

# Fortress Investment Group LLC

Earnings Supplement

Second Quarter 2016



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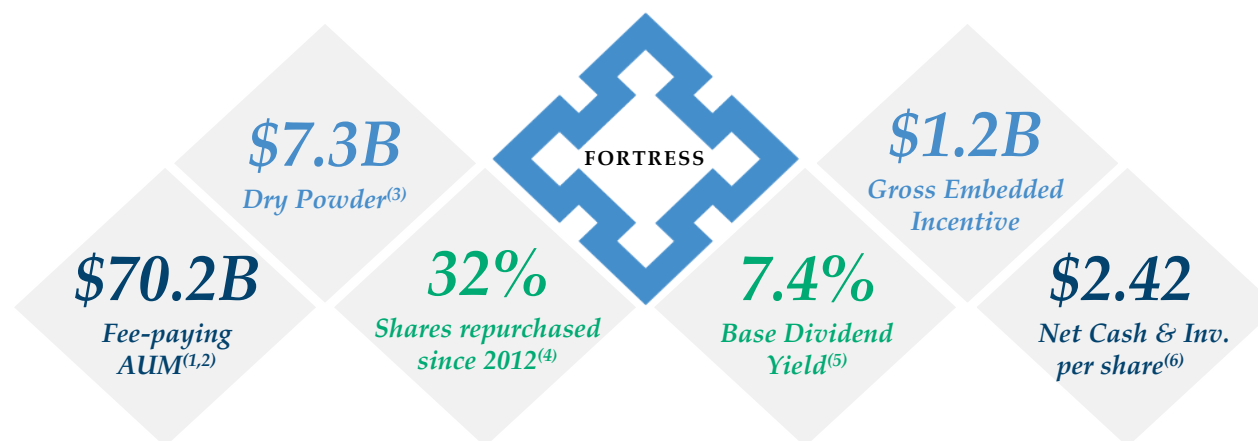
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**Non-GAAP Financial Data Information.** Distributable Earnings (“DE”) is the supplemental metric used by management to measure Fortress’s operating performance. DE is a measure that management uses to manage, and thus report on, Fortress’s segments. DE differs from GAAP net income in a number of material ways. For a detailed description of the calculation of pre-tax DE and fund management DE, see Appendix slide #3a. Fortress aggregates its segment results to report consolidated segment results, as shown in Slide 3. The consolidated segment results are non-GAAP financial information. Consolidated segment results should not be considered a substitute for Fortress’s consolidated GAAP results. See Appendix Slide #3 for reconciliations of the components of Fortress’s consolidated segment results to the comparable GAAP measures. Fortress also uses weighted average dividend paying shares and units outstanding (used to calculate pre-tax DE per dividend paying share) and net cash and investments. See Appendix Slide #4 for reconciliations of these measures to the comparable GAAP measures.

# Fortress Snapshot: 2Q 2016

*Fortress Investment Group LLC (NYSE: FIG) is a highly diversified, global investment manager with \$70.2 billion<sup>(1,2)</sup> of fee-paying AUM managed on behalf of over 1,750 investors worldwide*



Alternative Businesses				Traditional Fixed Income
<b>Credit &amp; Real Estate</b>	<b>Private Equity</b>	<b>Permanent Capital</b>	<b>Liquid Markets</b>	<b>Logan Circle</b>
Distressed assets and securities, special situations, real estate	Control-oriented equity investments	Six externally managed public companies	Trading in global markets; equity stake in Affiliated Managers	Actively managed, long-only fixed income
\$18.2bn <sup>(1)</sup> of AUM	\$6.6bn of AUM	\$6.6bn of AUM	\$4.6bn <sup>(2)</sup> of AUM	\$34.1bn of AUM

- (1) Includes \$2.1 billion of AUM related to co-managed funds and \$0.8 billion related to third party originated funds.
- (2) Includes \$4.1 billion of AUM related to Affiliated Managers.
- (3) Includes \$2.8 billion only available for follow-on investments, management fees and other fund expenses.
- (4) Based on 51.3 million shares repurchased in December 2012, 60.6 million shares repurchased in February 2014, 56.8 million shares repurchased in November 2015 and 4.8 million shares repurchased in March 2016.
- (5) Based on annualized base dividend of \$0.36 per share and FIG's stock price as of July 27, 2016.
- (6) Net Cash & Investments, which is a non-GAAP financial measure, means cash & cash equivalents plus investments less debt outstanding. For a reconciliation of GAAP Book Value to Net Cash & Investments see appendix slide #5.

