

Fortress Investment Group LLC

Investor Flipbook

August 2013



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Executive Summary: Strong Fund Performance Drives Growth

Well Positioned to Generate Significant Earnings Growth

- **All alternative investment businesses generated incentive income in 2Q 2013**
- Substantially all main Macro, Asia Macro and DBSO NAV above incentive income thresholds
- All flagship Credit PE funds above preferred thresholds and generating carry
- \$754 million, or over \$1.50 per share, in gross incentive income not yet recognized in DE

Fundraising Momentum Across All Businesses

- **\$11.6 billion of third party capital raised since the beginning of 2012⁽¹⁾**
- Seven straight quarters of raising at least \$1 billion in third party capital
- \$3.6 billion raised for permanent capital and sector PE funds since beginning of 2012⁽¹⁾
- Logan Circle client net flows of \$7 billion in last 18 months

Underappreciated & Growing Value of Balance Sheet

- **Plan to distribute substantial portion of realized balance sheet proceeds to investors**
- \$2.88 per share of net cash & investments represents nearly 40% of share price
- Over 80% of investments in cash, direct stock or PE funds with 2007 vintages or earlier

Compelling valuation with significant upside potential

Figures as of June 30, 2013.
(1) As of August 1, 2013.

Fortress Today: A Highly Diversified, Global Investment Manager

Diversified business model with \$54.6 billion of Fee-Paying AUM

- Non-correlated alternative investment strategies complemented by traditional asset management platform
- Strong investment performance and capital raising momentum across the firm



Catalysts to drive expected earnings growth & multiple expansion

Figures as of June 30, 2013.

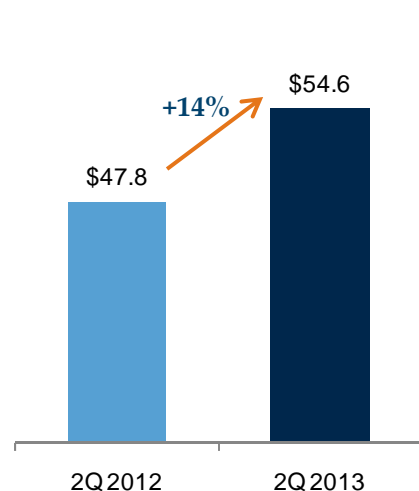
Performance Driven Culture and Business Model

Strong Fund Investment Performance Drives...

- ...new capital commitments and growth in AUM: **\$11.6 billion of alternative capital raised since beginning of 2012⁽¹⁾**
- ...earnings growth from increased management fees and incentive income: **2Q 2013 highest quarter of DE since 1Q 2007⁽²⁾**
- ...increased value of balance sheet investments: **\$1.2 billion of balance sheet investments as of June 30, 2013**

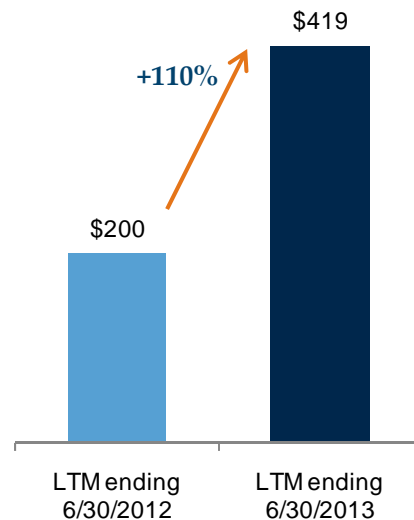
Assets Under Management

(billions)



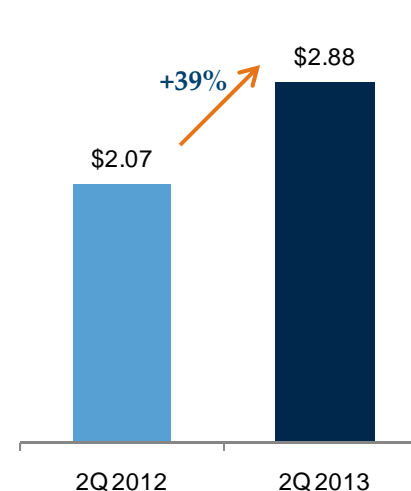
Pre-Tax Distributable Earnings⁽²⁾

(millions)



Net Cash & Investments⁽³⁾

(per share)



Figures as of June 30, 2013.

(1) As of August 1, 2013.

(2) Pre-Tax Distributable Earnings is a non-GAAP financial measure described in Fortress's second quarter 2013 earnings release. The release is available in the "Public Shareholders – News" section of Fortress's website, www.fortress.com. For a reconciliation of GAAP Net Income to Pre-Tax Distributable Earnings please see appendix slide #1.

(3) Net Cash and Investments, which is a non-GAAP financial measure, means cash & cash equivalents plus investments less debt outstanding as described in Fortress's second quarter 2013 earnings release. The release is available in the "Public Shareholders – News" section of Fortress's website, www.fortress.com. For a reconciliation of GAAP Book Value Per Share to Net Cash and Investments Per Share please see appendix slide #3.

