



FL GROUP HF.

SUMMARY

3,659,265,291 Consideration Shares Admitted to Trading

This Summary relates to 3,659,265,291 new shares (the "New Shares") in FL GROUP hf. ("the Issuer" or "FL Group") to be admitted to trading on the Main Market of OMX Nordic Exchange Iceland hf. (the "OMX ICE"), where shares in FL Group are traded under the symbol "FL". The New Shares are expected to commence trading on the OMX ICE on 2 April 2008.

The New Shares were issued to Baugur Group hf. at the price of ISK 14.7 per share and a total value of ISK 53.8 billion as consideration for a property portfolio consisting of shares and preference shares in a number of real estate companies and funds as well as shareholder loans provided to some of those real estate companies and funds as described in this Summary under the heading "Consideration for the New Shares". The New Shares were registered with the Internal Revenue's Registry of Enterprises on 21 December 2007 and issued at the Icelandic Securities Depository (the "ISD") on the same date, according to the resolution of the Issuer's Board of Directors on 20 December 2007, based on an authorisation granted at a shareholders' meeting on 14 December 2007. The New Shares are equal to a 36.9% share increase.

This document constitutes a "Summary" for the purposes of Directive 2003/71/EC of the European Parliament and of the Council of the European Union (the "European Prospectus Directive") on the prospectus to be published when securities are offered to the public or admitted to trading, and the Commission Regulation no. 809/2004 on the implementation of the Directive. The Commission Regulation has been adopted into relevant Icelandic law by Icelandic Regulation no. 243/2006. The OMX ICE has approved this Summary on behalf of the Icelandic Financial Supervisory Authority (the "FME") and admits the New Shares to trading on the OMX ICE following the publication of the Prospectus which this Summary is a part of.

This Summary does not constitute an offer to sell, or a solicitation of an offer to buy, the New Shares or any other securities and no offers of the New Shares will be made to the public in any member state of the European Economic Area. The New Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "US Securities Act"), or the laws of any state of the United States. The new shares have not been and will not be registered under the securities laws of Australia, Canada or Japan.

Manager



KAUPTHING BANK

The date of this Summary is 31 March 2008.

NOTICE TO INVESTORS

The following Summary should be read as an introduction to the Prospectus and is qualified in its entirety by the more detailed information in the Prospectus and the appendices appearing elsewhere in this Prospectus. Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor.

In case a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might have to bear the cost of translating the Prospectus before legal proceedings are initiated.

Civil liability attaches to those persons who have tabled the summary including any translation thereof, and applied for its notification, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

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The OMX ICE has approved this Prospectus on behalf of the Icelandic Financial Supervisory Authority ("FME" or "Fjármálaeftirlitið") and admits the New Shares to trading on the OMX ICE following the publication of the Prospectus.

DILUTION

The New Shares are equal to a share increase of 36.9%, calculated as a percentage of the total issued shares prior to the issue of the New Shares.

As existing shareholders in FL Group waived their pre-emptive rights in respect of any of the New Shares, the proportional holdings of shareholders other than Baugur Group hf. was diluted by 26.9% (calculated as a percentage of the total issued shares past the issue of the New Shares) by the issue of the New Shares.

COST OF THE ISSUE

FL Group estimates that the total cost of the issue and admission to trading of the New Shares on the OMX ICE is approximately ISK 100,000,000, including advisory fees, charges from OMX ICE, stamp duty, and other consultant fees and charges. All costs of the admission to trading will be borne by the Issuer.

RISK FACTORS

The principal risk factors that may have a material effect on the price of the Issuer's shares, and thereby on the investment value, are:

- Operational risk
- Risks relating to the Issuer's investments, namely insurance, banking, property assets, aviation and the beverage industry
- Market risk
- Interest rate risk
- Currency risk
- Personnel risk (relating to key employees)
- Insufficient internal controls
- Growth risk (managing growth)
- Liquidity risk
- Refinancing risk
- Covenant and other contractual risk
- Legal risk
- Tax issues and tax risk
- Risks inherent in equity investments
- Risks related to compliance with securities regulation
- Further share capital increase can dilute shareholdings
- Shareholder structure
- Shareholders in certain jurisdictions outside Iceland, including the United States, may not be able to exercise their pre-emptive rights to acquire additional shares

INFORMATION ON FL GROUP HF.

The legal name of the Company is FL GROUP hf. and its commercial name is FL Group. FL Group hf.", "FL Group", "FL", "the Company" and "the Group" are to FL GROUP hf., Síðumúli 24, 108 Reykjavík, Iceland, ID-No. 601273-0129 together with its subsidiaries unless otherwise clear from the context. The principal activities of FL Group hf. are described below.

