition services include primarily back office support such as information technology, human resources, accounting and other services as defined in the Transition Services Agreement.

Option Agreement

Recipharm has a first option (right of first refusal) to discuss and negotiate licenses of Flamel’s intellectual property rights for the sale certain products in Europe. Upon exercise of the option, Recipharm and Flamel shall agree in good faith on terms and conditions of related license agreement within forty-five (45) days from the exercise of the option. The term of the Option Agreement is from the signing of the agreement through December 31, 2017. Flamel received no compensation related to the option agreement.

Concurrently with the above, Recipharm made an investment of \$13.0 million in newly issued Flamel shares which corresponds to approximately 2.3% of Flamel’s shareholdings. The purchase price for the shares purchased by Recipharm was based on the average of the trailing 20 days’ trading prices of Flamel’s shares prior to the closing date.

FLAMEL TECHNOLOGIES S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Stock based compensation

7.1. ASC 718

The Company applies the provisions of ASC 718 in accounting for its stock based compensation. The fair value of each option and warrant granted during the year is estimated on the date of grant using the Black-Scholes option pricing model. Option valuation models require the input of subjective assumptions and these assumptions can vary over time. The weighted-average assumptions on grants made in each of the following years were:

	Year Ended December 31		
	2012	2013	2014
Weighted-average expected life (years)	\$ 5.70	\$ 5.43	\$ 4.26
Expected volatility rate	62.50%	61.00%	61.00%
Expected dividend yield	-	-	-
Risk-free interest rate	0.95%	1.40%	1.23%
Forfeiture rate	-	-	-

We base our determination of expected volatility predominantly on the implied volatility of our traded options with consideration of our historical volatilities. Given the limited historical data and the grant of stock options and warrants to a limited population, the simplified method has been used to calculate the expected life.

Stock based compensation expense recognized was as follows:

As of December 31, 2013, the projected compensation expense related to non-vested options or warrants amounted to \$4,090,000 and are expected to be recognized over a weighted average period of 2.13 years.

As of December 31, 2014, the projected compensation expense related to non-vested options or warrants amounted to \$10,899,000 and are expected to be recognized over a weighted average period of 2.15 years.

(In thousands of U.S dollars
except per share data)

	Options			Free of charge share awards			Warrants			Total		
	2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014
Research and development	419	398	327	649	320	494	-	61	206	1,068	779	1,027
Cost of goods sold	2	1	1	46	19	38	-	-	-	49	20	38
Selling, general and administrative	1,280	903	765	464	211	390	179	116	643	1,923	1,230	1,798
Total stock-based compensation expense	1,701	1,302	1,093	1,160	550	921	179	177	850	3,040	2,029	2,863
Effect on earnings per share												
Basic	0.07	0.05	0.03	0.05	0.02	0.03	0.01	0.01	0.02	0.12	0.08	0.08
Diluted	0.07	0.05	0.03	0.05	0.02	0.03	0.01	0.01	0.02	0.12	0.08	0.08

FLAMEL TECHNOLOGIES S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7.2. Warrants

The summary of warrants activity is as follows:

	Warrants Outstanding	Weighted Average Exercise Price in U.S dollars [1]	Weighted Average Exercise Price in Euros
Balance at January 1, 2012	900,000	\$ 6.89	€ 4.85
Warrants granted	3,300,000	\$ 8.63	€ 6.61
Warrants reintegrated	100,000	\$ 6.65	€ 4.97
Warrants cancelled	200,000	\$ 10.20	€ 6.57
Balance at December 31, 2012	4,100,000	\$ 8.12	€ 6.18
Warrants granted	200,000	\$ 6.14	€ 4.58
Warrants exercised	50,000	\$ 6.29	€ 4.50
Warrants cancelled	200,000	\$ 6.29	€ 4.50
Balance at December 31, 2013	4,050,000	\$ 8.14	€ 6.21
Warrants granted	298,000	\$ 14.54	€ 10.94
Warrants exercised	445,000	\$ 6.12	€ 4.49
Warrants cancelled	50,000	\$ 7.02	€ 5.44
Balance at December 31, 2014	3,853,000	\$ 8.86	€ 6.76

[1] Historical exchange rate at date of grant

445,000 warrants were exercised in 2014, 50,000 warrants were exercised in 2013 and no warrants were exercised in 2012.

Exercise prices and intrinsic value for warrants outstanding as of December 31, 2014 were as follows:

Range of exercise prices in euros	Warrants Outstanding				Warrants Exercisable		
	Number of shares	Weighted average remaining contractual life	Weighted average exercise price in euros	Weighted average intrinsic value in euros	Number of shares	Weighted average exercise price in euros	Weighted average intrinsic value in euros
0 to 4.58	255,000	1.69	4.17	9.94	255,000	4.17	9.94
5.44 to 6.57	2,200,000	3.20	5.70	8.41	2,200,000	5.70	8.41
6.58 to 8.52	1,100,000	3.20	8.42	5.69	1,100,000	8.42	5.69
8.52 to 10.94	298,000	3.62	10.94	3.17			
	3,853,000	3.13	6.78	7.33	3,600,000	6.43	7.68

The total fair value of warrants vested during 2012 amounted to €271,000 or \$348,000 (average exchange rate of the year).

No warrants were vested during 2013.

The total fair value of warrants vested during 2014 amounted to €225,500 or \$300,000 (average exchange rate of the year).

Intrinsic value represents the variance between the share price and the exercise price. As of December 31, 2014 the aggregate intrinsic value of warrants outstanding amounted to €28,237,000 or \$37,070,000 (historical exchange rate at date of grant).

FLAMEL TECHNOLOGIES S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7.3. Stock Options

The activity under the option plans is as follows:

	Shares Available for Grant	Options Granted and Outstanding	Weighted Average Exercise Price in U.S dollars[1]	Weighted Average Exercise Price in Euros
Balance at January 1, 2012	275,000	3,140,990	\$ 14.65	€ 11.66
Options authorized	1,000,000	-	-	-
Granted	(550,000)	550,000	\$ 5.97	€ 4.67
Exercised	-	(195,000)	\$ 2.04	€ 2.33
Forfeited	10,000	(223,500)	\$ 16.88	€ 13.69
Balance at December 31, 2012	735,000	3,272,490	\$ 13.79	€ 10.90
Options authorized cancelled	600,000 (10,000)	-	-	-
Granted	(710,000)	710,000	\$ 5.97	€ 4.36
Forfeited	13,000	(647,500)	\$ 15.29	€ 12.63
Balance at December 31, 2013	628,000	3,334,990	\$ 11.84	€ 9.17
Options authorized cancelled	1,700,000 (628,000)	-	-	-
Granted	(669,500)	669,500	\$ 16.30	€ 13.15
Exercised	-	(550,750)	\$ 6.28	€ 4.57
Forfeited	-	(955,500)	\$ 19.19	€ 15.00
Balance at December 31, 2014	1,030,500	2,498,240	\$ 11.45	€ 9.02

[1] Historical exchange rate at date of grant

The total intrinsic value of options exercised during 2012 amounted to €735,000 or \$973,000 (historical exchange rate at date of exercise).

No options were exercised during 2013.

The total intrinsic value of options exercised during 2014 amounted to €2,864,000 or \$3,789,000 (historical exchange rate at date of exercise).