First Half 2013 Reflects Earnings Power of Business Model

Annualized 1H2013 performance would result in second highest year of DE since going public

- Nearly \$200 million of incentive income in 2Q 2013; second highest quarter since going public
- \$17.8 billion of incentive eligible NAV above incentive income thresholds at quarter end
- Continued fund performance may lead to higher incentive income and meaningfully alter earnings dynamics

Fund Management Distributable Earnings – By Business⁽¹⁾

(\$ millions)

	2007	2008	2009	2010	2011	2012	Annualized 1H2013 ⁽²⁾	Annual Average ⁽³⁾	Annual High ⁽³⁾
Credit	61	35	44	168	138	126	188	95	168
PE & Castles	312	81	137	145	118	115	124	151	312 ⁽⁴⁾
Liquid	161	102	28	64	14	45	178	69	161
Logan Circle	n/a	n/a	n/a	(15)	(17)	(10)	(8)	(14)	(10)
Total⁽⁵⁾	524	216	208	358	253	277	482	301	631
Per share⁽⁶⁾	\$1.24	\$0.48	\$0.42	\$0.69	\$0.48	\$0.52	\$0.98	\$0.61	\$1.28

(1) Fund Management Distributable Earnings is a non-GAAP financial measure described in Fortress's second quarter 2013 earnings release. The release is available in the "Public Shareholders – News" section of Fortress's website, www.fortress.com. For a reconciliation of GAAP Net Income to Pre-Tax Distributable Earnings and Fund Management Distributable Earnings please see appendix slide #1.

(2) Reflects annualized 1H2013 results.

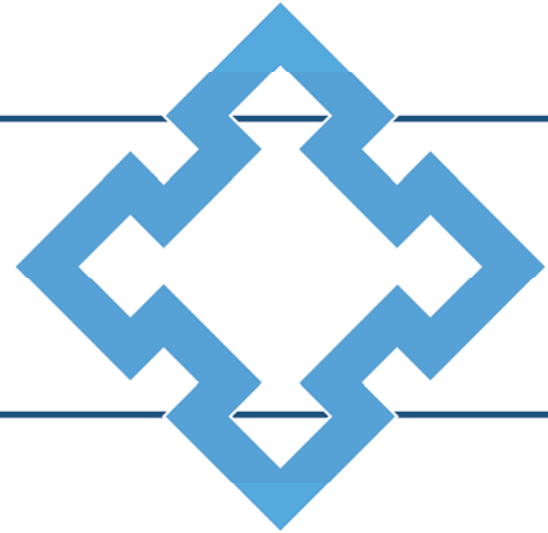
(3) Does not include annualized 1H2013 results.

(4) Fortress has reserved \$60 million of net clawback liabilities in respect of DE previously distributed.

(5) Total Fund Management DE for 2007, 2008, 2009 and 2010 includes unallocated expenses of \$9 million, \$2 million, \$1 million and \$4 million, respectively.

(6) Based on reported weighted average dividend paying shares outstanding in applicable period for 2007, 2008, 2009, 2010, 2011 and 2012. Based on 493 million dividend paying shares outstanding as of June 30, 2013 for Annualized 1H2013, Annual Average and Annual High.

Catalysts for Earnings Growth & Value Creation Potential



Catalysts For Substantial Earnings Upside Potential

Specific catalysts point to potential for significant earnings growth and multiple expansion

Business	Key Business Focus	Capital Raised Since YE2011 ⁽¹⁾	Potential for Incentive Income	Long-Term Capital
Established Core Alternatives Businesses:				
1 Credit Funds	<ul style="list-style-type: none"> Harvest unrealized incentive income Potential deployment of dry powder 	\$4.9bn	✓	✓
2 PE Main Funds	<ul style="list-style-type: none"> Grow and harvest substantial value in legacy buyout funds 	-	✓	✓
3 Liquid Markets	<ul style="list-style-type: none"> Attract capital and generate incentive income with performance 	\$3.2bn	✓	
Transformative Business Initiatives:				
4 Permanent Capital & Sector PE Funds	<ul style="list-style-type: none"> Raise and invest capital for permanent vehicles and sector-focused funds 	\$3.6bn	✓	✓ <i>Capital includes permanent equity</i>
5 Logan Circle	<ul style="list-style-type: none"> Scale core fixed income platform Build-out growth equities business 	\$7.0bn	N/A	

Segment	Key Focus	Balance Sheet Investments		Net Cash & Investments	
		Value	YoY Growth	Per Share	YoY Growth
6 Principal Investments	<ul style="list-style-type: none"> Balance sheet distributions to shareholders from realization activity 	\$1.2bn	+10%	\$2.88	+39%

Figures as of June 30, 2013.

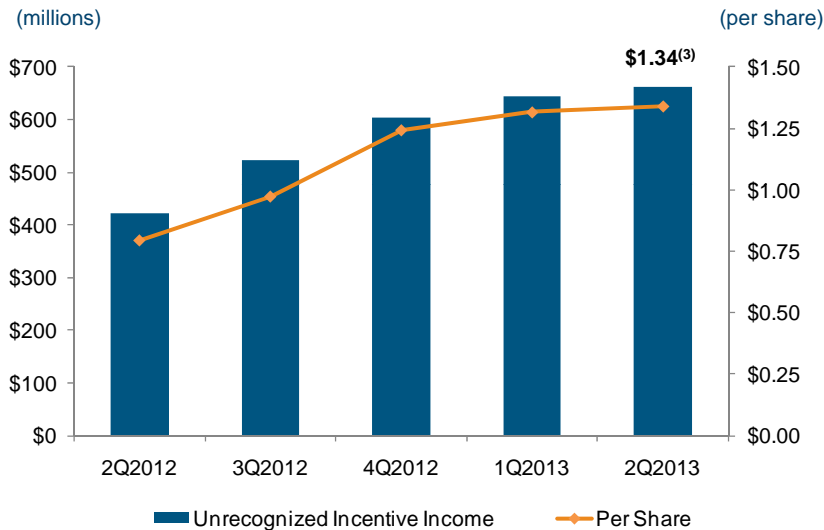
(1) Includes alternative capital raised subsequent to June 30, 2013. Reflects net client flows for Logan Circle as of June 30, 2013.