HISTORY AND KEY DEVELOPMENTS

The key developments relating to the Issuer are the following:

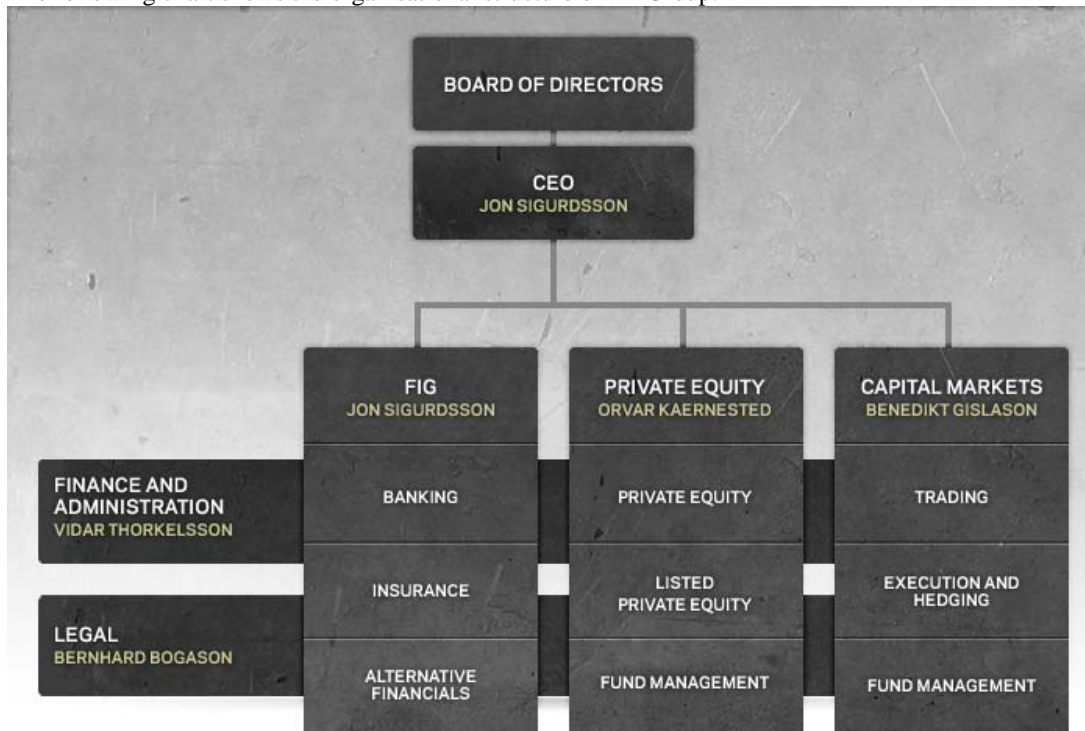
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|------|---|
| 1973 | The Issuer is formally established. Originally by the name Flugleiðir (later Icelandair). The formation derives from a merger of aviation companies. |
| 1992 | Flugleiðir is listed on the OMX ICE Main List. |
| 2003 | The transformation of Flugleiðir starts by the establishment of several subsidiaries which take over part of the operations in the travel and tourism industry in Iceland. |
| 2005 | Flugleiðir becomes FL Group. The holding company announces its emphasis on investment. This is followed by increased investment activities and several acquisitions mainly in the aviation sector. |
| 2005 | Fundamental changes take place in October whereby investments become the focus of FL Group and its airline and tourist service operations are transferred to operating subsidiaries with Icelandair Group on top. |
| 2006 | In October FL Group sells all its shares in Icelandair Group, following the sale of Icelandair and other significant subsidiaries and later the sale of Sterling Airlines FL Group does not have any significant operating subsidiaries and the transformation from an operating company in the aviation and tourism sector to an investment company is finished. |

2007 FL Group acquired the insurance company Tryggingamiðstöðin hf. in 2007, and it constitutes part of FL Group's core investment portfolio. As of 1 October 2007 Tryggingamiðstöðin hf. was consolidated into FL Group's accounts.

BUSINESS OVERVIEW AND ORGANISATIONAL STRUCTURE

FL Group is an international investment company with core investments in financials and insurance. The Company maintains a flexible approach to value creating investments in private equity with a special focus on property companies, along with capital markets activities. FL Group invests using the Company's balance sheet, bringing flexibility in asset allocation and horizons.

The following chart shows the organisational structure of FL Group.



PRIVATE EQUITY

The Issuer seeks to channel 50-80% of total assets into private equity and strategic investments. Its investment focus is on Northern Europe. The team pools its sector and company knowledge and expertise to be able to seek opportunities in both the public markets and the private sphere.

The criteria for Private Equity investments include:

Few, but large investments, or investments with considerable growth potential, either through acquisition or organic growth.

Established businesses with good cash flows.

Enterprise value of individual private equity investments being at least EUR 200 million.

Flexibility with time span (short-term vs. long-term), sectors and geography.

Return requirement takes in account the risk of individual projects but minimum IRR criteria is normally around 20%.

The criteria for Strategic investments include:

- Large investments, typically 5-25% of a listed company
- Targets in sectors the Issuer knows and can add value to
- Being able to act as an active investor, with the intention of working closely with the management as well as supporting it
- Flexibility with time span (short-term vs. long-term), sectors and geography

CAPITAL MARKETS

The Issuer aims to have 20-50% of total assets in short-term investments in stocks, bonds and currencies. The Issuer's Capital Markets function oversees this type of investment as well as derivative and other alternative trading for hedging or investment purposes. In addition to this Capital Markets handles stake building and stake disposal on behalf of FL Group's Private Equity and Strategic Investments.

The intention is to invest the Issuer's funds in profitable investments, with consideration given to returns and risk. The portfolio is very actively managed within a strategy approved by the board of directors.

FINANCE AND ADMINISTRATION

The Issuer's Finance and Administration Department is a support division handling corporate financing, book keeping, back office and other related functions.