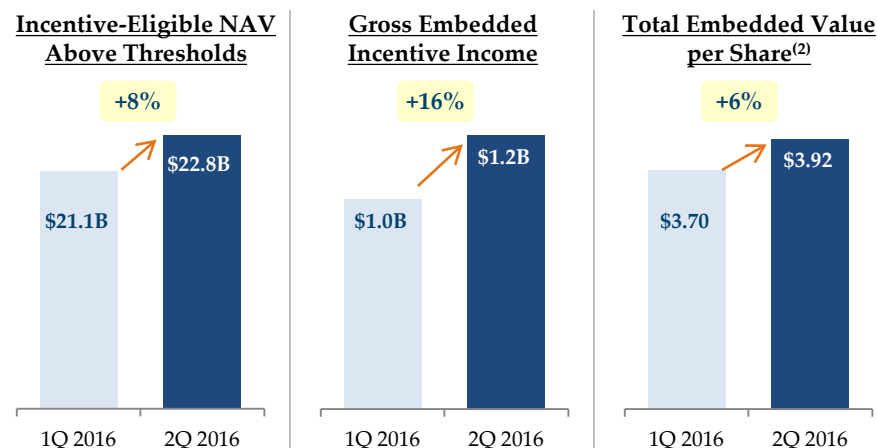
# 2Q 2016 Highlights

- **Strong financial performance**
  - Second quarter 2016 pre-tax distributable earnings (“DE”)<sup>(1)</sup> of **\$101 million, up 58% quarter-over-quarter**
  - **\$131 million** of gross incentive income in the quarter, including **\$85 million** from the Credit PE funds
- **Gross embedded incentive income up 16% quarter-over-quarter to \$1.2 billion on positive fund performance**
  - **\$879 million** across Credit PE funds and **\$62 million** across Credit Hedge funds
  - **\$209 million** across PE funds and **\$30 million** across Permanent Capital Vehicles
- **\$3.92 per share<sup>(2)</sup> of embedded value in funds and on balance sheet represents over 80% of current share price<sup>(3)</sup>**

## Quarter-over-Quarter Financial Results<sup>(4)</sup> (millions)

	2Q 2016	1Q 2016	QoQ Δ
Incentive Income	\$131	\$64	+105%
Segment Revenues	\$272	\$205	+33%
Pre-Tax DE <sup>(1)</sup>	\$101	\$64	+58%
Pre-Tax DE per share	\$0.26	\$0.16	+63%

## Embedded Value Points to Potential Earnings Growth



- (1) Pre-Tax Distributable Earnings is a non-GAAP financial measure described in Fortress's second quarter 2016 earnings release. For a reconciliation of GAAP Net Income to Pre-Tax Distributable Earnings, please see Appendix slide #3.
- (2) Reflects net cash & investments plus net unrecognized incentive income. Net Cash & Investments, which is a non-GAAP financial measure, means cash & cash equivalents plus investments less debt outstanding. For a reconciliation of GAAP Book Value to Net Cash & Investments see appendix slide #5. Net unrecognized incentive income based on gross unrecognized incentive income of \$1.2 billion as of June 30, 2016; assumes profit-sharing margin of 50% and 394 million dividend paying shares outstanding as of June 30, 2016.
- (3) Based on FIG's stock price as of July 27, 2016.
- (4) Fortress aggregates its segment results to report consolidated segment results. The consolidated segment results are non-GAAP financial information. Please see Appendix slide #3 for reconciliations of the components of consolidated segment results to the comparable GAAP measures.

# Strong Performance Across Key Metrics Not Yet Reflected in Valuation

*Financial performance and key operating metrics have improved dramatically since 2012*

(millions)	2Q 2016	YE 2012	% Change
Fee-Paying AUM <sup>(1)</sup>	\$70,195	\$53,430	+31% ↑
Permanent Capital AUM <sup>(2)</sup>	\$7,153	\$3,660	+95% ↑
Permanent Capital % of Alt. AUM	20%	11%	+79% ↑
Dry Powder	\$7,291	\$6,150	+19% ↑
LTM Management Fees <sup>(3)</sup>	\$581	\$479	+21% ↑
LTM Gross Incentive Income <sup>(3)</sup>	\$397	\$278	+43% ↑
Gross Unrecognized Incentive Income	\$1,183	\$649	+82% ↑
LTM Pre-Tax DE per share <sup>(4)</sup>	\$0.87	\$0.52	+67% ↑
Annualized Base Dividend per share	\$0.36	\$0.21	+71% ↑
Dividend Paying Shares Outstanding	394	485	-19% ↓
FIG Stock Price <sup>(5)</sup>	\$4.85	\$4.88	-1% ↓

(1) For 2Q 2016, includes \$2.1 billion of AUM related to co-managed funds, \$0.8 billion related to third party originated funds and \$4.1 billion of AUM related to Affiliated Managers.