1 Credit: Substantial Embedded Value Yet to Impact Earnings

Credit funds have \$661 million of gross unrecognized incentive income

- \$569 million of unrecognized incentive income across Credit PE Funds⁽¹⁾ and \$92 million across Credit Hedge Funds⁽²⁾
- Credit PE and Hedge Funds have generated approximately \$300 million of incentive income in the last twelve months

Gross Unrecognized Credit Incentive Income



Figures as of June 30, 2013.

- (1) Reflects undistributed, unrecognized incentive income gross of profit-sharing expenses generated by our Credit PE funds.
- (2) Reflects undistributed, unrecognized incentive income gross of profit-sharing expenses generated primarily by redeeming capital accounts ("RCA"), which represent accounts where investors have provided withdrawal notices and are subject to payout as underlying fund investments are realized.
- (3) Based on 493 million dividend paying shares outstanding as of June 30, 2013.
- (4) Net returns are for Fortress Credit Opportunities Funds I and II and Japan Opportunity Fund only and exclude certain other funds, which may have returns that are materially lower than those presented above. Net returns represent net annualized internal rates of return to limited partners after management fees and incentive allocations, and are computed on an inception-to-date basis consistent with industry standards. Incentive allocations are computed on a hypothetical liquidation of net assets of each fund as of the balance sheet date. Returns are calculated for the investors as a whole. The computation of such returns for an individual investor may vary from these returns based on different management fee and incentive arrangements, and the timing of capital transactions. Annualized inception-to-date data reflects management's unaudited return estimates through June 30, 2013.
- (5) Net returns are for Drawbridge Special Opportunities Fund LP and Drawbridge Special Opportunities Fund Ltd only and exclude certain other funds, which may have returns that are materially lower than those presented above. The performance data in the table above reflect returns for a "new issue eligible," single investor class as of the close of business on the last day of the relevant period. Net returns reflect performance data after taking into account management fees and expenses borne by the above referenced funds, and incentive allocations, as applicable. The returns exclude unrealized gains and losses on Special Investments. Realized gains and losses on Special Investments are included in the funds' performance in the month of realization. Investors' specific performance may vary depending upon their ownership of one or more Special Investments. Annualized inception-to-date data reflects management's unaudited return estimates through June 30, 2013.

Credit Fund Performance

Fund	Inception	Annualized Inception-to-Date Net Returns
Credit Private Equity Funds⁽⁴⁾		
Credit Opportunities Fund	Jan-2008	26.2%
Credit Opportunities Fund II	Jul-2009	18.7%
Japan Opportunity Fund	Jun-2009	20.7%
Credit Hedge Funds⁽⁵⁾		
DBSO LP	Aug-2002	11.5%
DBSO LTD	Aug-2002	11.7%

2 Private Equity: Significant Carry Potential in Legacy Buyout Funds

Legacy PE funds have potential to generate substantial fees over next five years

- PE fund values appreciated 25.4% in 2012 and over 10% year-to-date through July 31, 2013
- Majority of potential future carry from Fund III, Fund IV and Fund V
- Liquidated Fund I (1999 vintage) at a multiple of 2.8 times invested capital⁽¹⁾

PE Fund (<i>vintage</i>)	Current Fund NAV	Current Multiple ⁽²⁾	Key Drivers of Potential Future Value Generation
Fund II (2002)	\$0.2bn	1.8x	GAGFAH*
Fund III (2004)	\$2.3bn	1.5x	Nationstar*, GAGFAH*
Fund IV (2006)	\$3.9bn	1.3x	Nationstar*, Florida ⁽³⁾ , Holiday
Fund V (2007)	\$4.1bn	1.1x	Florida ⁽³⁾ , CW Financial, Springleaf, Penn Gaming*
Total Main Funds	\$10.4bn	1.5x	
Co-investments & Other ⁽⁴⁾	\$6.0bn	1.1x	Florida ⁽³⁾ , Holiday
Total PE Funds	\$16.4bn	1.3x	*Publicly traded company

Figures as of June 30, 2013

(1) Multiple is net of expenses.

(2) Multiple equals current NAV plus inception to date distributions, divided by the lesser of capital committed or equity invested. For purposes of calculating the gross multiple, equity invested excludes capital called for management fees and other expenses. The inclusion of such amounts would reduce the gross multiple. Gross multiple is not an accurate indicator of the Company's proximity to incentive income thresholds and is different from the statistic which would be computed based on the Company's periodic 34 Act reporting, which reports net amounts.

(3) Florida includes Florida East Coast Railway and Flagler.

(4) Includes Fund III Co, Fund IV Co, Fund V Co, FHIF, FECL, FRIC, FRID, FICO, GAGACQ-Co, FFPF, MSR Funds and WWTAL.

3 Liquid: Performance Drives Expected AUM & Earnings Growth

Top-tier Macro and Asia Macro fund performance has led to capital inflow momentum

- Nearly 100% of main Macro Fund and Asia Macro Fund NAV were above high-water marks at quarter-end
 - Over \$4.7 billion of Liquid Hedge Fund NAV above high water marks – up from \$1.1 billion in 2Q 2012
- Macro Fund and Asia Macro Fund year-to-date net returns of 10.3% and 11.7%, respectively⁽¹⁾

Hypothetical Liquid Hedge Fund Distributable Earnings⁽²⁾

(millions)

Liquid Hedge Fund Incentive-Eligible NAV Above Threshold

	NAV Above HWM	Assumed Incremental Capital Inflows		
	~\$4,700 ⁽³⁾	+\$1,000	+\$2,000	+\$2,500
Net Management Fees ⁽⁴⁾	\$24	\$27	\$29	\$30
10% annual return ⁽⁶⁾	\$49	\$56	\$62	\$65
15% annual return ⁽⁶⁾	\$75	\$85	\$95	\$100
20% annual return ⁽⁶⁾	\$102	\$115	\$128	\$135
25% annual return ⁽⁶⁾	\$130	\$147	\$163	\$172
Fund Mgmt DE	\$73 - \$154	\$83 - \$174	\$91 - \$192	\$95 - \$202
Fund Mgmt DE/share ⁽⁷⁾	\$0.15 - \$0.31	\$0.17 - \$0.35	\$0.18 - \$0.39	\$0.19 - \$0.41

(1) As of July 31, 2013.