DIRECTORS AND MANAGEMENT

The members of the Board of Directors are as follows:

- Jón Ásgeir Jóhannesson, Chairman of the Board
- Pálmi Haraldsson, Vice-Chairman of the Board
- Árni Hauksson
- Eiríkur S. Jóhannsson
- Hannes Smáráson
- Katrín Pétursdóttir
- Þorsteinn M. Jónsson
- Peter Møllerup, alternate director
- Þórður Bogason, alternate director

SENIOR MANAGEMENT

The Senior Management consists of one person: Jón Sigurðsson, CEO & Head of Financial Institutions Group

STATUTORY AUDITORS

The Issuer's auditors for the financial years 2004-2007 are KPMG hf., Icelandic ID No. 590975-0449, Borgartún 7, 105 Reykjavík.

EMPLOYEES

The weighted average number of FL Group's employees was 78 during the year 2007. Today, the parent company employs approximately 40 people and Tryggingamiðstöðin hf., its subsidiary since 1 October 2007, employs approximately 190 people.

MANAGER

Kaupthing Bank hf. – Investment Banking, Icelandic ID-No. 560882-0419, registered office being Borgartún 19, 105 Reykjavík, Iceland, has been the advisor to the Issuer in the preparation of the Share Securities Note dated 31 March 2008 and the advisor on the admission to trading on the OMX ICE. This role defines Kaupthing Bank hf. – Investment Banking as the Manger of the arrangement for the admission to trading the New Shares on the Main Market of OMX ICE.

Glitnir banki hf., Kirkjusandi 2, 155 Reykjavík, Iceland was the advisor to the Issuer on the preparation of the Share Registration Document dated 25 September 2007 which was published on 27 September 2007 as a part of a Prospectus and its Supplement published on 29 October 2007.

LIST OF MAJOR SHAREHOLDERS

FL Group hf. - Share Registry 28 March 2008

<i>Shareholder</i>	<i>Shares</i>	<i>% of issued shares</i>	<i>% of outstanding shares</i>
BG Capital ehf. *	3,039,576,021	22.38%	22.65%
Oddaflug B.V.	1,475,101,748	10.86%	10.99%
GLB Hedge	1,327,491,940	9.77%	9.89%
LI-Hedge	907,066,977	6.68%	6.76%
Landsbanki Luxembourg S.A.	853,392,502	6.28%	6.36%
Materia Invest ehf.	852,899,654	6.28%	6.35%
Fons hf. **	635,077,258	4.68%	4.73%
Sund ehf.	440,006,721	3.24%	3.28%
Stím ehf.	429,369,651	3.16%	3.20%
Glitnir Bank hf.	417,711,169	3.07%	3.11%
Total of 10 largest	10,370,263,641	76.34%	77.27%
Icebank hf	365,966,393	2.69%	2.73%
Gnúpur fjárfestingafélag hf. ***	314,228,416	2.31%	2.34%
Smáey ehf	271,836,735	2.00%	2.03%
VBS Fjárfestingabanki hf	203,217,067	1.50%	1.51%
Lífeyrissjóðir Bankastræti 7 (Pension Fund)	159,018,127	1.17%	1.18%
Den Danske Bank A/S	150,006,501	1.10%	1.12%
Gildi -lífeyrissjóður (Pension Fund)	131,348,111	0.97%	0.98%
Landic Property hf	111,864,407	0.82%	0.83%
Landsbanki Íslands hf., headquarters	102,050,231	0.75%	0.76%
Lífeyrissjóður verslunarmanna (Pension Fund)	101,129,082	0.74%	0.75%
Total of 20 largest	12,288,358,711	90.46%	91.56%
Other shareholders	1,132,743,989	8.34%	8.44%
Total of outstanding shares	13,421,102,700	98.80%	100.00%
FL Group hf. - Own shares	163,163,273	1.20%	
Total of issued shares	13,584,265,973	100.00%	

** According to an insider dealing announcement, dated 30.3.2008: BG Capital ehf. holds the voting rights, right for dividend and other right to 5,066,579,194 shares, which equals 37.30% of the total issued share capital.*

After the purchase of 111,864,407 shares on 30 March 2008 BG Capital ehf. holds 3,151,440,428 shares in own name and 1,915,138,766 shares through forward agreements. Baugur Group hf. is the sole owner of BG Capital ehf.

*** According to an insider dealing announcement, dated 9.1.2008: Fons hf. holds 1,659,002,144 shares which equals 12.21% of total issued share capital.*

**** According to an insider dealing announcement, dated 9.1.2008: Gnúpur fjárfestingafélag hf. holds 334,228,416 shares which equals 2.46% of total issued share capital.*

To the knowledge of FL Group, there are four legal entities which have direct or indirect interests of more than 5% in FL Group's total share capital and/or voting rights as of 28 March 2008; 5% is the first notification threshold of major holdings under Act. No. 108/2007 on Securities Transactions. These four largest shareholders in FL Group own a total of 66.64% of the total issued share capital. These are Baugur Group hf., Fons hf., Oddaflug B.V. and Materia Invest ehf. Three nominee accounts (LI-Hedge, Landsbanki Luxembourg S.A. and GLB Hedge) are additionally registered with over 5% stake.