Stock options outstanding at December 31, 2014, which expire from 2015 to 2024, had exercise prices ranging from €3.00 to € 25.39. The weighted average remaining contractual life of all options is 7 years. As of December 31, 2014, there were 2,498,440 outstanding options at a weighted average exercise price of €9.02, of which 1,266,990 were exercisable at a weighted average price of €8.90. Exercise prices and intrinsic value for options outstanding as of December 31, 2014 were as follows:

Range of exercise prices in euros	Stock Options Outstanding				Stock Options Exercisable		
	Number of shares	Weighted average remaining contractual life	Weighted average exercise price in euros	Weighted average intrinsic value in euros	Number of shares	Weighted average exercise price in euros	Weighted average intrinsic value in euros
0 to 3.28	284,750	7.98	3.02	11.09	84,500	3.06	11.05
4.03 to 5.44	1,069,250	7.72	4.96	9.15	707,750	4.89	9.22
6.40 to 12.02	62,000	0.19	11.42	2.69	62,000	11.42	2.69
12.86 to 16.56	970,990	7.09	13.49	0.88	301,490	14.25	1.19
19.2 to 25.39	111,250	1.59	22.98	-	111,250	22.98	-
	2,498,240	7.05	9.02	8.34	1,266,990	8.90	7.57

The total fair value of options vested during 2012 amounted to €846,000 or \$1,088,000 (average exchange rate of the year).

The total fair value of options vested during 2013 amounted to €999,000 or \$1,327,000 (average exchange rate of the year).

FLAMEL TECHNOLOGIES S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The total fair value of options vested during 2014 amounted to €952,000 or \$1,265,000 (average exchange rate of the year).

The aggregate intrinsic value of options outstanding amounted to €13,964,000 or \$18,555,000 (historical exchange rate at date of grant). The aggregate intrinsic value of options exercisable amounted to €7,981,000 or \$10,606,000 (historical exchange rate at date of grant).

7.4. Free share awards

The activity under the free share award plans is as follows:

	Free of Charge Share Award Available for Grant	Free of Charge Share Award Granted and Outstanding	Weighted Average Fair Value at grant date in U.S dollars[1]	Weighted Average Fair Value at grant date in Euros
Balance at January 1, 2012	26,600	440,650	\$ 5.81	€ 4.36
Options authorized	200,000	-	-	-
Granted	(189,700)	189,700	\$ 3.07	€ 2.38
Exercised	-	(258,150)	\$ 6.52	€ 4.92
Forfeited	21,550	(21,550)	\$ 5.79	€ 4.35
Balance at December 31, 2012	58,450	350,650	\$ 3.81	€ 2.88
Options authorized	200,000	-	-	-
Granted	(192,500)	192,500	\$ 7.36	€ 5.35
Exercised	-	(137,150)	\$ 4.39	€ 3.28
Forfeited	20,600	(38,400)	\$ 5.10	€ 3.72
Balance at December 31, 2013	86,550	367,600	\$ 5.32	€ 3.93
Options authorized	250,000	-	-	-
Granted	(188,300)	188,300	\$ 16.30	€ 13.15
Exercised	-	(150,600)	\$ 3.07	€ 2.38
Forfeited	0	(3,750)	\$ 7.36	€ 5.35
Cancelled	(86,550)	-	-	-
Balance at December 31, 2014	61,700	401,550	\$ 11.29	€ 8.82

[1] Historical exchange rate at date of grant

As of December 31, 2012 the total fair value (or intrinsic value) of Free Share Awards outstanding amounted to €1,009,000 or \$1,336,000 (historical exchange rate at date of grant).

As of December 31, 2013 the total fair value (or intrinsic value) of Free Share Awards outstanding amounted to €1,446,000 or \$1,954,000 (historical exchange rate at date of grant).

As of December 31, 2014 the total fair value (or intrinsic value) of Free Share Awards outstanding amounted to €3,544,000 or \$4,533,000 (historical exchange rate at date of grant).

8. Cash and Cash Equivalents

Cash consists of cash on deposit and fixed term investments held in several major banks and cash on hand. The components of cash and cash equivalents were as follows:

(In thousands of U.S. dollars)	December 31,	
	2013	2014
Morgan Stanley	\$ 0	\$ 7,784
HSBC	3,657	16,480
Credit Agricole	48	13,529
Commerce Bank	2,898	1,916
Other	33	51
Total cash and cash equivalents	\$ 6,636	\$ 39,760

FLAMEL TECHNOLOGIES S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Marketable securities

Marketable securities are classified as available-for-sale securities and are recorded at fair market value. Unrealized gains and losses are recorded as other comprehensive income in shareholder's equity, net of income tax effects.

As of December 31, 2012, 2013 and 2014 marketable securities amounted respectively to \$6.4 million, \$0.4 million and \$53.1 million.

As of December 31, 2012, 2013 there were no unrealized gains or losses. As of December 31, 2014, an unrealized loss of \$0.2 million has been recognized.

(in thousands of U.S dollars)	Fair value			Value at cost			Unrealized Gains (Losses)		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
Credit Agricole securities	6,413	401	12,494	6,413	401	12,494	-	-	-
Morgan Stanley securities		-	40,580		-	40,382	-	-	(198)
Total	6,413	401	53,074	6,413	401	52,876	-	-	(198)

Gross realized gains on sales of these available-for-sale securities amounted to \$6,000, \$0 and \$963,000 for the years ended December 31, 2012, 2013 and 2014, respectively.

(in thousands of U.S dollars)	Proceeds from sales			Purchase of securities			Gross gains			Gross Losses		
	2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014
Credit Agricole securities	15,030	7,152	13,678	3,573	1,085	27,752	3	-	243	-	-	-
Morgan Stanley securities		-	-		-	40,523		-	720	-	-	(416)
HSBC securities	3,216	-	-	-	-	-	3	-	-	-	-	-
Total	18,246	7,152	13,678	3,573	1,085	68,275	6	-	963	-	-	(416)

10. Inventory

The components of inventories were as follows:

(In thousands of U.S. dollars)	December 31,	
	2013	2014
Raw materials	918	1,661
Finished goods	1,492	5,068
Inventories, net	2,410	6,729

11. Prepaid expenses and other current assets

The components of prepaid expenses and other current assets were as follows:

(In thousands of U.S. dollars)	December 31,	
	2013	2014
Valued-added tax recoverable	689	1,077
Prepaid expenses	1,478	3,225
Advance to suppliers	219	111
Others current assets	95	5
Total Prepaid expenses and other current assets	2,481	4,418

The increase in prepaid expenses relates to deferred income tax expense, see note 19 – Income taxes.

FLAMEL TECHNOLOGIES S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Property and Equipment

The components of property and equipment were as follows:

(In thousands of U.S. dollars)	December 31,	
	2013	2014
Land and buildings	-	-
Laboratory equipment	10,985	9,801
Office and computer equipment	3,423	3,289
Furniture, fixtures and fittings	5,067	4,544
Construction in progress	-	-
Total property and equipment	19,475	17,633
Less accumulated depreciation and amortization	(17,084)	(15,857)
Property and equipment, net	2,391	1,776

Depreciation expense related to property and equipment amounted to \$0.8 million, \$0.8 million and \$0.7 million for the years ended December 31, 2012, 2013 and 2014, respectively.