(2) The hypothetical assumptions for capital inflows, revenues, expenses and earnings are presented solely for illustrative purposes and actual results could differ materially.

(3) As of June 30, 2013.

(4) Management fee rate on incremental capital inflows assumes 1.8% management fee rate on non-Fortress Partners Funds. Includes management fees earned from \$1.2 billion of AUM in the Fortress Partners Funds. Assumes 20% margin on gross management fees.

(5) Assumes 20% incentive fee rate on incentive-eligible NAV above respective performance thresholds. Assumes 50% margin on gross incentive income.

(6) There can be no assurance that Fortress will achieve any given target return. Target returns are subject to a number of trends and uncertainties, many of which are beyond our control, that could cause actual results to differ materially.

(7) Based on 493 million dividend paying shares outstanding as of June 30, 2013.

4 PE: Transformative Shift to Permanent Capital & Sector Funds

Dynamic business platform with early momentum and significant market opportunities

- Fortress has significant experience creating and managing public vehicles in industry with high barriers to entry
- Specialized expertise and deep experience in core sectors in need of substantial private capital:
 - MSRs & NPLs:** ownership of top servicing platforms (Nationstar & Italfondiaro)
 - Transportation & Infrastructure:** acquisition of nearly \$16 billion of assets worldwide
 - Senior Living:** one of the largest and earliest PE investors in the senior living and care space (Holiday & Brookdale)

Permanent Capital Vehicles	Investment Focus	Sector-Focused Funds
✓ New Residential (NRZ)	Mortgage Servicing Rights (MSRs)	MSR Fund I & Fund II
WWTAI ⁽¹⁾	Transportation & Infrastructure	Infrastructure Fund ⁽³⁾ ✓
✓ Newcastle (NCT) ⁽²⁾	Senior Housing	China Senior Housing Fund ⁽³⁾
✓ Eurocastle (ECT)	Italian NPLs	Italian NPL Fund ⁽³⁾ ✓
\$1.5bn	Total Capital Raised (2012 – July 2013)	\$2.0bn⁽⁴⁾

✓ *Actively Raising Capital*

(1) WWTAI is currently a private Fortress PE fund but has flexibility to list as a public company.

(2) Includes senior housing properties currently owned by Newcastle and managed by FHC (FIG subsidiary).

(3) Potential fund strategy or strategy still in fundraising period.

(4) Includes \$1.1 billion raised for MSR Fund II, \$0.6 billion raised for MSR Fund I and \$0.3 billion raised for WWTAI. MSR Fund II held its first and final close in July 2013.

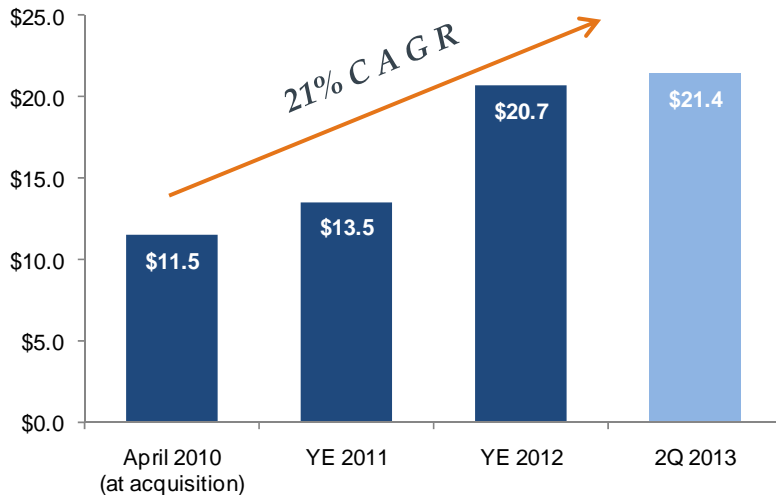
5 Logan Circle: Organic Growth, Scalability and Strategic Expansion

Logan Circle AUM has grown nearly 90% to \$21.4 billion since acquisition in 2010

- 15 of 16 Logan Circle strategies have outperformed their respective benchmarks since inception
- Recently launched new growth equities business; team previously managed \$20 billion of higher fee products
 - Raising capital for four new equity strategies with substantially higher fee rates (~60bps)

Substantial LCP Asset Flow Momentum

(LCP AUM in billions)



Hypothetical Annual Impact to DE from LCP AUM Growth⁽¹⁾

(millions)

Assumed Fixed Income AUM Growth to \$40 Billion

Operating Margin Assumption	30%	40%	50%
Mgmt Fee Rate (bps)	14	14	14
Gross Annual Mgmt Fees	\$56	\$56	\$56
Annual Fund Mgmt DE	\$17	\$22	\$28
Annual Fund Mgmt DE/share ⁽²⁾	\$0.03	\$0.05	\$0.06

Established, highly scalable global platform with potential to generate substantial fee earnings

(1) The hypothetical assumptions for AUM growth, management fees, margins and earnings are based on Logan Circle's fixed income business only and are presented solely for illustrative purposes and actual results could differ materially.