The Issuer's largest shareholder is Baugur Group hf. with a 37.30% stake of total issued shares, according to an insider's dealing announcements dated 21 December 2007, 27 March 2008 and 30 March 2008. Baugur Group hf.'s stake is held by its subsidiary BG Capital ehf. which partly holds the shares through forward agreements. Financially related parties holding shares in FL Group are Fjárfestingafélagið Gaumur ehf., Eignarhaldsfélagið ISP ehf., Hagar hf. and 101 Capital ehf. Financial related parties of Baugur Group hf. which hold shares in FL Group hold together 238,285,352 shares in FL Group which equal 1.75% of total issued shares according to Baugur Group hf. / BG Capital ehf. insider dealings announcement from 30 March 2008. Jón Ásgeir Jóhannesson, Executive Chairman of Baugur Group hf., is the Chairman of the Board of Directors of FL Group.

Other shareholders with more than a 10% stake, according to major shareholders announcements made public through the OMX ICE news system, were Fons hf. (12.21%) and Oddaflug B.V. (10.86%). Materia Invest ehf. held a 6.28% stake according to the share registry as of 28 March 2008. Pálmi Haraldsson is the majority owner of Fons hf. Oddaflug B.V. is held by Eignarhaldsfélagið Oddaflug ehf. which is held by Hannes Smáráson, Director on the Board of FL Group. Materia Invest ehf. is owned by Þorsteinn M. Jónsson, Director on the Board of FL Group, Magnús Ármann and Kevin Stanford, each holding one third of the company. On 6 December 2007, Oddaflug B.V. and Materia Invest ehf. announced that they would jointly exercise their voting rights in FL Group.

According to the Issuer's share registry on 28 March 2008 the 20 largest shareholders owned a total of 90.46% of the total issued shares in FL Group. The table above sets out information regarding these 20 largest shareholders. The Issuer is not aware that any of these 20 shareholders hold interests in each other.

RELATED PARTY TRANSACTIONS

FL Group has a related party relationship with entities with significant influence over the Company, its associates and with its Board Directors, CEO and Managing Directors.

Entities with significant influence (10% or higher) over the Company during 2007 and during 2008 as of 31 March 2008 were Baugur Group hf. along with related parties and Oddaflug B.V. and according to an announcement on 6 December 2007, Oddaflug B.V. and Materia Invest ehf., which holds 6.28% of the share capital of FL Group, have entered into a shareholders' agreement which, inter alia, provides that Oddaflug B.V. and Materia Invest ehf. will use their voting power in FL Group in concert. Fons hf. became entity with significant influence in December 2007.

The Company's associates as disclosed in note 23 to the Issuer's consolidated financial statements for the year 2007 are the following: Glitnir Bank hf., Eikarhald ehf., Northern Travel Holding hf., Refresco Holding B.V., Unity

Investment ehf., Þyrping hf., Landic property hf., Fasteignafélag Íslands hf., Íslensk endurtrygging hf., Geysir Green energy ehf., VC Holdings Limited, Wyndeham Press Group Limited.

These following sections describe the transactions with related parties:

- Salaries and benefits
- Outstanding balances at year-end 2007, income and expenses 2007
- Transactions with Imon ehf. (owned by Magnús Ármann former board member), Sólstafir ehf. (owned by Þorsteinn M. Jónsson board member) and Sólmon ehf. (owned inter alia by Imon ehf. and Sólstafir ehf.)
- Transactions and agreements with Baugur Group hf. and related parties

Salaries and benefits

Salaries and benefits of the current and former Board of Directors and the current and former CEO paid for their work for the Group in 2007 was ISK 189.5 million. The Issuer has granted the CEO the following share options: a) 51.5 million shares with the strike price of 13.6 issued in December 2005; and b) 150 million shares with the strike price of 14.7 issued in December 2007; and c) previously announced 25.0 million shares with the strike price of 33.0 issued in February 2007 has been terminated. The options stipulated under a) above are exercisable in a three-year period from November 10 until December 10 each year 2006-2008, and 1/3 of the options can be executed annually. The options stipulated under b) above are exercisable in a three-year period on 1 March each year from 2009 until 2011, and 1/3 of the options can be executed annually. Jón has not exercised any share options.

Outstanding balances at year-end 2007, income and expenses 2007

Outstanding balances at year-end 2007, income and expenses during the year 2007 are specified for each group of related parties as follows:

<i>(ISK '000,000)</i>	<i>Entities with significant influence</i>	<i>Associates</i>	<i>Management / Board Directors</i>
Income statement			
Net (expense) income from investments	0	-1,838	0
Interest income	0	958	0
Interest expense	0	-518	0
Operating expenses	-85	0	0
Balance sheet			
Cash and cash equivalents	0	5,908	0
Loans and trade receivables	94	18,547	73
Derivatives	0	-1,170	0
Borrowings	0	-25,296	0

On 10 September 2007, FL Group purchased a total of 10% of the shares in Kjarrhólmi ehf. from Imon ehf. and Sólstafir ehf. (5% from each). Concurrently, Sólmon ehf. purchased shares in FL Group and held 0.97% in FL Group on 10 September 2007. FL Group has acquired the remaining shares of Kjarrhólmi ehf. and consequently holds 100% of the share capital of Kjarrhólmi ehf. Kjarrhólmi ehf. holds 37.6% in Tryggingamiðstöðin hf. and FL Group holds 61.5% in Tryggingamiðstöðin hf.