13. Goodwill and intangible assets

(In thousands of U.S. dollars)	December 31,							
	2013			2014				
	Gross carrying amount	Accumulated amortization	Impairment	Intangible assets, net	Gross carrying amount	Accumulated amortization	Impairment	Intangible assets, net
Goodwill	\$ 544	(544)	-	-	\$ -	-	-	-
Goodwill Eclat acquisition	18,491	-	-	18,491	18,491	-	-	18,491
Total Goodwill	\$ 19,035	\$ (544)	\$ -	\$ 18,491	\$ 18,491	\$ -	\$ -	\$ 18,491
Intangible asset corresponding to acquired IPR&D of Bloxiverz	35,248	-	-	35,248	35,248	(11,749)	-	23,499
Intangible asset corresponding to acquired IPR&D of Vazculep	12,061	-	(7,170)	4,891	12,061	-	(7,170)	4,890
Total Intangible assets	\$ 47,309	\$ -	\$ (7,170)	\$ 40,139	\$ 47,309	\$ (11,749)	\$ (7,170)	\$ 28,389

Intangible assets corresponding to acquired in-process R&D of Bloxiverz® is being amortized straight-line over a 3 year period as of January 1, 2014. Intangible assets corresponding to acquired in-process R&D of Vazculep™ will be amortized straight-line over a 6-year period as of January 1, 2015.

The Company conducts impairment tests of intangible assets and recognized an expense of \$7,170,000 in the year ended December 31, 2012, based on the management's best estimates of the present value of future cash flows compiled on a project by project and product by product basis. The impairment of these assets resulted from new facts and circumstances that occurred regarding the potential competitive landscape of Vazculep™ at that time.

Total future amortization of intangible assets related to Bloxiverz® and Vazculep™ for the next five years ending December 31 are as follows:

(In thousands of U.S. dollars)	December 31,
2015	12,565
2016	12,565
2017	815
2018	815
2019	815
	27,575

FLAMEL TECHNOLOGIES S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Accrued Expenses

Accrued expenses consist mainly of expenses related to paid vacations, compensatory leaves with related social charges.

Accrued expenses comprises of the following:

(In thousands of U.S. dollars)	December 31,	
	2013	2014
Accrued compensation	2,440	3,792
Accrued social charges	3,566	1,866
Accrued Interest	521	-
Other	-	9
Total accrued expenses	6,527	5,667

15. Other current and Long Term liabilities

15.1. Other current liabilities

Other current liabilities comprise the following:

(In thousands of U.S. dollars)	December 31,	
	2013	2014
R&D tax credit financing short term	7,121	5,382
Employee service award provision short term	285	-
Provision for retirement indemnity short term	-	55
Other	72	222
Total Other current liabilities	7,478	5,659

In 2012, the Company obtained an advance from OSEO, a governmental agency supporting innovation, for \$5,848,000 (€4,432,000) secured against the research tax credits due to the company by the tax authorities for expenditure incurred in 2011. The interest rate applied is the monthly average of the Euro Interbank Offered Rate (EURIBOR) plus 0.9%. As of December 31, 2013 the total funding amounted to \$13,234,000 of which \$7,121,000 was classified as short term liability and \$6,113,000 was classified as a long term liability (see note 15.2). As of December 31, 2014 the total funding amounted to \$5,382,000 of which the totality was classified as short term liability.

The Service award provision is accrued over the respective service period (5, 10, 15 and 20 years). In October 2013, the Company terminated payment of the service award with an effective date of June 30, 2014 and as such, reversed the long term provision in operating expenses.

For the year ended December 31, 2013 the total provision amounted to \$285,000 and is classified as short term.

15.2. Other long term liabilities

Other long term liabilities are composed of the following:

(In thousands of U.S. dollars)	December 31,	
	2013	2014
R&D tax credit financing long term	6,113	-
Provision for retirement indemnity (see note 20)	2,142	2,296
Other	59	37
Total Other long term liabilities	8,314	2,333

FLAMEL TECHNOLOGIES S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2013 the total financing of the R&D tax credit amounted to \$13,234,000 of which \$6,113,000 was classified as a long term liability (see Note 15.1).

As of December 31, 2014 other long term liabilities are mainly composed of the provision for retirement indemnity (see note 21).

16. Long-term Debt:

Long-term debt comprises:

(In thousands of U.S. dollars)	December 31,	
	2013	2014
Oseo ANVAR loans (a)	2,553	1,927
French Ministry of Research (b)	2,033	1,790
Acquisition liability contingent consideration (c)	37,991	70,112
Acquisition liability note (c)	10,405	-
Acquisition liability warrant consideration (c)	10,497	34,542
Deerfield Facility agreement (d)	12,492	-
Deerfield Royalty agreement (d)	4,590	6,837
Broadfin Facility agreement (e)	2,767	-
Broadfin Royalty agreement (e)	2,187	3,259
Total	85,514	118,467
Current portion	19,194	42,332
Long-term portion	66,320	76,135

- (a) OSEO Anvar is an agency of the French government that provides financing to French companies for R&D. At December 31, 2013 and 2014, the Company had outstanding loans from Anvar of \$2,553,000 and \$1,927,000, respectively for various programs. These loans do not bear interest and are repayable only in the event the research project is technically or commercially successful. Repayment is scheduled to occur from 2014 through 2019.
- (b) In 2002, the Company received a loan of \$464,000 from the French Ministry of Research on a research project (the “Proteozome” project) related to the development of new Medusa applications. Pursuant to the agreement, the Company is granted a loan equal to 50% of the total expenses incurred on this project over a three-year period beginning on January 2, 2002. The remainder of the advance of \$1,707,000 was received in 2005. This loan is due for repayment in 2015. The loan is non-interest bearing and is repayable only in the event the research project is technically or commercially successful. The company has not received official acceptance notice of commercial and technical success.
- (c) The Acquisition liability relates to the acquisition by the Company through its wholly owned subsidiary Flamel US Holdings, Inc., or Flamel US, all of the membership interests of Éclat Pharmaceuticals, LLC (see note 2 Business combinations). In exchange for all of the issued and outstanding membership interests of Éclat Pharmaceuticals, Flamel US provided consideration consisting of:
- a \$12 million senior, secured six-year note that is guaranteed by the Company and its subsidiaries and secured by the equity interests and assets of Éclat;
 - two warrants to purchase a total of 3,300,000 American Depositary Shares, each representing one ordinary share of Flamel (“ADSs”); and
 - a commitment to make earn-out payments of 20% of any gross profit generated by certain Éclat Pharmaceuticals products and to pay 100% of any gross profit generated by Hycet® up to a maximum of \$1 million. The Purchase Agreement also contains certain representations and warranties, covenants, indemnification and other customary provisions.

As of December 31, 2013, the fair value of the note was estimated using a probability-weighted discounted cash flow model. This fair value measurement is based on significant inputs not observable in the market and thus represents a level 3 measurement as defined in ASC 820. The key assumptions are as follows: 20% discount rate, 100% probability of success. The note has no early redemption premium and was fully repaid in March 2014 generating an expense of \$3.0 million.

FLAMEL TECHNOLOGIES S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The fair value of the warrants was determined by using a Black-Scholes option pricing model with the following assumptions for each of the years indicated:

	2013	2014
Share price	\$8.05	\$17.13
Risk-free interest rate	1.27%	1.17%
Dividend yield	-	-
Expected volatility	50.0%	56.5%
Expected term	4.3 years	3.3 years

Pursuant to guidance of ASC 815-40-15-7(i), the Company determined that the Warrants issued in March 2012 as consideration for the acquisition of Éclat could not be considered as being indexed to the Company's own stock, on the basis that the exercise price for the warrants is determined in U.S. dollars, although the functional currency of the Company is the Euro. The Company determined that these warrants should be accounted as a debt instrument.

As of December 31, 2014, the deferred consideration fair value was estimated by using a discounted cash flow model based on probability-adjusted annual gross profit of each of the Éclat Pharmaceuticals products. A discount rate of 20% was used.