(2) Includes \$6.6 billion related to the permanent capital vehicles and \$0.5 billion related to third party originated funds.

(3) Fortress aggregates its segment results to report consolidated segment results. The consolidated segment results are non-GAAP financial information. Please see Appendix slide #3 for reconciliations of the components of consolidated segment results to the comparable GAAP measures.

(4) Pre-Tax Distributable Earnings is a non-GAAP financial measure described in Fortress's second quarter 2016 earnings release. For a reconciliation of GAAP Net Income to Pre-Tax Distributable Earnings, please see Appendix slide #3.

(5) For 2Q 2016, reflects FIG's stock price as of July 27, 2016. For YE 2012 reflects FIG's stock price as of February 27, 2013, adjusted for dividends.

# Demonstrated Commitment to Delivering Lasting Value to Shareholders

*Dividend policy calls for distribution of substantially all after-tax earnings in any given year*

- Since 2012, completed three opportunistic share repurchases and one “Dutch Auction” self-tender offer, reducing overall share count by **~175 million shares, or 32% of shares outstanding**<sup>(1,2,3,4)</sup>
- Increased base quarterly dividend three times in last four years; **current base dividend up 80% compared to 2012**

## FIG Shareholder Distributions Since 2012

(per share)	FY 2012	FY 2013	FY 2014	FY 2015	1H 2016	Total Since 2012
<b>Base Quarterly Dividends</b>	\$0.21	\$0.26	\$0.32	\$0.32	\$0.18	\$1.29
<b>Top-up Dividends</b>	-	-	\$0.48	-	\$0.11	\$0.59
<b>Share Repurchases</b>	\$0.34 <sup>(1)</sup>	\$0.73 <sup>(2)</sup>	-	\$0.22 <sup>(3)</sup>	-	\$1.29
<b>Total</b>	<b>\$0.55</b>	<b>\$0.99</b>	<b>\$0.80</b>	<b>\$0.54</b>	<b>\$0.29</b>	<b>\$3.17</b>
<b>After-Tax DE<sup>(5)</sup></b>	\$0.48	\$0.80	\$0.80	\$0.70	\$0.34	\$3.12
<b>DE Payout %</b>	<b>115%</b>	<b>124%</b>	<b>100%</b>	<b>77%</b>	<b>85%</b>	<b>102%</b>

(1) Repurchased 51.3 million shares in December 2012 for a total purchase price of \$180 million. 536 million Class A and B shares outstanding at time of purchase.

(2) Repurchased 60.6 million shares from Nomura Investment Managers U.S.A. (“Nomura”) in February 2014 for a cash payment of \$363 million. 496 million Class A and B shares outstanding at time of purchase. Fortress also agreed to engage Nomura to provide certain financial advisory and financing services until February 2017. In connection with the agreement to engage Nomura to provide these services, Fortress estimated the fair value of the related liability to be approximately \$30 million, which has been recorded as a reduction to equity as part of the repurchase of Class A shares.

(3) Completed repurchase of 56.8 million shares in November 2015, funded with a \$100 million upfront cash payment and a \$156 million two-year promissory note. 453 million Class A and B shares outstanding at time of purchase.

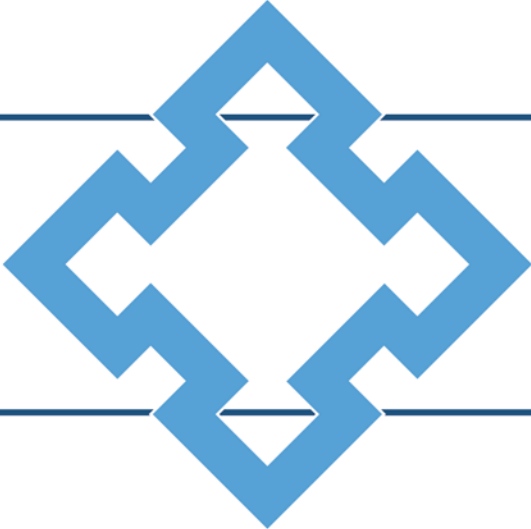
(4) In March 2016, completed a modified “Dutch auction” self-tender offer and purchased 4.8 million shares for an aggregate purchase price of \$23 million.