On 4 December 2007, FL Group purchased shares and other interests in real estate companies from Baugur Group hf. and affiliates (BG Holding ehf., BG Equity 1 ehf. and Baugur Holding AB). The assets were paid for with the

New Shares. Further information regarding the transaction is to be found under the heading "Consideration for the New Shares" later in this Summary.

In February 2008, FL Group sold, subject to the consent of the relevant companies and funds and co-owners, shares and other interest in foreign property funds that had been bought from Baugur Group hf. to Landic Property hf. The transaction which was closed 13 February 2008 had a transaction value of ISK 20.6 billion. The purchase price was the same as in the agreement with Baugur Group hf., with the exception that shareholder loans that FL Group granted after its acquisition of the property interests were assumed by Landic Property hf., and financing cost from 4 December 2007 to 12 February 2008 was added to the purchase price. Included in the ISK 20.6 billion purchase value was furthermore one asset, the Issuer's own stake in LXB3 Limited, which was not a part of the agreement between Baugur Group hf. and the Issuer was sold to Landic in the same transaction. The consideration for the assets was paid to FL Group with four bonds issued by Landic Property hf., each of €2 million and each carrying an interest of 9.3%. They are unsecured. The total amount of the four bonds is €208 million, all payable on 13 February 2013. The four bonds are all convertible to Landic Property hf.'s shares as follows: The first bond is convertible as of 13 February 2010, the second bond is convertible as of 13 February 2011, the third bond is convertible as of 13 February 2012 and the fourth bond is convertible as of 13 February 2013. The conversion rate is based on the purchase price of the shares in Landic Property hf. that FL Group acquired from Baugur Group hf.

The Directors and management of FL Group declare that the Company has not entered into any transactions with its subsidiaries, shareholders, board members, employees or related parties by other means than on arm's length terms and in a context which may be regarded as being in the ordinary course of its business.

CAPITALISATION AND INDEBTEDNESS

The following tables set forth the consolidated capitalisation and indebtedness as at 31 December 2007 according to the Issuer's audited accounts. In the capitalisation table, all liabilities (secured and unsecured) are unguaranteed. All figures are in ISK millions. To provide information on the Issuer's indebtedness the indebtedness table analyses the Issuer's net indebtedness in the short term and in the medium to long term. The information in these tables includes the issue of the New Shares and transactions in December 2007 related to the New Shares.

Capitalisation <i>(ISK million)</i>	31 December 2007 <i>(Audited Accounts)</i>	
<i>Total current borrowings</i>	<i>Unsecured</i>	<i>Secured</i>
Issued bonds	26,933	0
Loans from credit institution	8,515	11,703
Other borrowings	0	8,458
	35,448	20,161
<i>Total non-current borrowings</i>	<i>Unsecured</i>	<i>Secured</i>
Issued bonds	40,165	0
Subordinated loans	3,291	0
Loans from credit institutions.....	0	105,914
	43,456	105,914
<i>Total borrowings</i>	<i>78,904</i>	<i>126,075</i>
<i>Total borrowings secured and unsecured</i>		<i>204,979</i>
<i>Equity</i>		
Share capital		13,494
Other equity		142,350

Total Equity	155,844
Total Capitalisation	360,823

Indebtedness (ISK million)	31 December 2007 (Audited Accounts)
A. Cash.....	15,947
B. Cash equivalent	5,178
C. Equity investments	218,998
D. Total Liquidity (A)+(B)+(C).....	240,123
E. Current Financial Receivable.....	35,464
F. Current Bank debt	20,218
G. Current Bonds issued.....	26,933
H. Other current financial debt	8,458
I. Total Current Financial Debt (F)+(G)+(H)	55,609
J. Total Net Current Financial Indebtedness (I)-(E)-(D).....	-219,978
K. Non current Bank loans.....	105,914
L. Bonds Issued	40,165
M. Other non current loans.....	3,291
N. Total Non Current Financial Indebtedness (K)+(L)+(M).....	149,370
O. Total Net Financial Indebtedness (J)+(N).....	-70,608

Since year end, FL Group has continued to refinance short-term debt. At the end of 2007 the Group had ISK 55.6 billion of debt maturing in 2008 but as of 31 March 2008 the Group has already refinanced or received commitments to refinance ISK 47.1 billion of the 2008 maturities until 2009-2013, resulting in only ISK 8.5 billion of refinancing outstanding. Thereof ISK 3.5 billion are REPO contracts which are easily refundable by nature. There has not been other material change in FL Group's consolidated capitalisation since 31 December 2007.

SELECTED FINANCIAL INFORMATION

Financial Highlights	2007	2006	2005	2004*
<i>(ISK '000,000)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Income Statement				
Net investment income	-73,790	17,491	20,349	2,154
Operating income	0	0	0	42,586
Operating expenses	-6,153	-2,771	-1,652	-40,422
Net insurance premium	171	0	0	0
Profit (loss) before income tax	-79,772	14,720	18,697	4,318
Income tax	12,534	2,631	-3,292	-713
Profit from discontinued operations	0	27,208	1,846	0
Profit (loss) for the year	-67,238	44,559	17,251	3,605
Balance sheet				
Total assets	422,320	262,871	132,618	43,482
Liabilities	266,476	120,195	58,175	28,721
Equity	155,844	142,676	74,443	14,761
Earnings per share	-8.18	6.65	5.90	1.63
Equity ratio	37%	54%	56%	34%
Return on equity	-45%	41%	39%	30%

*Discontinued operations for the year 2004 have not been reclassified.