See also Note 21 – Fair Value of Financial Instruments.

- (d) On February 4, 2013 the Company concluded a \$15 million debt financing transaction (Facility Agreement) with Deerfield Management, a current shareholder. Subject to certain limitations, the Company was permitted to use the funds for working capital, including continued investment in its R&D projects.

Consideration received was as follows:

- \$12.4 million for a Facility agreement of a nominal value of \$15 million, including a premium on reimbursement of \$2.6 million. The principal amount of the Loan must be repaid over four years as follows: 10% on July 1, 2014, and 20%, 30% and 40% on the second, third, and fourth anniversary, respectively, of the original disbursement date of the Loan. Notwithstanding the foregoing, the entire principal amount of the Loan may be repaid in whole or in part on any interest payment date occurring after December 31, 2013. Interest is payable quarterly, on the first business day of each January, April, July and October. The indebtedness was repaid on March 24, 2014 in its entirety; the accelerated reimbursement of this note resulted in interest expenses of \$2.5 million.
- \$2.6 million for a Royalty agreement whereby, the Company's wholly owned subsidiary Éclat, subject to required regulatory approvals and launch of product, is to pay a 1.75% Royalty of the net sales of certain products sold by Éclat and any of its affiliates until December 31, 2024.

The facility agreement is accounted for at amortized cost using an effective rate of 23%. The Company elected the fair value option for the measurement of the royalty liability.

The facility and royalty agreements are secured by the intellectual property and regulatory rights related to certain Éclat products and certain receivables.

As of December 31, 2014, the fair value of the Royalty was estimated using a probability-weighted discounted cash flow model based on probability adjusted projected annual net sales of each of the products which may be approved and sold by Éclat Pharmaceuticals. This fair value measurement is based on significant inputs not observable in the market and thus represents a level 3 measurement as defined in ASC 820. The discount rate used is 20%.

See also Note 21 – Fair Value of Financial Instruments.

- (e) On December 3, 2013 the Company concluded with Broadfin Healthcare Master Fund, a current shareholder, a \$15 million debt financing transaction (Facility Agreement) divided into 3 tranches of \$5 million each, Under the terms of the Facility, upon closing Broadfin made an initial loan of \$5.0 million and the Company was entitled to request, at any time prior to August 15, 2014, up to two additional loans in the amount of \$5.0 million each, with funding subject to certain specified conditions. Subject to certain limitations, the Company was permitted to use the funds for working capital, including continued investment in its R&D projects.

FLAMEL TECHNOLOGIES S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Consideration received was as follows:

- \$2.8 million for a Facility agreement of a nominal value of \$5 million, The principal amount of the Loan must be repaid over three years as follows: 100% on January 1, 2017. Notwithstanding the foregoing, the entire principal amount of the Loan may be repaid in whole or in part on any interest payment date occurring after December 31, 2013. Interest is payable quarterly, on the first business day of each January, April, July and October. The indebtedness was repaid on March 24, 2014 in its entirety; the accelerated reimbursement of this note resulted in interest expenses of \$ 2.2 million.
- \$2.2 million for a Royalty agreement whereby, the Company's wholly owned subsidiary Éclat, subject to required regulatory approvals and launch of product, is to pay a 0.834% Royalty of the net sales of certain products sold by Éclat and any of its affiliates until December 31, 2024.

The facility agreement is accounted for at amortized cost using an effective rate of 41%. The Company elected the fair value option for the measurement of the royalty liability.

The facility and royalty agreements are secured by intellectual property associated with the Company's Medusa technology and a junior lien on substantially all of the assets of the Borrowers, which were previously pledged in connection with the Deerfield facility, royalty and acquisition liabilities.

As of December 31, 2014, the fair value of the Royalty was estimated using a probability-weighted discounted cash flow model based on probability adjusted projected annual net sales of each of the products which may be approved and sold by Éclat Pharmaceuticals. This fair value measurement is based on significant inputs not observable in the market and thus represents a level 3 measurement as defined in ASC 820. The discount rate used is 20%.

Total future payments on long-term debt for the next five years ending December 31 (assuming the underlying projects are commercially or technically successful for governmental research loans) are as follows:

(In thousands of U.S. dollars)

2015	45,722
2016	18,163
2017	11,834
2018	13,551
2019	8,758
	<u>98,028</u>

FLAMEL TECHNOLOGIES S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. Earnings Per Share

The following is a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations:

(In thousands, except per share amounts)	Year ended December 31,		
	2012	2013	2014
Numerator:			
Net income (loss) from continuing operations	\$ (4,740)	\$ (46,511)	\$ (88,924)
Net income (loss) from discontinuing operations	\$ 1,512	\$ 3,587	\$ 4,018
Denominator:			
Weighted average shares outstanding used for basic earnings (loss) per share	25,135,416	25,450,175	36,214,384
Effect of dilutive securities:			
Stock-options and warrants	-	-	-
Weighted average shares outstanding and dilutive securities used for diluted earnings (loss) per share	25,135,416	25,450,175	36,214,384
Earnings (loss) per ordinary share (Basic)			
Continuing Operations	\$ (0.19)	\$ (1.83)	\$ (2.45)
Discontinued Operations	\$ 0.06	\$ 0.14	\$ 0.11
Net income (loss)	\$ (0.13)	\$ (1.69)	\$ (2.34)
Earnings (loss) per share (diluted) :			
Continuing Operations	\$ (0.19)	\$ (1.83)	\$ (2.45)
Discontinued Operations	\$ 0.06	\$ 0.14	\$ 0.11
Net income (loss)	\$ (0.13)	\$ (1.69)	\$ (2.34)

For the years ended December 31, 2012, 2013 and 2014, the effects of dilutive securities were excluded from the calculation of earnings per share as a net loss was reported in these periods.

Options to purchase 6,396,240 shares of common stock at an average of \$9.87 per share were outstanding during 2014. The options, which expire in December 2024, were still outstanding at the end of year 2014.

18. Shareholders' Equity

18.1. Preemptive subscription rights

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

18.2. Dividends

Dividends may be distributed from the statutory retained earnings, subject to the requirements of French law and the Company's by-laws. The Company has not distributed any dividends since its inception, as the result of an accumulated statutory deficit of approximately \$148.4 million at December 31, 2014. Dividend distributions, if any, will be made in euros. The Company has no plan to distribute dividends in the foreseeable future.

18.3. Warrants

The effects of applying the fair value method provided in accordance with ASC 718 are shown in Note 7.

FLAMEL TECHNOLOGIES S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

On June 25, 2010 the Company authorized the Directors of the Company, to subscribe to 250,000 warrants for a subscription price of €0.70 per warrant (\$0.90). Each warrant is exercisable to purchase one Share at a price of €5.44 (\$6.68). These warrants are issued for a four-year period and will vest over one year from the date of issuance. These warrants were subscribed in July 2010. As of December 31, 2014, 200,000 Warrants were exercised and 50,000 warrants were cancelled.

On June 24, 2011 the Company authorized the Directors of the Company, to subscribe to 350,000 warrants for a subscription price of €0.47 per warrant (\$0.67). Each warrant is exercisable to purchase one Share at a price of €3.54 (\$5.03). These warrants are issued for a four-year period and will vest over one year from the date of issuance. 300,000 warrants were subscribed in July 2011. As of December 31, 2014, 200,000 Warrants were exercised.