(2) Based on 493 million dividend paying shares outstanding as of June 30, 2013.

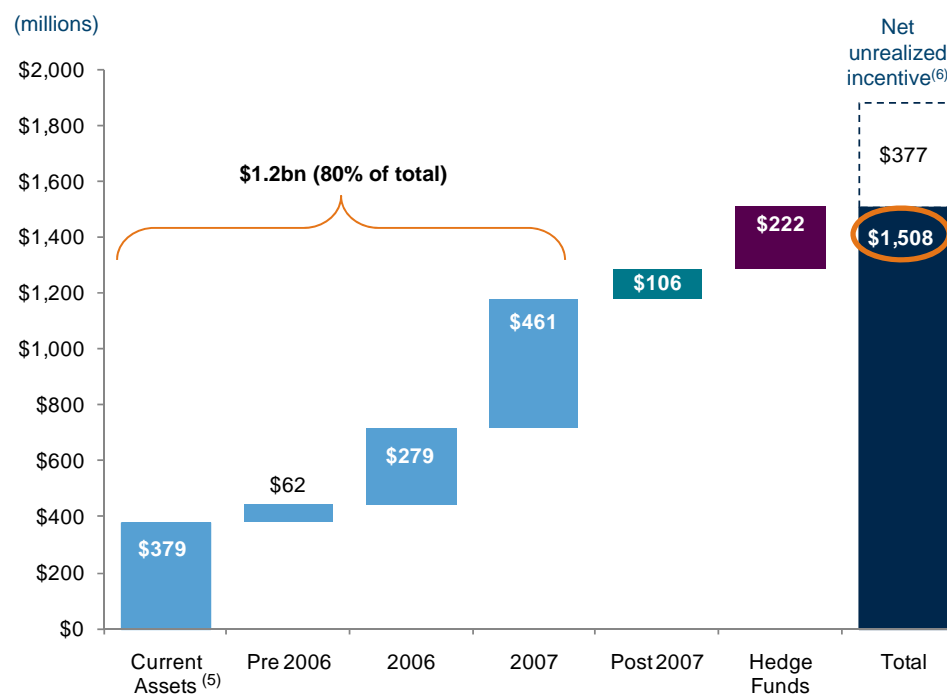
6 Substantial Embedded Value on Balance Sheet

Potential for balance sheet distributions from realization events

- Over 40% of balance sheet assets in cash, direct equity or hedge fund investments
- Over \$760 million of private equity fund investments with meaningful upside potential

Balance Sheet		As of June 30, 2013	
(\$ millions)	Carrying Value	% of Total	
Cash & Cash Equivalents	292.6	19.4%	
Direct Public Stock ⁽¹⁾	86.1	5.7%	
Cash & Direct Equity Investments	378.7	25.1%	
Public Stock of Portfolio Co's ⁽²⁾	135.5	9.0%	
Private Investment in Portfolio Co's ⁽³⁾	421.3	27.9%	
Direct Investment in PE Funds	206.5	13.7%	
Direct Investment in Credit PE Funds	136.2	9.0%	
Private Equity Fund Investments	899.6	59.7%	
Liquid Capital	117.1	7.8%	
Sidepocket Investments	104.9	7.0%	
Hedge Fund Investments⁽⁴⁾	221.9	14.7%	
Other Direct Investments	7.8	0.5%	
Total Cash & Investment Assets	1,508.1	100.0%	

Total Cash & Investments by Vintage or Type



(1) GAGFAH, Newcastle, New Residential and Eurocastle shares.

(2) Brookdale, Eurocastle, GAGFAH, Gatehouse, Walker & Dunlop, Penn Gaming and Nationstar shares.

(3) Investments in GAGACQ, FRID, FRIC, FHIF and FECL.

(4) Hedge Funds include Credit Hedge Fund and Liquid Hedge Fund Investments and related sidepockets.

(5) Current Assets includes cash and direct investments in public stock.

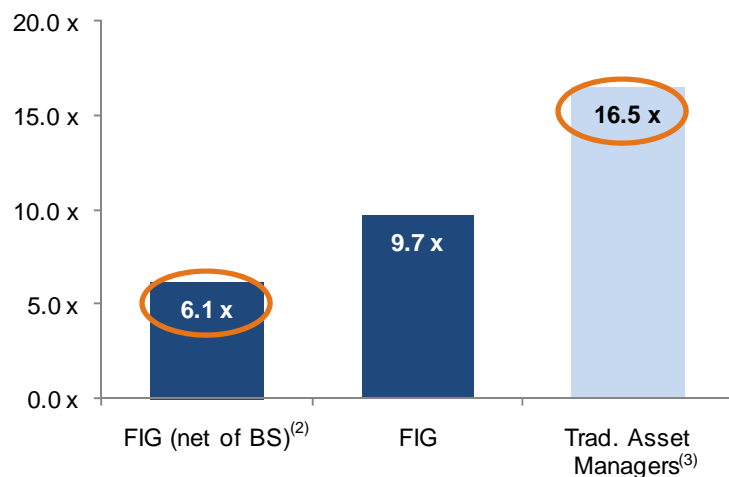
(6) Assumes 50% margin on gross, unrecognized incentive income of \$754 million as of June 30, 2013.

