

SUPPLEMENT TO PROSPECTUS



FL GROUP hf.

Supplement to the prospectus dated 27 September 2007

SUPPLEMENT DATED 29 October 2007 TO THE PROSPECTUS DATED 27 SEPTEMBER 2007

This supplement (the "Supplement") to the prospectus dated 27 September 2007 has been prepared in connection with the Issuer's takeover bid relating to the outstanding shares in Tryggingamiðstöðin hf. It provides information relating to the Issuer and developments since the issuance of the prospectus on 27 September 2007.

This Supplement must be read in conjunction with the Prospectus, as the Supplement only addressed certain issues, in order to obtain complete information about the Issuer and the shares to be issued. In case of any inconsistencies between the Supplement and the Prospectus, this Supplement shall prevail.

FL Group as issuer declares that, having taken all reasonable care to ensure that such is the case, that the information contained in this Supplement is, to the best of its knowledge, in accordance with the facts and contains no omissions likely to affect its import.

This Supplement and the Prospectus shall be governed by Icelandic law, and any disputes relating to this Supplement and the Prospectus are subject to the sole jurisdiction of Icelandic courts.

This Supplement makes the following amendments to the Prospectus:

1. NEW SHARES LISTED

FL Group new shares of ISK 973.673.140 were listed on 28 September 2007. The total number of shares listed on OMX ICE Main Market after the listing was ISK 8,918,659,060 (further shares have been listed, as noted in Chapter 2).

2. FURTHER SHARE CAPITAL INCREASE

At the meeting of the Board of Directors of FL Group on October 14, 2007 the Board of Directors decided, in line with the authorisation in the Articles of Association, to issue 326,069,513 new shares, at nominal value 1 ISK each at the rate of 24.3 to finance the purchase of shares in Tryggingamiðstöðin hf. After the share capital increase the total number of issued shares is 9,244,728,573. These shares were admitted to trading on OMX ICE Main Market on 19 October 2007.

No changes have been made to the rights attaching to the shares, and they are as described in the Securities Note.

3. LARGEST SHAREHOLDERS

The fifteen largest shareholders of the Issuer owned over 87,82% of the share capital as of October 19, 2007. The major shareholders and their holdings are listed in the table below. The table is according to the share register and therefore not in line with flagging on the Stock Exchange.

Shareholders	Shares	%
Oddaflug B.V. (*)	1.896.722.006,00	20,52%
Gnúpur fjárfestingafélag hf (**)	1.579.811.541,00	17,09%
BG Capital ehf (***)	1.465.281.023,00	15,85%
Materia Invest ehf (****)	852.899.654,00	9,23%

GLB Hedge	527.868.010,00	5,71%
Glitnir banki hf	483.766.302,00	5,23%
Sund ehf (****)	440.116.721,00	4,76%****
LI-Hedge	145.852.855,00	1,58%
FL GROUP hf	139.754.764,00	1,51%
Fasteignafélagið Stoðir hf	111.864.407,00	1,21%
Lífeyrissjóðir Bankastræti 7	107.508.168,00	1,16%
Gildi -lífeyrissjóður	105.502.582,00	1,14%
Icebank hf	90.080.000,00	0,97%
Sólmon ehf	90.000.000,00	0,97%
Hnotskurn ehf	82.085.856,00	0,89%

**) Eignarhaldsfélagið Oddaflug: Owned by FL Group's CEO, Hannes Smáráson.*

****) Gnúpur Fjárfestingafélag hf. is owned by companies owned by Þórður Már Jóhannesson (7.1%), companies owned by Magnús Kristinsson (46.5%) and companies owned by Kristinn Björnsson and his family (46.4%) according to shareholder announcement in June 8, 2007.*

*****) BG Capital ehf. and Hagar hf. owned by Baugur Group hf., Jón Ásgeir Jóhannesson is the Chairman of the Board and a large shareholder in Baugur Group hf.*

******) Materia Invest ehf.: Holding companies partly owned by Þorsteinn M. Jónsson (33%) and Magnús Ármann (33%).*

******) Sund ehf. is partly held by Jón Kristjánsson (33%) which is the acting chairman of the board of Sund ehf.*

The following table takes into account futures arrangements known to the Issuer, and is in line with notifications to the Stock Exchange.