On March 13, 2012, in connection with the acquisition of Éclat Pharmaceutical, Flamel issued to Breaking Stick LLC (formerly Éclat Holdings LLC), two six-year warrants to purchase an aggregate of 3,300,000 ADSs, each representing one ordinary share, of Flamel. One warrant is exercisable for 2,200,000 ADSs at an exercise price of \$7.44 per ADS, and the other warrant is exercisable for 1,100,000 ADSs at an exercise price of \$11.00 per ADS. Pursuant to the guidance of ASC 815-40-15-7 the Company determined that the warrants should be accounted for as a liability (see note 16 Long Term Debt).

On June 20, 2013, the Company authorized the Directors of the Company, to subscribe to 270,000 warrants for a subscription price of €0.43 per warrant (\$0.57). These warrants are issued for a four-year period and will vest over one year from the date of issuance. Each warrant is exercisable to purchase one Share at a price of €4.58 (\$6.14). These warrants are issued for a four-year period and will vest over one year from the date of issuance. 180,000 warrants were subscribed in July 2013.

On June 20, 2013, the Company authorized the scientific advisory board members, excluding directors, to subscribe to 20,000 warrants for a subscription price of €0.43 per warrant (\$0.57) as an offset to receivables for services provided by members of the scientific advisory board. These warrants are issued for a four-year period and will vest immediately. 20,000 warrants were subscribed in August 2013.

On June 24, 2014, the Company authorized the Directors of the Company, to subscribe to 300,000 warrants for a subscription price of €0.89 per warrant (\$1.22). These warrants are issued for a four-year period and will vest over one year from the date of issuance. Each warrant is exercisable to purchase one Share at a price of €10.94 (\$14.87). These warrants are issued for a four-year period and will vest over one year from the date of issuance. 298,000 warrants were subscribed in September 2014.

On exercise of warrants by beneficiaries, the Company issues new shares.

18.4. Stock options

The Company issued stock options under plans approved by shareholders in 1990, 1993, 1996, 2000, 2001, 2003, 2004, 2005, 2007, 2010, 2012, 2013 and 2014. The option terms provide for exercise within a maximum 10-year term as from the date of grant. Generally, each option vests no more than four years from the date of grant.

In January 1997, the French parliament adopted a law that requires French companies and beneficiaries to pay social contributions, which generally represent 45% of the taxable salary, on the difference between the exercise price of a stock option and the fair market value of the underlying shares on the exercise date if the beneficiary sells the stock before a four-year period following the grant of the option (five years for options granted before 2000). This law is consistent with personal income tax law that requires individuals to pay income tax on the difference between the option exercise price and the fair value of the shares at the sale date if the shares are sold within four years of the option grant. The law applies to all options exercised after January 1, 1997. The Company has instituted an internal rule whereby, whilst remaining an employee of the Company, an individual may not sell the underlying share within four years of the option being granted.

In December 2007, the French parliament adopted a law that requires French companies to pay an additional social security contribution of 10% for each option granted, based on either the fair value of the option or 25% of share price at date of grant. This is applicable on all options granted since October 16, 2007. In December 2010, the French parliament introduced a contribution rate of 14% depending on the value of the grant. In July 2012 this rate was increased to 30%.

On exercise of stock options by beneficiaries, the Company issues new shares.

FLAMEL TECHNOLOGIES S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

18.5. Free Share Awards

On June 24, 2014, the shareholders of the Company authorized the issuance of 250,000 new shares that the Board of Directors was authorized to award and issue free of charge to the employees, or certain categories of them, of the Company or of the companies or organizations affiliated with it under the conditions set forth in Article L.225-197-2, 1° of the French Commercial Code and the corporate officers of the Company or organizations affiliated with it and that satisfy the conditions set forth in Article L.225-197-1, II of the French Commercial Code as compensation for services rendered. Under the terms of the awards the shares are definitively owned by French and Ireland tax resident beneficiaries two years and for US tax resident beneficiaries four years after grant and the Company issues new shares. French tax resident beneficiaries are required to retain the shares for two additional years after definitive acquisition. This authorization supersedes any unused portion of the previous authorizations granted to the Board of Directors by the shareholders.

In December 2007, the French parliament adopted a law that requires French companies to pay an additional social contribution of 10% for each share granted, based on the share price at date of grant. In December 2010, the French parliament introduced a contribution rate of 14% depending of the value of the grant. In July 2012 the contribution rate was raised to 30%.

On December 11, 2009 the Company granted 295,000 free share awards to officers and employees. On December 11, 2011 the Company issued 267,400 new shares related to this grant. On December 11, 2013, the Company issued 10 000 new shares related to this grant.

On December 6, 2010 the Company granted 230,000 free shares awards to officers and employees. On December 6, 2012 the Company issued 208,150 new shares related to this grant. On December 11, 2014, the Company issued 6 000 new shares related to this grant.

On December 7, 2011 the Company granted 200,000 free shares to officers and employees. On December 31, 2012 the Company issued 45,000 new shares related to this grant. On December 7, 2013 the Company issued 137,150 new shares related to this grant.

On December 10, 2012 the Company granted 189,700 free shares to officers and employees. On December 11, 2014 the Company issued 150,600 new shares related to this grant.

On December 12, 2013 the company granted 192,500 free shares to officers and employees.

On December 11, 2014 the company granted 188,300 free shares to officers and employees.

18.6. Restricted Shares

On June 20, 2013, the shareholders of the Company authorized the issuance of 200,000 new shares that the Board of Directors was authorized to award and issue to any person or company who may sold or transfer to the Company asset(s), including any shares, representing immediately or overtime, their ownership or voting rights in any commercial enterprise. This authorization was granted for a term of eighteen (18) months. As of December 20, 2014, no shares have been issued as a result of this authorization.

18.7. Accumulated other comprehensive income

The components of accumulated other comprehensive income is as follows:

(In thousands of U.S. dollars)	December 31,	
	2013	2014
Foreign currency translation	10,815	(7,225)
Unrealized gain (loss) on marketable securities		(198)
Total	10,815	(7,423)

FLAMEL TECHNOLOGIES S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

18.8. Capital raise

During the twelve month period ended December 31, 2014, the Company issued 12,400,000 shares as a result of an underwritten public offering in March 2014. The offering price to the public was \$9.75 per American Depositary Share, each representing one ordinary share ("ADS"), and included payment of a commission of \$0.585 per ADS. Total increase in shareholders equity amounted to \$115.2 million, including \$113.6 million in net proceeds, (\$0.7) million in issuance costs and \$2.4 million in tax relief from issuance costs and underwriter commission.

In December 1,026,364 shares were acquired by Recipharm as a private placement. The offering price to Recipharm AB was \$12.71 per American Depositary Share, each representing one ordinary share ("ADS"). Total net proceeds amounted to \$13,049,000.

19. Income taxes

Income (loss) before income taxes comprises the following:

(in thousands of U.S. dollars)	Year ended December 31,		
	2012	2013	2014
France	(15,755)	(3,889)	(392)
United States	6,286	(53,864)	(89,939)
Total	\$ (9,469)	\$ (57,753)	\$ (90,331)

A reconciliation of income tax benefit (provision) computed at the French statutory rate (33.33%) and the US statutory rate (40%) to the income tax benefit is as follows:

(in thousands of U.S. dollars)	Year ended December 31,		
	2012	2013	2014
Income tax benefit (provision) computed at the statutory rate (US & France)	2,737	22,842	36,106
Deferred Tax Allowance	(5,251)	(1,930)	(10,973)
Business Tax	(59)	(76)	(1,400)
Non Taxable remeasurement of fair value accounting of earn out	7,303	(9,592)	(22,326)
Total	\$ 4,729	\$ 11,244	\$ 1,407

License fees, milestone and royalties payments may be subject to a withholding tax depending on the tax rules of the country in which the licensee is located. In December 2009, with effect from January 1, 2010 the French authorities abolished the previous business tax and introduced the "Contribution Economique Territoriale" comprised of two components. One of these components is based upon a measure of income and therefore results in income tax accounting. For the year ended December 31, 2012, 2013 and December 31, 2014 the amount of this component was \$29,000, \$76,000 and \$1,400,000 respectively. The increase in business tax for the year ended December 31, 2014 is due to the taxable income generated from French based operations following the divestiture of the Pessac Facility and income generated from the sale of intellectual property to the Irish operations.