The selected financial information for the year 2005, 2006 and 2007 is from the 2007 Annual Report. The selected financial information for the year 2004 is the comparative figures presented in the 2005 annual account.

OPERATING AND FINANCIAL REVIEW

In general, the transformation of the Issuer from aviation and tourism-related operations to an investment company is reflected in the Issuer's consolidated financial statements. Income from investments has now become the sole component of overall income and the balance sheet now does not include operating subsidiaries as the Issuer does not hold any such subsidiaries at this point. This means that all comparison between years is difficult and must take the aforementioned transformation into account.

Increase in investment income and interest expenses between periods can be explained by increased investment activities of the Issuer. Price fluctuation on shares owned by the Issuer also affects the Issuer's investment income. Increase in operating expenses is a consequence of increased business activities by the Issuer.

The Year 2004

The Group's net income in 2004 amounted to ISK 3.6 billion, at that time the highest profit in the Issuer's history. Profit before taxes in 2004 amounted to ISK 4.3 billion. Working capital provided by operating activities amounted to ISK 4.9 billion. Profit from investment activities, mainly from investments in Icelandic and foreign transportation companies, amounted to ISK 2.3 billion. Cash and marketable securities at the end of 2004 amounted to 15.7 billion.

The Year 2005 and Changes from 2004

Profit for the year 2005 amounted to ISK 17,251 million. Total assets of FL Group and its subsidiaries in the end of 2005 amounted to ISK 132,618 million and the equity at year end 2005 was ISK 74,443 million. Financial markets were favourable which is the main reason for the increase in profit and total assets. The Issuer increased borrowing for investment activities which result in increased interest expense.

The Year 2006 and Changes from 2005

The Issuer's profit was ISK 44.6 billion in 2006. Total assets were ISK 262.9 billion at the end of 2006, increased by ISK 130.3 billion during the year. The largest portion of the increase (ISK 112.0 billion) can be attributed to investments in market securities. At the end of the year investments in listed securities amounted to ISK 253 billion. The largest single investment was Glitnir Banki, ISK 100.9 billion, then AMR Corporation in the amount of ISK 27.6 billion and Finnair in the amount of ISK 23.1 billion. The book value of the Company's listed securities assets is, however, only ISK 166.3 billion since part of the Issuer's shares are in forward agreements, the net value of which is entered into the Annual Financial Statement. Equity at the end of 2006 was ISK 142.7 billion, the increase from 2005 is ISK 68.2 billion.

The Year 2007 and Changes from 2006

The Issuer's loss was ISK 67.2 billion in 2007. The decrease from 2006 is mainly attributed to unfavourable share price development in the Issuer's investments. The Issuer's total assets were ISK 422.3 billion at the end of 2007, increasing by ISK 159.5 billion during the year. The largest portion of the increase can be attributed to the consolidation of Tryggingamiðstöðin hf. into the accounts and to equity investments, including Landic Property hf. At the end of 2007, listed equity investments were ISK 197.0 billion where the largest investments were Glitnir Banki; market value ISK 104.4 billion, Commerzbank; valued at ISK 45.9 billion, and Finnair which was valued at ISK 12.1 billion. Total book value of investments in unlisted securities amounts to ISK 90.0 billion. However, the book value of the Company's securities assets in the financial statements is only ISK 219.0 billion since part of the Company's shares are financed with forward agreements where only the net value is entered into the balance sheet. Equity capital at the end of 2007 was ISK 155.8 billion, an increase of ISK 13.1 billion from the end of 2006. The Issuer's equity ratio was 37.0% at the end of 2007.

Cash Flow

From 2004 to 2007 the Issuer has gradually transformed from being mostly an operating company to being an investment company. Due to this transformation the cash flow statement is not fully comparative between years. The change of net cash flow between 2004 and 2005 can mainly be explained by proceeds of the share offer in November 2005. The change of net cash flow between 2005 and 2006 can mainly be explained by proceeds from the sale of Icelandair Group. The change of net cash flow between 2006 and 2007 can mainly be explained by the loss for the year and a dividend payment in April 2007 of ISK 15 billion.

Cash Flow Provided by Operating Activities

Net cash used in operating activities came to ISK 57,837 million in 2007, compared to ISK 46,249 million provided by operating activities in 2006, ISK 5,421 million provided by operating activities in 2005, and ISK 4,596 million provided by operating activities in 2004.

Cash Flow Used in Investing Activities

Net cash used in investing activities came to ISK 23,367 million in 2007, compared to ISK 62,761 million used in 2006, ISK 40,234 million used in 2005 and ISK 18,033 million in 2004.

Cash Provided from Financing Activities

Net cash provided by financing activities amounted to 55,418 million ISK in 2007, compared to ISK 50,661 million in 2006, ISK 41,736 million in 2005 and ISK 7,989 million in 2004.