Shareholders	Shares	%
Oddaflug B.V.	1.896.722.006,00	20,52%
BG Capital ehf	1.635.585.550,00	17,69%
Gnúpur fjárfestingafélag hf	1.615.256.541,00	17,47%
Materia Invest ehf	852.899.654,00	9,23%
Sund ehf	440.116.721,00	4,76%
Glitnir banki hf	363.582.987,00	3,93%
GLB Hedge	239.802.166,00	2,59%
Sólmon ehf	213.456.791,00	2,31%
101 Capital	164.609.053,00	1,78%
LI-Hedge	145.852.855,00	1,58%
FL GROUP hf	139.754.764,00	1,51%
Fasteignafélagið Stoðir hf	111.864.407,00	1,21%
Lífeyrissjóðir Bankastræti 7	107.508.168,00	1,16%
Gildi -lífeyrissjóður	105.502.582,00	1,14%
Hnotskurn ehf	82.085.856,00	0,89%

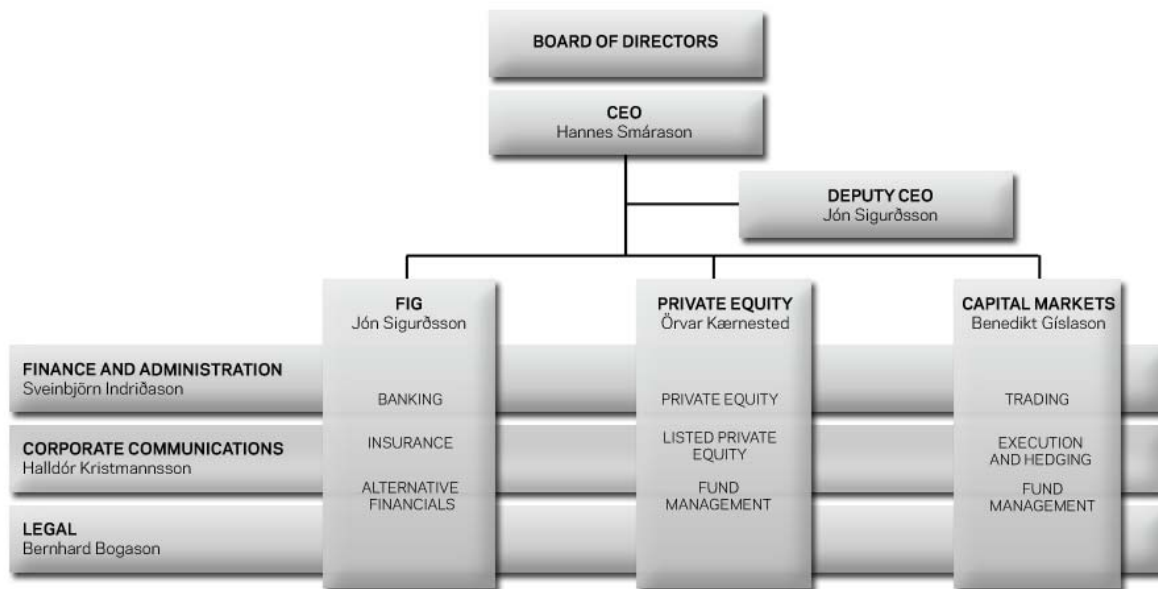
4. HOLDING IN TRYGGINGAMIÐSTÖÐIN HF.

The ownership of the Issuer in Tryggingamiðstöðin hf. is 97.92% (as at 22 October 2007). The Issuer holds its shares in Tryggingamiðstöðin hf. directly and through its subsidiary Kjarrhólmi ehf. All recent transactions are subject to approval from the Financial Supervisory Authority.

5. STRUCTURAL REFORMATION

On FL Group's capital markets day in London, on 4 October, the Issuer outlined its growth strategy, its key objectives and organisational reforms. The presentation material and a videorecording of the capital markets day is available on the FL Group website, www.flgroup.is.

Following dynamic growth and transformation of the Issuer, it has made some organisational reforms, with the aim of streamlining its operations with clear emphasis on its revenue divisions. After the organisational reforms, the management board now consists of the CEO and five managing directors. The managing directors of the various units are Jón Sigurdsson, deputy CEO, head of FIG, Örvar Kjærnested head of Private Equity, Benedikt Gíslason, head of Capital Markets Desk, Sveinbjörn Indriðason CFO, Halldór Kristmannsson, head of Corporate Communications, and Bernhard Bogason who is the managing director of legal affairs. The new organisational structure is as follows:



Further description of the principal activities of each unit:

FIG

Fig is a special investment function responsible for strategic investments in banking, insurance and financials

- The division focuses on specific strategic investments in banking, insurance and other financials
- Target ownership for each investment ranges from 20-100%
- Emphasis is placed on investment influence and strategy development through board representation and ownership
- The division will work closely with Capital Markets on specific investments

- A strong cash flow and revenue generation from FIG's operations will contribute to increased stability

FIG's mission statement is to be a long term strategic investor in financial institutions that are a good platform for development and growth. Investments in the banking sector, insurance companies and alternative financials will give support to FL Group's business and revenue model. The division's current geographical focus is on Europe

Private Equity

The division operates as a wholly owned subsidiary of FL Group. With a separate balance sheet and P&I statements, the division oversees FL Group's private equity holdings in addition to some listed positions that fit specific investment criteria.