FLAMEL TECHNOLOGIES S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Significant components of the Company's deferred taxes consist of the following:

(In thousands of U.S. dollars)	December 31,		
	2012	2013	2014
Deferred income tax assets:			
Net taxable operating loss carry-forwards (not utilized)	65,657	81,769	66,167
Other deferred income tax assets	3,656	1,898	1,052
Valuation allowance	(64,356)	(69,940)	(57,980)
Net deferred income tax assets	4,957	13,728	9,238
Deferred income tax liabilities	(19,086)	(16,534)	(9,238)
Deferred income taxes, net	(14,130)	(2,806)	-

The Company has provided valuation allowances covering 100% of net deferred tax assets generated from its activities in France and US due to the Company's history of losses. As of December 31, 2012 and 2013, deferred tax assets have been recognized on losses from US operations to the extent of the deferred tax liabilities.

As of December 31, 2014, the Company had \$142.2 million in French net operating losses carry-forwards. Annual utilization is normally limited to €1,000,000 plus fifty per cent (50%) of any taxable income in excess of this threshold. The net operating losses carry-forwards are forfeited on substantial change in operations. Substantial change in operations occurs when the following criteria are met:

- Reduction of more than fifty per cent (50%) in revenues from one fiscal year to another,
- Reduction of more than fifty per cent (50%) in the average employees employed or in the gross book value of assets from one fiscal year to another.

Following the divestiture of the Pessac Facility the above criteria were met for the French operations. However, the Company filed a request with the French tax administration in November 2014, in accordance with French tax legislation, to limit the forfeiture of the net operating losses carry-forwards to those pertaining to the Pessac Facility and to maintain the net operating losses carry-forwards pertaining to the R&D operations that remain in the French operations. The request was filed on the basis that the divestiture was part of a strategic shift in the Company operations to maintain the operations and employment related to the R&D operations in France and with an objective of becoming profitable. The Company expects to receive a response from the French tax administration in the next twelve months. The ability for the Company to carry forward net operating losses from French operations is deemed uncertain.

As of December 31, 2014, the Company had \$46.9 million in US net operating losses carry-forwards which expire from 2030 to 2032, for which utilization of pre-acquisition tax losses of \$4.9 million is limited to \$1.8 million per year.

The decrease in available net operating losses carry-forwards in 2014 is due to taxable income from French operations in 2014 of \$69.3 million, on which \$35.3 million net operating losses have been utilized, offset by an increase in net operating losses from US operations of \$10.2 million.

The French government provides tax credits to companies for spending on innovative R&D. These credits are recorded as an offset of R&D expenses (see note 5) and are credited against income taxes payable in each of the four years after being incurred or, if not so utilized, are recoverable in cash. As of December 31, 2014, Flamel had total net income tax payable of \$7.6 million reflecting income tax payable of \$11.7 million, offset by a research tax credit of \$5.5 million and business tax payable of \$1.5 million. The income tax will be paid in May 2015.

On December 16, 2014, Flamel transferred all of its intangible property from its French entity to its Irish-based entity as a part of a global reorganization. The intangible property includes patents on drug delivery platforms, clinical data sets and other intangible assets related to the pipeline of proprietary products in development. As of December 31, 2014, and as a result of the intra-entity transaction, an income tax expense has been deferred for \$14.1 million, of which \$1.0 million is classified as prepaid expenses and \$13.1 million as a long term asset. The deferred tax expense will be amortized over the tax life of the asset which is 14.3 years, at a rate of 7% per year and result in tax relief of \$9.7 million from 2015 to 2029. No deferred tax asset has been recognized on this intra-entity transaction.

FLAMEL TECHNOLOGIES S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2014, Flamel had a research tax receivable of \$5.9 million from the tax credit generated in 2011. In 2012, the Company obtained an advance from OSEO, a governmental agency supporting innovation, secured against the Research tax credit generated in fiscal year 2011(see Note 15.1). Generally, if these credits are not applied against future income taxes, they will be received as cash payments in the fourth year after the credit is earned.

The scheduled payments are shown in the following table:

(In thousands of U.S. dollars)	December 31,
2015	5,930
Total current portion	5,930

20. Employee Retirement plans

In accordance with French law, post-retirement benefits for most of the Company's employees are sponsored by the relevant government agencies in France. The Company's liability with respect to these plans is generally limited to specific monthly payroll deductions. Consequently, there is no additional liability in connection with these plans. Expenses recognized for these plans were \$815,000 in 2012, \$701,000 in 2013, and \$719,000 in 2014.

French law requires the Company to provide for the payment of a lump sum retirement indemnity to French employees based upon years of service and compensation at retirement. Benefits do not vest prior to retirement. The Company's benefit obligation was \$2,142,000 and \$2,350,000 as of December 31, 2013 and 2014, respectively. Any actuarial gains or losses are recognized in the income statement in the period when they occur.

In 2008, 2010 and 2013, the French Government reinforced legislation regarding an employer's ability to make employees retire and the final age for retirement. As such the retirement indemnity has been calculated on the assumption of voluntary retirement and the impact on the benefit obligation was recognized as an actuarial loss.

The benefit obligation is calculated as the present value of estimated future benefits to be paid, using the following assumptions:

	2012	2013	2014
Average increase of salaries	3%	3%	3%
Discounted interest rate	3%	3.25%	1.49%
Turn over	actuarial standard and average of the last 5 years	actuarial standard and average of the last 5 years	actuarial standard and average of the last 5 years
Age of retirement	60 to 65 years actuarial standard based on age and professional status	60 to 65 years actuarial standard based on age and professional status	60 to 65 years actuarial standard based on age and professional status

Changes in the funded status of the benefit plans were as follows:

In thousands of U.S. dollars	December 31,	
	2013	2014
Benefit obligations at beginning of year	1,159	2,142
Service cost	1,106	99
Interest cost	36	36
Plan amendments	-	-
Benefits paid	-	(87)
Actuarial loss (gain)	(233)	460
Exchange rate changes	74	(300)
Benefit obligations at end of year	2,142	2,350

FLAMEL TECHNOLOGIES S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company does not have a funded benefit plan and the lump sum retirement indemnity is accrued on the balance sheet as a liability.

The future expected benefits to be paid over the next five years and for the five years thereafter is as follows:

Future expected payment of benefits: In thousands of U.S. dollars	Year Ending:	
	12/31/2015	55
	12/31/2016	-
	12/31/2017	-
	12/31/2018	-
	12/31/2019	12
	Next 5 Years	150

In the United States, the Company previously sponsored a defined contribution retirement plan for certain employees located in the United States. The contribution is the lesser of 25% of an employee's wages or \$49,000 in 2012. The Company made and accrued contributions of approximately \$140,000 in 2012.