Significant Discount to Traditionals: A Compelling Valuation Opportunity

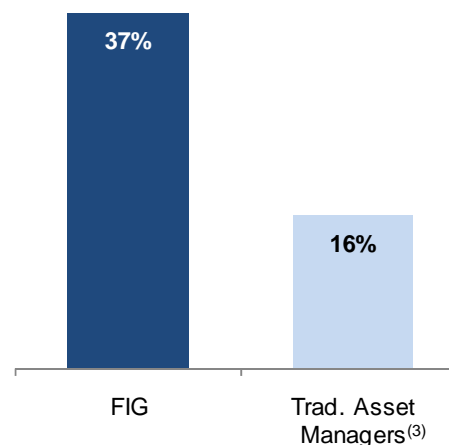
Fortress trades at 6x 2013 consensus earnings (net of balance sheet value), a ~60% discount to traditional asset managers despite strong earnings growth and operating fundamentals

- **Positive Sector Tailwinds:** Investor flows have accelerated as higher-yielding alternative asset classes have become an essential allocation
- **Competitive Advantage:** Alternative investment managers benefit from highly diverse revenue streams, long-term, locked up capital and substantial upside potential from incentive income

Price / EPS Multiple Comparison⁽¹⁾



Earnings Growth⁽⁴⁾



Dividend Yield⁽⁵⁾

3.1% ⁽⁴⁾	2.1%
FIG	Trad. Managers

Operating Margin⁽⁶⁾

42%	29%
FIG	Trad. Managers

Substantial valuation disconnect from large, traditional non-diversified asset managers

(1) Valuation estimates reflect 2013 consensus earnings estimates from Bloomberg.

(2) FIG stock price as of August 2, 2013 less \$2.88 of net cash and investments per share.

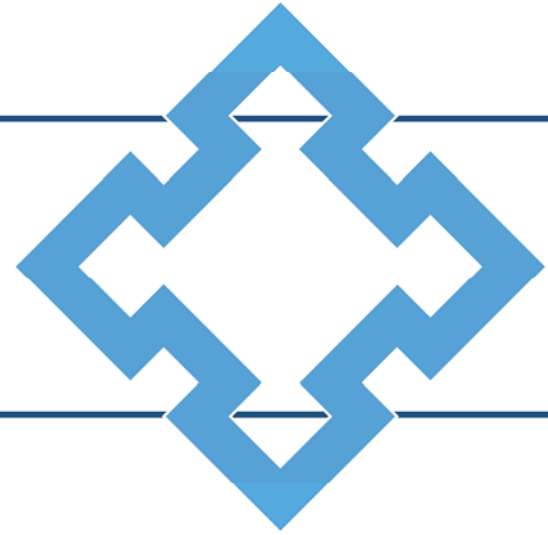
(3) "Traditional Asset Managers" defined as S&P 500 Asset Management and Custody Trust Banks Sub Industry Index from Bloomberg.

(4) Trailing three-year CAGR of DEPS for FIG and EPS for traditional asset managers as of YE 2012.

(5) Annualized 1H 2013 dividend with no consideration given for potential 4Q top-up dividend for FIG. Annualized dividend yield for Traditional Managers sourced from Bloomberg.

(6) As of June 30, 2013 from Bloomberg.

Appendix



Appendix Slide #1

Reconciliation of GAAP Net Income (Loss) to Pre-tax Distributable Earnings and Fund Management DE (dollars in millions)

	Twelve Months Ended December 31,		
	2010	2011	2012
GAAP Net Income (Loss)	\$ (782)	\$ (1,117)	\$ 219
Principals' and Others' Interests in (Income) Losses of Consolidated Subsidiaries	497	685	(141)
GAAP Net Income (Loss) Attributable to Class A Shareholders	\$ (285)	\$ (432)	\$ 78
Private Equity incentive income	38	44	(2)
Hedge Fund incentive income	3	-	-
Reserve for clawback	-	(5)	8
Distributions of earnings from equity method investees	15	11	6
Losses (earnings) from equity method investees	(87)	(34)	(142)
Losses (gains) on options	(2)	5	(6)
Losses (gains) on other Investments	(1)	23	(41)
Impairment of investments	(5)	(4)	(1)
Adjust income from the receipt of options	-	(13)	(22)
Mark-to-market of contingent consideration in business combination	(1)	(3)	-
Amortization of intangible assets and impairment of goodwill	1	22	-
Employee, Principal and director compensation	218	235	219
Principals' forfeiture agreement expense (expired in 2011)	952	1,051	-
Adjust non-controlling interests related to Fortress Operating Group units	(507)	(691)	133
Tax receivable agreement liability reduction	(22)	(3)	9
Taxes	55	36	39
Pre-tax Distributable Earnings	\$ 372	\$ 242	\$ 278
Investment Loss (income)	(34)	(8)	(16)
Interest Expense	20	19	15
Fund Management DE	\$ 358	\$ 253	\$ 277

Appendix Slide #1

Reconciliation of GAAP Net Income (Loss) to Pre-tax Distributable Earnings and Fund Management DE (dollars in millions)

	Three Months Ended			Six Months Ended June 30, 2013
	June 30, 2012	March 31, 2013	June 30, 2013	
GAAP Net Income (Loss)	\$ 14	\$ 67	\$ (2)	\$ 65
Principals' and Others' Interests in (Income) Losses of Consolidated Subsidiaries	(9)	(53)	-	(53)
GAAP Net Income (Loss) Attributable to Class A Shareholders	\$ 5	\$ 14	\$ (2)	\$ 12
Private Equity incentive income	(7)	22	34	56
Hedge Fund incentive income	26	59	133	192
Reserve for clawback	2	2	-	2
Distributions of earnings from equity method investees	-	4	5	9
Losses (earnings) from equity method investees	(21)	(35)	(24)	(59)
Losses (gains) on options	-	(29)	5	(24)
Losses (gains) on other Investments	(7)	(11)	(2)	(13)
Impairment of investments	-	-	(1)	(1)
Adjust income from the receipt of options	(13)	(26)	(10)	(36)
Amortization of intangible assets and impairment of goodwill	-	-	-	-
Employee, Principal and director compensation	55	15	13	28
Adjust non-controlling interests related to Fortress Operating Group units	7	51	(4)	47
Tax receivable agreement liability reduction	-	8	-	8
Taxes	3	26	1	27
Pre-tax Distributable Earnings	\$ 50	\$ 100	\$ 148	\$ 248
Investment Loss (income)	(1)	(5)	(6)	(11)
Interest Expense	4	2	2	4
Fund Management DE	\$ 53	\$ 97	\$ 144	\$ 241