- The division executes and leads leveraged buyouts by investing alongside strong management teams in established companies, generally within mature industries
- Minority stakes are taken in listed companies which are seen as good value opportunities and have buyout potential
- Private equity operates according to a opportunistic industry focus
- Flexible time horizon is maintained due to that the investment capital stems directly from the balance sheet brings

New investment ideas are presented to the company's Board of Directors, and the board must approve them before they are initiated. This ensures that the directors have an overview of the projects being worked at each time and can participate in the investment process as much as possible.

Capital Markets

The Issuer's Capital Markets function oversees investments in listed securities 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 FIG.

The investment strategy devised by the board of directors for FL Group's asset management operation can be summarized as follows:

- All investments will be carefully evaluated with respect to risk and return.
- All investments must be liquid enough to allow the Company to enter and exit a position without causing a substantial change in the respective share price.
- FL Group will aim to have a well diversified portfolio.
- FL Group will on some occasions invest in companies where the intention is to seek influence, which consequently means that the investment will be characterized as a private equity investment.

Day-to-day investment decisions will be in the hands of the managing director. However, all major decisions on buying/selling securities in individual companies will be put before the board of directors of FL Group.

As new members have been added to the management of the Issuer, this Supplement provides information on these new members, in addition to the text provided in the chapter "Other key members of the Issuer's management" in the original Prospectus (Chapter 14).

Halldór Kristmannsson, Managing Director of Corporate Communications and IR as of September 2007

Business Address: FL Group hf., Suðurlandsbraut 12, 108 Reykjavík

Halldór Kristmannsson was born in 1974. He was appointed Managing Director of Corporate Communications and IR in September 2007. Previously he worked as the Vice President of Corporate

Communications and IR of Actavis, a global pharmaceutical company. He received his BSc in Business Administration from Birmingham Southern College in 1999.

Holdings of financially related parties: 0

Own holding of shares: 10.700.000

Bernhard Bogason, Managing Director of Legal and Tax as of August 2006

Business Address: FL Group hf., Suðurlandsbraut 12, 108 Reykavík

Bernhard Bogason was born in 1963. He became Managing Director of Legal and Tax in 2006. Prior to joining FL Group, Bernhard was partner of KPMG Iceland, heading the firm's tax department. From 1993-1995 he served as a Deputy Judge in the District Court and from 1996-1999 he operated his own law office. Bernhard graduated with a Cand. Jur. degree from the University of Iceland in 1993.

Holdings of financially related parties: 4.084 shares

Own holding of shares: 0

6. REYKJAVIK ENERGY INVEST MERGES WITH GEYSIR GREEN ENERGY

Reykjavik Energy Invest ("REI"), the business development and investment arm of Reykjavik Energy and Geysir Green Energy ("GGE") have announced (on 4 October 2007) their agreement to merge the two businesses. The merger will create a global leader in the field of geothermal energy with the total value of ISK 65 billion, approximately EUR 745 million. The combined company will operate under the name of Reykjavik Energy Invest and will invest in and utilise geothermal energy. The deal is subject to closing, including approval from competition authorities.

The merger is to create a global leader in the field of geothermal energy with a strong capital base and a management team recognised for its vision, know-how and decades of expertise in the utilisation of geothermal energy. The company will be well-positioned to take advantage of the excellent opportunities in the geothermal industry that present itself globally.

REI and GGE have a strong track record of joint projects and investments in international markets, including Europe, North and South America and Asia. The merger will further enhance their investment and project-development capacity, as well as bring together investments in some of the world's leading energy companies, including:

- 100% of Iceland Drilling (formerly owned by Geysir Green Energy), a world leader in drilling and utilisation of geothermal energy
- 48% share in HS (Hitaveita Sudurnesja), Iceland's third largest energy company
- 70% share in Enex, a company working on various geothermal projects all over the world
- 66% share in Enex China that is developing geothermal district heating systems in China
- 20% share in Western GeoPower (formerly owned by Geysir Green Energy) in Canada which is developing two geothermal power projects in North America

REI will continue working closely with Reykjavik Energy (Orkuveita Reykjavíkur) in new and existing projects. The companies have agreed on the exchange of expertise and technology in relation to developing new geothermal projects.

Following the merger, the total equity will equal ISK 40 billion, approximately EUR 460 million. Largest shareholders include:

- Orkuveita Reykjavíkur 35,5% (www.or.is)
- FL Group (the Issuer) 27% (www.flgroup.is)
- Atorka Group 20% (www.atorka.net)
- Glitnir bank 6,2% (www.glitnir.is)

Bjarni Ármannsson will be the Chairman of the Board and there will be two Chief Executives Officers responsible for the business, Guðmundur Þóroddsson and Ásgeir Margeirsson. The combined company is well positioned for further growth and competition in the international marketplace. The company has already important stakes in geothermal companies, as described above, and is working on pursuing further investment opportunities. Hence, the company's prospects include hundreds of megawatts of geothermal power to be in production within a relatively short time frame.