Significant change in the Issuer's Financial or Trading Position

The Issuer has decreased the portion of its capital tied up in listed companies since the end of the last financial year. As an example, FL Group announced on 21 January 2007, that it had partially divested its stake in Commerzbank to 1.15% as of 18 January 2008 (from 2.90% stake at end of 2007). However, the Issuer still has a large portion of its capital tied up in listed companies, mainly in Iceland, UK, and Scandinavia. Therefore, stock market fluctuations will influence the Issuer's profit. Since the end of 2007 considerable stock market fluctuations have occurred leading to assets owned by the Issuer having decreased in value. Glitnir Bank hf. has decreased in value by 22% resulting in a loss for the Issuer of ISK 23.0 billion. January 15 2008 the issuer announced that it had divested part of its shares in Commerzbank and at that time the total realized and unrealized loss of the trading position was approximately ISK 2.6 billion (EUR 27.4 million), including mark to market gains on hedges. The issuer divested further stake in Commerzbank in January as announced on 21 January 2008 leading to further losses being realized. Furthermore, the Issuer has disclosed sale of ownership in Aktiv Kapital and Finnair leading to the realization of losses of ISK 2.1 billion. Since 31 December 2007 some other assets owned by the Issuer have also decreased in value but not resulting in significant change in the financial or trading position of the FL Group since 31 December 2007.

DOCUMENTS ON DISPLAY

Copies of this Prospectus and the documents incorporated by reference in this Prospectus can be obtained from the registered office of the Issuer and electronically from the Company's website <http://www.flgroup.is>. These include the following documents:

- The Issuer's audited consolidated annual financial statements for each of the financial years ended 31 December 2004, 31 December 2005, 31 December 2006 and 31 December 2007 (including the auditors' reports issued in respect thereof).
- The Issuer's Annual Report for the year 2007
- The Issuer's interim reports for Q2 2006 and Q2 2007 (including the auditors' review reports issued in respect thereof)
- The Issuer's Articles of Association

CURRENT SHARE CAPITAL

FL Group's total number of issued shares is 13,584,265,973, with a nominal value of ISK 1 per share, of which all shares are fully paid, by the transfer of economic interests from Baugur Group hf. and affiliates (BG Holding ehf., BG Equity 1 ehf. and Baugur Holding AB) of a property portfolio consisting of shares and preference shares in the real estate companies and funds as well as shareholder loans granted to those real estate companies and funds. The purchase price of the property portfolio was ISK 53.8 billion, of which approximately 55% was for a stake in Landic Property hf., approximately 30% for interests in foreign property funds sold on to Landic Property hf. and approximately 15% for other investments. The consideration for the new shares is further described under the next section heading "Consideration for the New Shares".

FL Group held 163,163,273 own shares on 28 March 2008, which equals 1.20% of total issues shares. The annual general meeting on 11 March 2008 agreed, with reference to Article 55 of Act No. 2/1995 on Public Limited Companies, to authorise the Company's Board of Directors to purchase, over the next 18 months, up to 10% of the Company's own shares. The purchase price of the shares may be up to 20% above the average sales price of shares on the OMX ICE in the two weeks immediately preceding the purchase. As no lower limit was set on this authorisation, either regarding the purchase price or the amount of shares purchased each time, any amount of shares may be bought at any price lower than the market price and up to 20% above the market price.

The Issuer policy is to pay dividend of 30-40% of each year's profit. No dividend was paid in the year 2008.

CONSIDERATION FOR THE NEW SHARES

The purchase price of the assets was ISK 53.8 billion, of which approximately 55% was paid for a stake in Landic Property hf., approximately 30% for interests in foreign property funds sold on to Landic Property hf. and approximately 15% for other investments. New Shares were issued to Baugur Group hf. at the price ISK 14.7 per share as consideration for this portfolio consisting of shares and preference shares in a number of real estate companies and funds as well as shareholder loans provided to some of the real estate companies and funds in accordance with the table below. The foreign property funds were sold on to Landic Property hf. in February 2008. The transaction which was closed 13 February 2008 had a transaction value of ISK 20.6 billion. The purchase price was the same in the relevant currencies as in the agreement with Baugur Group hf., with the exception that shareholder loans that FL Group granted after its acquisition of the property interests were assumed by Landic Property hf., and financing cost from 4 December 2007 to 12 February 2008 was added to the purchase price. Included in the ISK 20.6 billion purchase value was furthermore one asset, the Issuer's own stake in LXB3 Limited, which was not a part of the agreement between Baugur Group hf. and the Issuer was sold to Landic in the same transaction.

Payment for the New Shares has been made by transferring economic interests from Baugur Group hf. and affiliates (BG Holding ehf., BG Equity 1 ehf. and Baugur Holding AB) of a property portfolio consisting of shares and preference shares in the following real estate companies and funds as well as shareholder loans granted to those real estate companies and funds.

The full legal title to all the assets shall be duly transferred by 15 October 2008. In case the relevant assets can only in part or not at all be transferred the value of the consideration shares allotted for the relevant asset shall be paid to FL Group in cash. At the time of the publication of this prospectus, over 80% of the full legal title to the assets had been transferred.