Appendix Slide #1A

“Distributable earnings” is Fortress’s supplemental measure of operating performance. It reflects the value created which management considers available for distribution during any period. As compared to generally accepted accounting principles (“GAAP”) net income, distributable earnings excludes the effects of unrealized gains (or losses) on illiquid investments, reflects contingent revenue which has been received as income to the extent it is not expected to be reversed, and disregards expenses which do not require an outlay of assets, whether currently or on an accrued basis. Distributable earnings is reflected on an unconsolidated and pre-tax basis, and, therefore, the interests in consolidated subsidiaries related to Fortress Operating Group units (held by the principals) and income tax expense are added back in its calculation. Distributable earnings is not a measure of cash generated by operations which is available for distribution nor should it be considered in isolation or as an alternative to cash flow or net income and it is not necessarily indicative of liquidity or cash available to fund the Company’s operations. For a complete discussion of distributable earnings and its reconciliation to GAAP, as well as an explanation of the calculation of distributable earnings impairment, see note 11 to the financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2012 or note 10 to the financial statements included in the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2013.

Fortress’s management uses distributable earnings:

- in its determination of periodic distributions to equity holders;
- in making operating decisions and assessing the performance of each of the Company’s core businesses;
- for planning purposes, including the preparation of annual operating budgets; and
- as a valuation measure in strategic analyses in connection with the performance of its funds and the performance of its employees.

Growing distributable earnings is a key component to the Company’s business strategy and distributable earnings is the supplemental measure used by management to evaluate the economic profitability of each of the Company’s businesses and total operations. Therefore, Fortress believes that it provides useful information to investors in evaluating its operating performance. Fortress’s definition of distributable earnings is not based on any definition contained in its amended and restated operating agreement.

“Fund Management DE” is equal to pre-tax distributable earnings excluding our direct investment-related results. It is comprised of “Segment Revenues” net of “Segment Expenses” and “Principal Performance Payments.” Fund management DE and its components are used by the Company to analyze and measure the performance of our management business on a stand-alone basis. We define our segment operating margin to be equal to fund management DE divided by segment revenues. We believe that it is useful to provide investors with the opportunity to review our management business using the same metrics. Fund management DE and its components are subject to the same limitations as pre-tax distributable earnings, as described above.

Appendix Slide #2

Reconciliation of Weighted Average Class A Shares Outstanding (Used for Basic EPS) to Weighted Average Dividend Paying Shares and Units Outstanding (Used for DEPS)

	Twelve Months Ended December 31,		
	2010	2011	2012
Weighted Average Class A Shares Outstanding (Used for Basic EPS)	165,446,404	186,662,670	214,399,422
Weighted average fully vested restricted Class A share units with dividend equivalent rights	(4,450,465)	(4,082,385)	(3,194,380)
Weighted average fully vested restricted Class A shares	(174,203)	(480,777)	(737,309)
Weighted Average Class A Shares Outstanding	160,821,736	182,099,508	210,467,733
Weighted average restricted Class A shares ⁽¹⁾	339,533	522,365	749,007
Weighted average fully vested restricted Class A share units which are entitled to dividend equivalent payments	4,450,465	4,082,385	3,194,380
Weighted average nonvested restricted Class A share units which are entitled to dividend equivalent payments	19,695,924	13,994,757	6,609,155
Weighted average Fortress Operating Group units	302,123,167	304,832,761	299,559,853
Weighted average Fortress Operating Group RPU ⁽²⁾	31,000,000	22,563,471	12,817,851
Weighted Average Class A Shares Outstanding (Used for DEPS)	518,430,825	528,095,247	533,397,979
Weighted average vested and nonvested restricted Class A share units which are not entitled to dividend equivalent payments	26,436,872	23,439,170	18,419,024
Weighted Average Fully Diluted Shares and Units Outstanding (Used for Diluted DEPS)	544,867,697	551,534,417	551,817,003

“Dividend Paying Shares and Units” represents the number of shares and units outstanding at the end of the period which were entitled to receive dividends or related distributions. It is useful in computing the aggregate amount of cash required to make a current per share distribution of a given amount per share. It excludes certain potentially dilutive equity instruments, primarily non-dividend paying restricted Class A share units, and, therefore, is limited in its usefulness in computing per share amounts. Accordingly, Dividend Paying Shares and Units should be considered only as a supplement to GAAP basic and diluted shares outstanding. The Company’s calculation of Dividend Paying Shares and Units may be different from the calculation used by other companies and, therefore, comparability may be limited.

(1) Includes both fully vested and nonvested restricted Class A shares.

(2) Includes both fully vested and nonvested Fortress Operating Group RPU.