21. Fair value of financial instruments:

At December 31, 2013 and 2014, the carrying values of financial instruments such as cash and cash equivalents, trade receivables and payables, other receivables and accrued liabilities and the current portion of long-term debt approximated their market values, based on the short-term maturities of these instruments.

As noted in Note 9, the company calculates fair value for its marketable securities based on quoted market prices for identical assets and liabilities which represents Level 1 of ASC 820-10 fair value hierarchy.

At December 31, 2013 and 2014 the fair value of long-term debt and long term receivables was comparable with their carrying values.

The following table presents information about the Company securities based on quoted market prices for identical assets and liabilities for 2014 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value.

In thousands of U.S. Dollars	Net Carrying Value as of December 31, 2014	Fair Value Measured and Recorded Using			Operational Gain (losses) recognized in earnings	Financial Gain (losses) recognized in earnings	Total
		Level 1	Level 2	Level 3			
Assets							
Cash and cash equivalent	39,760	39,760	-	-	-	-	-
Marketable securities	53,074	53,074	-	-	-	547	547
Total					-	547	547
Liabilities							
Acquisition liability contingent consideration (a)	70,112	-	-	70,112	(33,445)	-	(33,445)
Acquisition liability note (b)	-	-	-	-	(3,013)	-	(3,013)
Acquisition liability warrant consideration (c)	34,542	-	-	34,542	(24,045)	-	(24,045)
Deerfield Royalty Agreement (d)	6,837	-	-	6,837	-	(2,386)	(2,386)
Broadfin Royalty Agreement (e)	3,259	-	-	3,259	-	(1,139)	(1,139)
Total					(60,503)	(3,525)	(64,028)

The following table presents information about the Company securities based on quoted market prices for identical assets and liabilities for 2013 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value.

(in thousands)	Net Carrying Value as of December 31, 2013	Fair Value Measured and Recorded Using			Operational Gain (losses) recognized in earnings	Financial Gain (losses) recognized in earnings	Total
		Level 1	Level 2	Level 3			
Assets							
Cash and cash equivalent	6,636	6,636	-	-	-	-	-
Marketable securities	401	401	-	-	-	-	-
Liabilities							
Acquisition liability contingent consideration (a)	37,991	-	-	37,991	(14,768)	-	(14,768)
Acquisition liability note (b)	10,405	-	-	10,405	(5,027)	-	(5,027)
Acquisition liability warrant consideration (c)	10,497	-	-	10,497	(8,340)	-	(8,340)
Deerfield Royalty Agreement (d)	4,590	-	-	4,590	-	(1,991)	(1,991)
Broadfin Royalty Agreement (e)	2,187	-	-	2,187	-	-	-
Total					(28,135)	(1,991)	(30,126)

FLAMEL TECHNOLOGIES S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The fair value of the financial instruments in connection with the acquisition of Éclat (see note 2 Business Combinations) are estimated as follows:

- (a) Acquisition liability deferred consideration: the fair value is estimated using a discounted cash flow model based on probability adjusted projected annual gross profit of each of the products which formed the project portfolio at the time of acquisition of Éclat Pharmaceuticals (Note 16 Long Term Debt). The fair value of the deferred consideration will change over time in accordance with the changes in market conditions and thus business plan projections as the relate to market size, market share, product pricing, competitive landscape, gross profit margins expected for each of the products.
- (b) Acquisition liability Note: the Company uses a probability-weighted discounted cash flow model (see note 16 Long Term Debt).
- (c) Acquisition liability warrant consideration: the Company uses a Black-Scholes option pricing model. The fair value of the warrant consideration will change over time depending on the volatility and share price at balance sheet date (see note 16 Long Term Debt).
- (d) Deerfield Royalty Agreement: the fair value is estimated using a discounted cash flow model based on probability adjusted projected annual net sales of each of the products which may be approved and sold by Éclat Pharmaceuticals (see Note 16 Long Term Debt).
- (e) Broadfin Royalty Agreement: the fair value is estimated using a discounted cash flow model based on probability adjusted projected annual net sales of each of the products which may be approved and sold by Éclat Pharmaceuticals (see Note 16 Long Term Debt).

The following tables provide a reconciliation of fair value for which the Company used Level 3 inputs:

	Acquisition Liabilities
Liability recorded upon acquisition	\$ (50,927)
Operational gain (loss) recognized in earnings for fiscal year 2012	18,993
Operational gain (loss) recognized in earnings for fiscal year 2013	(28,135)
Payment deferred consideration (Hycet)	841
Payment interest on acquisition liability note	335
Net carrying value at January 1, 2014	<u>\$ (58,893)</u>
Operational gain (loss) recognized in earnings for fiscal year 2014	(60,503)
Reimbursement of acquisition liability note	12,000
Payment of interest on acquisition liability note	1,389
Payment of deferred consideration	1,354
Net carrying value at December 31, 2014	<u><u>\$ (104,653)</u></u>

	Deerfield Royalty Agreement	Broadfin Royalty Agreement
Liability recorded upon execution of Agreement	\$ (2,600)	\$ (2,187)
Interest expense recognized in earnings for fiscal year 2013	(1,990)	-
Interest expense recognized in earnings for fiscal year 2014	(2,386)	(1,139)
Payment of Royalty	140	67
Net carrying value at December 31, 2014	<u><u>\$ (6,837)</u></u>	<u><u>\$ (3,259)</u></u>

The acquisition liabilities, consisting of the note, warrants and deferred consideration, and the Deerfield and Broadfin Royalty agreements all of which are classified as long-term debt, are measured at fair value and the income or expense may change significantly as assumptions regarding the valuations and probability of successful development and approval of products in development vary.

FLAMEL TECHNOLOGIES S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

22. Commitments and Contingencies

22.1. Operating leases

The Company leases its facilities and certain equipment under non-cancelable operating leases, which expire through 2016. Future minimum lease payments under operating leases due for the fiscal years ending December 31, 2014 are as follows:

In thousands of U.S. Dollars	December 31,
2015	841
2016	177
TOTAL	1,018

Rental expense for the years ended December 31, 2012, 2013 and 2014 was approximately \$863,000, \$759,000 and \$844,000, respectively.

22.2. Litigation

While we may be engaged in various claims and legal proceedings in the ordinary course of business, we are not involved (whether as a defendant or otherwise) in and we have no knowledge of any threat of, any litigation, arbitration or administrative or other proceeding that management believes will have a material adverse effect on our consolidated financial position or results of operations.

22.3. Purchase Commitments

The Company has commitments to purchase to acquire services from Recipharm Pessac for a total of \$22.5 million for a five year period commencing January 1, 2015 (see Note 6 Discontinued Operations) and to purchase one batch per year for the next five years of the generic pharmaceutical product it markets for \$46,000 per year.

23. Industry and geographic information

The Company operates in one segment, the development and commercialization of pharmaceutical products, including controlled-release therapeutic products based on its proprietary polymer based technology.

Operations outside of France consist principally of the operations of Éclat Pharmaceuticals acquired in March 2012 which had sales amounting to \$560,000 in 2012; \$983,000 in 2013 and \$11,920,000 in 2014 (see note 4 product sales).