(5) Based on full year tax rate of 8%, 9%, 19% and 20% for FY 2012, FY 2013, FY 2014, and FY 2015, respectively. Assumes 20% tax rate for 1H 2016.

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# Segment Overview

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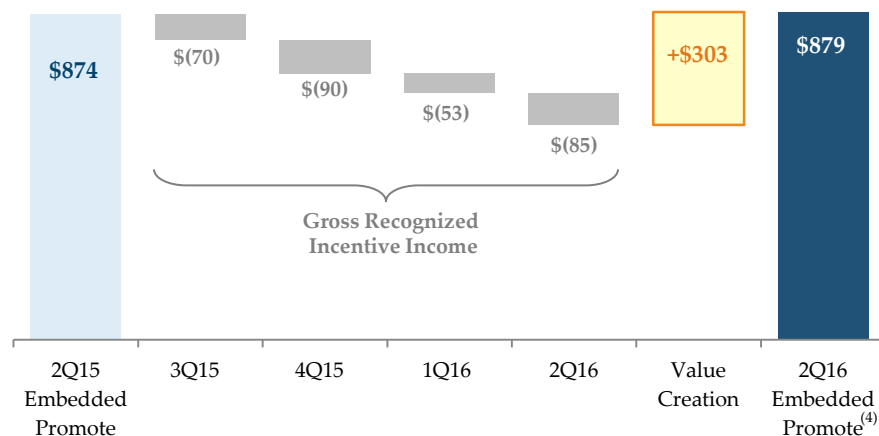


# Credit Private Equity Funds

- Second quarter pre-tax DE of \$47 million and LTM pre-tax DE of \$175 million
  - \$85 million of gross incentive income in the quarter and \$298 million in the LTM
  - FCO Fund Family annualized net returns since inception of 10% - 24%<sup>(1)</sup>
  - FJOF Family annualized net returns since inception of 25% - 33%<sup>(1)</sup>
- AUM up 12% year-over-year to \$9.2 billion, not including \$6.4 billion<sup>(2)</sup> of dry powder that will generate fees if invested
  - \$2.3 billion increase in net invested capital over the LTM
  - AUM up \$1.0 billion year-over-year despite returning \$1.9 billion of capital to LPs over the LTM
- Substantial embedded value yet to impact earnings
  - \$879 million of gross unrecognized incentive income, approx. 95% of which resides in funds out of their investment period

Financial Results (\$ millions)	2Q 2016	1Q 2016	2Q 2015	1H 2016	1H 2015
Segment Revenues	116	84	90	200	141
Expenses <sup>(3)</sup>	(76)	(59)	(61)	(135)	(106)
Fund Management DE	40	25	29	65	35
Net Investment Income	7	3	3	10	4
Pre-Tax DE	47	28	32	75	39
Fee-Paying AUM	9,243	9,353	8,247	9,243	8,247

## Credit PE Gross Embedded Promote Roll-Forward



(1) For additional investment performance disclosure please see Appendix slide #2.

(2) Includes \$2.7 billion of capital that is only available for follow-on investments, management fees and other fund expenses.

(3) Includes segment expenses and principal performance payments.

(4) Includes \$13 million of unrealized losses that would have reduced Distributable Earnings if Fortress had settled Japanese Yen foreign exchange derivative contracts used to economically hedge estimated future incentive income it had outstanding as of June 30, 2016.