Appendix Slide #2

Reconciliation of Weighted Average Class A Shares Outstanding (Used for Basic EPS) to Weighted Average Dividend Paying Shares and Units Outstanding (Used for DEPS)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Weighted Average Class A Shares Outstanding (Used for Basic EPS)	237,426,903	216,145,015	232,385,013	208,077,683
Weighted average fully vested restricted Class A share units with dividend equivalent rights	(584,851)	(1,473,028)	(3,755,642)	(4,850,487)
Weighted average fully vested restricted Class A shares	(900,457)	(688,095)	(888,102)	(645,408)
Weighted Average Class A Shares Outstanding	235,941,595	213,983,892	227,741,269	202,581,788
Weighted average restricted Class A shares ¹	900,457	705,204	888,102	668,932
Weighted average fully vested restricted Class A share units which are entitled to dividend equivalent payments	584,851	1,473,028	3,755,642	4,850,487
Weighted average nonvested restricted Class A share units which are entitled to dividend equivalent payments	4,970,562	6,434,147	4,259,267	6,786,086
Weighted average Fortress Operating Group units	249,534,372	300,273,852	249,534,372	303,037,371
Weighted average Fortress Operating Group RPU ² s	-	10,333,334	4,909,761	15,329,671
Weighted Average Class A Shares Outstanding (Used for DEPS)	491,931,837	533,203,457	491,088,413	533,254,335
Weighted average vested and nonvested restricted Class A share units which are not entitled to dividend equivalent payments	16,786,047	21,193,102	16,266,780	20,621,941
Weighted Average Fully Diluted Shares and Units Outstanding (Used for Diluted DEPS)	508,717,884	554,396,559	507,355,193	553,876,276

“Dividend Paying Shares and Units” represents the number of shares and units outstanding at the end of the period which were entitled to receive dividends or related distributions. It is useful in computing the aggregate amount of cash required to make a current per share distribution of a given amount per share. It excludes certain potentially dilutive equity instruments, primarily non-dividend paying restricted Class A share units, and, therefore, is limited in its usefulness in computing per share amounts. Accordingly, Dividend Paying Shares and Units should be considered only as a supplement to GAAP basic and diluted shares outstanding. The Company’s calculation of Dividend Paying Shares and Units may be different from the calculation used by other companies and, therefore, comparability may be limited.

(1) Includes both fully vested and nonvested restricted Class A shares.

(2) Includes both fully vested and nonvested Fortress Operating Group RPU.

Appendix Slide #3

Reconciliation of GAAP Book Value Per Share to Net Cash and Investments Per Share (dollars and shares in thousands)

	As of June 30, 2013		As of December 31, 2012		As of June 30, 2012	
	GAAP Book Value	Net Cash and Investments	GAAP Book Value	Net Cash and Investments	GAAP Book Value	Net Cash and Investments
Cash and Cash equivalents	\$ 292,592	\$ 292,592	\$ 104,242	\$ 104,242	\$ 184,174	\$ 184,174
Investments	1,215,469	1,215,469	1,211,684	1,211,684	1,108,021	1,108,021
Investments in options ¹	98,298	-	38,077	-	28,009	-
Due from Affiliates	141,537	-	280,557	-	269,795	-
Deferred Tax Asset	377,285	-	402,135	-	378,100	-
Other Assets	143,196	-	124,798	-	104,106	-
Assets	2,268,377	1,508,061	2,161,493	1,315,926	2,072,205	1,292,195
Debt Obligations Payable	\$ 89,453	\$ 89,453	\$ 149,453	\$ 149,453	\$ 189,278	\$ 189,278
Accrued Compensation and Benefits	231,168	-	146,911	-	148,649	-
Due to Affiliates	361,753	-	357,407	-	329,754	-
Deferred Incentive Income	286,089	-	231,846	-	233,811	-
Other Liabilities	68,272	-	59,226	-	50,782	-
Liabilities	1,036,735	89,453	944,843	149,453	952,274	189,278
Net	\$ 1,231,642	\$ 1,418,608	\$ 1,216,650	\$ 1,166,473	\$ 1,119,931	\$ 1,102,917
	GAAP Basic Shares	Dividend Paying Shares and Units	GAAP Basic Shares	Dividend Paying Shares and Units	GAAP Basic Shares	Dividend Paying Shares and Units
Class A Shares	236,031	236,031	217,458	217,458	214,347	214,347
Restricted Class A Shares	933	933	828	828	828	828
Fortress Operating Group Units	249,534	249,534	249,535	249,535	300,274	300,274
Fully Vested Class A Shares - Dividend Paying	-	692	-	556	-	1,397
Nonvested Class A Shares - Dividend Paying	-	5,745	-	6,434	-	6,434
Fortress Operating Group RPU's	-	-	-	10,333	-	10,333
Shares Outstanding	486,498	492,935	467,821	485,144	515,449	533,613
Per Share	\$ 2.53	\$ 2.88	\$ 2.60	\$ 2.40	\$ 2.17	\$ 2.07

Fortress believes that Net Cash and Investments is a useful supplemental measure because it provides investors with information regarding Fortress's net investment assets. Net Cash and Investments excludes certain assets (due from affiliates, deferred tax asset, other assets) and liabilities (due to affiliates, accrued compensation and benefits, deferred incentive income and other liabilities), its utility as a measure of financial position is limited. Accordingly, Net Cash and Investments should be considered only as a supplement to GAAP Book Value as a measure of the Company's financial position. The Company's calculation of Net Cash and Investments may be different from the calculation used by other companies and, therefore, comparability may be limited.

- (1) The definition of net cash and investments has been modified to exclude investments in options. The value of options in equity method investees is included in our undistributed, unrecognized incentive income. This value represents incentive income that would have been recorded in Distributable Earnings if Fortress had exercised all of its in-the-money Newcastle and New Residential options and sold all of the resulting shares at their June 30, 2013 closing price. All prior periods have been recast to reflect this change.

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