Revenues by geographic location of customers are as follows:

(in thousands of U.S. dollars)	As of December 31,		
	2012	2013	2014
Revenues			
USA	3,894	3,368	14,302
Europe	3,640	811	473
Total Revenues	7,534	4,179	14,775

The following is a summary of long-lived assets by geographic location:

(in thousands of U.S. dollars)	As of December 31,		
	2012	2013	2014
Long-lived assets:			
USA	\$ 60,260	\$ 58,868	\$ 47,077
France	\$ 31,966	\$ 2,307	\$ 1,703
Total long-lived assets	\$ 92,226	\$ 61,175	\$ 48,780

FLAMEL TECHNOLOGIES S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

24. Related Party Transactions

In March 2012, we acquired, through our wholly owned subsidiary Flamel US Holdings, all of the membership interests of Éclat from Éclat Holdings, an affiliate of Flamel's largest shareholder Deerfield Capital L.P., see "note 2 - Business Combinations". The consideration consisted of a \$12 million senior, secured six-year note that is guaranteed by us and our subsidiaries and secured by the equity interests and assets of Éclat, two warrants to purchase a total of 3,300,000 ADSs of Flamel and commitments to make earnout payments of 20% of any gross profit generated by certain Éclat products and 100% of the gross profit generated by our former product Hycet®, up to a maximum of \$1 million, which we sold in 2013. The \$12 million senior note was repaid in full in March 2014 using the net proceeds from our public sale of ADSs and the Hycet asset was disposed of in November 2013. Upon closing of the acquisition, Mr. Anderson, the Chief Executive Officer of Éclat, was appointed Chief Executive Officer of Flamel. Mr. Anderson retains a minority interest in Éclat Holdings, (now renamed Breaking Stick Holdings, LLC), and does not have the ability to control this entity by virtue of his minority interest. The senior secured note was repaid in full in March 2014 (see also note 16. *Long Term debt*).

On February 4, 2013, we entered into a Facility Agreement (the "Deerfield Facility"), through Flamel US with Deerfield Private Design Fund II, L.P. and Deerfield Private Design International II, L.P. (together, the "Deerfield Entities") providing for debt financing of \$15 million by the Deerfield Entities (the "Loan"). The loan was repaid in full in March 2014 using the net proceeds from our public sale of ADSs. The Deerfield Facility was subject to certain limitations, and allowed us to use the funds for working capital, including continued investment in our R&D projects. Interest accrued at 12.5% per annum to be paid quarterly in arrears, commencing on April 1, 2013. Pursuant to the Deerfield Facility, we were required to pay the Deerfield Entities a fee of \$112,500 for entering into the transaction and to reimburse the Deerfield Entities for legal costs and expenses incurred in effecting the transaction.

In conjunction with our entry in the Deerfield Facility, Éclat entered into a Royalty Agreement with Horizon Santé FLML, Sarl and Deerfield Private Design Fund II, L.P., both affiliates of the Deerfield Entities (together, "Deerfield PDF/Horizon"). The Royalty Agreement provides for Éclat to pay Deerfield PDF/Horizon 1.75% of the net sales price of the products sold by us and any of our affiliates until December 31, 2024, with royalty payments accruing daily and paid in arrears for each calendar quarter during the term of the Royalty Agreement. See also note 16 Long Term Debt.

We have also entered into a Security Agreement dated February 4, 2013 with Deerfield PDF/Horizon, whereby Deerfield PDF/Horizon was granted a security interest in the intellectual property and regulatory rights related to the products to secure the obligations of Éclat and Flamel US, including the full and prompt payment of royalties to Deerfield PDF/Horizon under the Royalty Agreement.

On December 3, 2013, we and certain of our U.S. subsidiaries entered into a Facility Agreement (the "Broadfin Facility") with Broadfin Healthcare Master Fund, Ltd. ("Broadfin") providing for loans by Broadfin in an aggregate amount not to exceed \$15.0 million. The loans under the Facility and the obligations under the Royalty agreement were secured by a first priority security interest in intellectual property associated with our Medusa technology and a junior lien on substantially all of the assets of the borrowers, which were previously pledged in connection with the Deerfield Facility, the Royalty Agreement and the notes issued in connection with the Éclat acquisition. In addition, we agreed to grant a junior lien on certain equipment located in France, if such equipment is pledged under the Deerfield Facility and/or the Éclat note.

Under the terms of the Broadfin Facility, upon closing Broadfin made an initial loan of \$5.0 million and we had the ability to request, at any time prior to August 15, 2014, up to two additional loans in the amount of \$5.0 million each, with funding subject to certain specified conditions. We had the ability to prepay the outstanding loans under the Broadfin Facility at any time, without prepayment penalty and the full \$5.0 million outstanding was subsequently repaid using a portion of the net proceeds from our public sale of ADSs in March 2014. Prior to repayment, interest accrued on the loan under the Broadfin Facility at a rate of 12.5% per annum, payable quarterly in arrears, commencing on January 1, 2014.

In connection with entering into the Broadfin Facility, we also entered into a Royalty Agreement with Broadfin, dated as of December 3, 2013 (the "Broadfin Royalty Agreement"). Pursuant to the Broadfin Royalty Agreement, we are required to pay a royalty of 0.834% on the net sales of certain products sold by Éclat Pharmaceuticals, LLC and any of its affiliates until December 31, 2024. See also note 16 Long-Term Debt.

FLAMEL TECHNOLOGIES S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

25. Post Balance Sheet Events

On January 15, 2015, the Wholesale Acquisition Cost (“WAC”) for Bloxiverz[®] was increased to \$98.75 per vial from \$35.80 subsequent to the approval by the FDA of APP’s NDA for neostigmine methylsulfate product. The price increase is effective on contract prices with hospitals and GPOs 30 days after announcement of the increased WAC. Due to arrangements in place with wholesalers, wholesalers will receive a chargeback in the amount of \$19.0 million for units sold by the wholesalers for the period from January 16 to February 15, 2015, which will be recognized as a reduction in revenue for the three-month period ended March 31, 2015.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Amendment No. 1 to its Annual Report on its behalf.

FLAMEL TECHNOLOGIES S.A.

By: /s/ Michael S. Anderson
Michael S. Anderson
Chief Executive Officer
Dated October 1, 2015

SECTION 302 CERTIFICATION

I, Michael S. Anderson, certify that:

1. I have reviewed this Amendment No. 1 on Form 20-F/A to the annual report on Form 20-F of Flamel Technologies S.A.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report; and
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report.

Date: October 1, 2015

/s/ Michael S. Anderson

Michael S. Anderson
Chief Executive Officer

SECTION 302 CERTIFICATION

I, Siân Crouzet, certify that:

1. I have reviewed this Amendment No. 1 on Form 20-F/A to the annual report on Form 20-F of Flamel Technologies S.A.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report; and
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report.

Date: October 1, 2015

/s/ Siân Crouzet

Siân Crouzet

Principal Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Flamel Technologies S.A. (the “**Company**”) on Form 20-F/A for the fiscal year ended December 31, 2014, filed with the Securities and Exchange Commission on the date hereof (the “**Report**”), I, Michael S. Anderson, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 1, 2015

/s/ Michael S. Anderson

Michael S. Anderson
Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Flamel Technologies S.A. (the “**Company**”) on Form 20-F/A for the fiscal year ended December 31, 2014, filed with the Securities and Exchange Commission on the date hereof (the “**Report**”), I, Siân Crouzet, Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 1, 2015

/s/ Siân Crouzet

Siân Crouzet
Principal Financial Officer

**CONSENT OF
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 Nos. 333-137844, 333-134638, 333-111725, 333-109693, 333-12542 and 333-177591 and on Form F-3 Nos. 333-183961 and 333-193898 of Flamel Technologies S.A., of our report dated April 30, 2015, relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 20-F/A.

Lyon, France, October 1, 2015

PricewaterhouseCoopers Audit

Represented by
/s/ Nicolas Brunetaud
Nicolas Brunetaud (signed)