Breakdown of the property portfolio which forms the consideration for the New Shares

Company/Fund	Consideration – <i>Type of financial instrument and percentage of a stake</i>	Notification
Landic Property hf.	2,148,641,923 ordinary shares of ISK 1 each - 39.8%	
Fasteignafélag Íslands hf.	570,449,555 ordinary shares of ISK 1 each - 33.7%	
Eikarhald ehf.	637,643,000 ordinary shares of ISK 1 each – 22.7%	FL Group owned 49.0% shares in Eikarhald ehf. prior to the acquisition from Baugur Group. The shareholding increases to 71.7% subject to waiver of pre-emptive rights.
Pyrping hf.	578,655,000 ordinary shares of ISK 1 each - 49.3%	Thereof 70,932,939 ordinary shares on forward contract
Nordicom A/S	678,983 ordinary shares of DKK 100 each - 21.7%	All ordinary shares held through forward contracts
BG Fasteignir ehf.	500,000 ordinary shares of ISK 1 each - 100%	Interest sold to Landic Property hf.
Baugur Group BV	221,500 ordinary shares of €25.772404 each - 100%	Interest sold to Landic Property hf.
Catalyst Samsara India Opportunity Fund I LP	2,000 units - 30.3% Participation for £11,790,569	The financial instruments have not yet been transferred, but will be later in 2008 subject to the consent of other shareholders in the company. Interest has been sold on to Landic Property hf.
LXB Smallco Limited	16,666 ordinary shares of £0.01 each - 25.1% 249,750 preference shares of £1.00 each - 25.1% Shareholder loan for £600,020.72	The financial instruments have not yet been transferred, but will be later in 2008. Interest has been sold on to Landic Property hf.
WCC Europe S.a.r.l.	343 ordinary shares of €25.00 each - 23.8% Shareholder loan for €27,050,259	The financial instruments have not yet been transferred, but will be later in 2008 subject to the consent of other shareholders in the company. Interest has been sold on to Landic Property hf.
Dial Square Holdings ehf.	500,000 ordinary shares of ISK 1 each - 100% Shareholder loan for €800,000	The financial instruments have not yet been transferred, but there is an option until 15 October 2008 to buy 100% of the total share capital of the company. Interest has been sold on to Landic Property hf.

ARTICLES OF ASSOCIATION

The purpose the Company, according to Article 3 of its Articles of Association, is to act as an investment company, that is to earn interest on money that shareholders have tied in the Company, with investments, including those in subsidiaries and associated companies.

The Issuer's Board of Directors shall consist of seven members and two alternate members, elected at the Annual General Meeting for a term of one year. The Issuer's Board of Directors is the supreme authority in the Issuer's affairs between shareholders' meetings.

Issues submitted to a Board Meeting require a simple majority to pass and bind the Issuer. The Issuer's Board of Directors is competent to make decisions when the majority of Board Members attend a meeting.

The CEO undertakes the day-to-day management of the Issuer.

All voting shares which have unrestricted voting rights have equal rights, and there is one vote for each ISK of share capital in the Issuer.

According to Article 11 of the Articles of Association they can only be amended at a legitimate shareholders' meeting, provided that it is clearly stated in the invitation to the meeting that it is intended to amend the Articles of Association and what the main aspects of such amendment are. A resolution will only be valid if it is approved by at least 2/3 of votes cast and is approved by shareholders controlling at least 2/3 of the share capital represented by votes at the shareholder's meeting. This is in accordance with article 93 of the Companies Act. According to article 94 of the Companies Act more stringent rules apply in some cases.

Shareholders' meetings shall be called by means of an advertisement in a daily newspaper or in another verifiable manner, with at least one week's notice. An annual general meeting shall be called with at least two weeks' notice. A legitimate shareholder's meeting is the supreme authority in all the Issuer's affairs, within the limitations set out in the Articles of Association. All shareholders are authorised to attend shareholders' meetings, shareholders exercise their executive power at those meetings. Shareholders may have a representative to attend the meeting on their behalf. Also, shareholders may attend the meeting together with an advisor.

SHAREHOLDER RIGHTS

All the shares in the Issuer carry equal rights. The Issuer's shares carry no special rights and no restrictions are placed on them. A party acquiring a share in the Issuer cannot exercise its right as a shareholder unless its name has been registered in the share registry or it has announced and proven its ownership of the share.

Owners of the Issuer's share capital have the right to vote at shareholders' meetings, the right to receive dividends when declared, enjoy pre-emptive rights to new shares, unless waived, and the right to a share in any surplus in case of liquidation, all according to share ownership, statutes and the Issuer's Articles of Association in effect at any given time.

TAXATION

Each shareholder should consult a tax advisor regarding the tax consequences which may arise for such person as a result of buying or selling shares in the Issuer, including the applicability and effect of foreign income tax regulations and provisions contained in treaties to avoid double taxation.

Tax consideration for residents of Iceland

Individuals

For individuals, capital income such as interest, dividends and capital gains are taxed as income from capital. The tax rate is 10%.

Taxable Legal Entities

For taxable legal entities, all gains from sale of shares will be taxed as income from business activities at a rate of 18% in the case of a limited liability company.

Taxation of Dividends

The Issuer is obligated to withhold 10% tax on paid out dividends in the case of individuals and resident companies. Companies may have a deduction of the same amount as the dividends received and consequently there is no effective tax burden for companies.

Tax consideration for non-residents of Iceland

The Issuer is obligated to withhold 10% tax on dividends paid to individuals not residents of Iceland (absent treaty provisions to the contrary). The Issuer is obligated to withhold 15% tax on dividends paid to foreign legal entities unless there is a tax treaty in place lowering the percentage. Qualified companies may apply for a reimbursement and/or an advance relief under relevant provisions in double taxation treaties.

Gains from the sale of shares in Icelandic companies by residents of non treaty countries are subject to taxation in Iceland. The tax rate is 10% for individuals and 15% for legal entities.