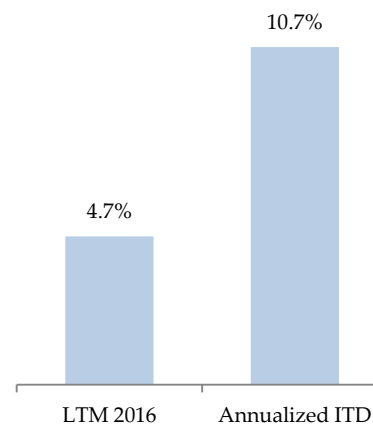


# Credit Hedge Funds

- Continue to extend track record of strong and consistent investment performance
  - 11% annualized inception-to-date net returns for DBSO LP (only one down year since fund's inception in 2002)
  - 29 out of the last 30 quarters where DBSO LP has generated positive net returns (including 2.8% net returns in 2Q 2016)
  - In June 2016, Fortress was named "Hybrid Hedge Fund Manager of the Year" by *Institutional Investor*
- AUM up 44% year-over year to \$9.0 billion<sup>(1)</sup>
  - AUM includes \$509 million of permanent equity for the JP Funds
  - Raised \$299 million of capital in 1H 2016, compared to \$275 million raised in FY 2015
- \$5.7 billion of incentive eligible NAV above incentive income thresholds at quarter end, up 30% compared to 1Q 2016

Financial Results (\$ millions)	2Q 2016	1Q 2016	2Q 2015	1H 2016	1H 2015
Segment Revenues	70	44	79	114	132
Expenses <sup>(2)</sup>	(45)	(30)	(43)	(75)	(75)
Fund Management DE	25	14	36	39	57
Net Investment Income	1	-	-	1	1
Pre-Tax DE	26	14	36	40	58
Fee-Paying AUM <sup>(1)</sup>	8,966	9,336	6,244	8,966	6,244

**DBSO LP Net Returns<sup>(3)</sup>**  
\$4.6B of AUM



Credit Hedge Funds	AUM
DBSO Funds	\$5.9bn
Co-Managed Funds	\$2.1bn
Third Party Originated Funds <sup>(4)</sup>	\$0.8bn
Japan Income Fund	\$0.1bn

(1) Includes \$2.1 billion of AUM related to co-managed funds and \$0.8 billion related to third party originated funds.

(2) Includes segment expenses and principal performance payments.

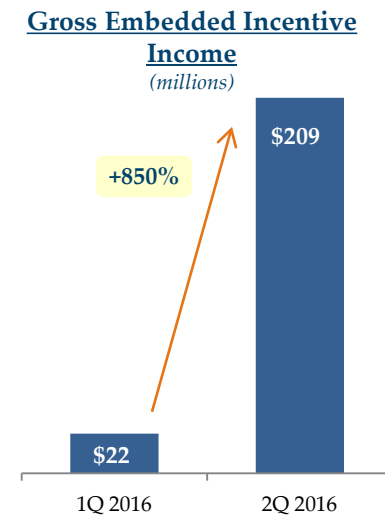
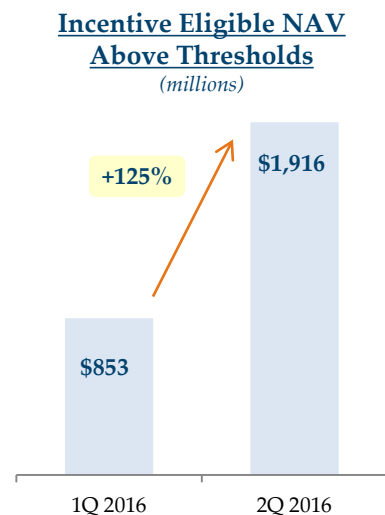
(3) For additional investment performance disclosure please see Appendix slide #2.

(4) Includes the JP Funds and Value Recovery Funds.

# Private Equity Funds

- PE Fund valuations increased 8% in the second quarter, primarily due to NAV appreciation of Fortress Equity Partners
  - Launched Fortress Equity Partners in 2014; currently valued at 6.7x invested capital<sup>(1)</sup>
  - Main PE Funds valued at 1.5x invested capital<sup>(1)</sup> at quarter end
  - \$209 million of gross embedded incentive income across PE funds, up from \$22 million in 1Q 2016
- Continued expectations for significant proceeds from increased balance sheet realization activity
  - Over \$300 million of net embedded gains that would be recognized in DE if PE investments were liquidated at 2Q 2016 values

Financial Results (\$ millions)	2Q 2016	1Q 2016	2Q 2015	1H 2016	1H 2015
Segment Revenues	26	26	29	52	58
Expenses <sup>(2)</sup>	(10)	(10)	(15)	(20)	(29)
Fund Management DE	16	16	14	32	29
Net Investment Income	1	(2)	-	(1)	-
Pre-Tax DE	17	14	14	31	29
Fee-Paying AUM	6,640	7,179	9,587	6,640	9,587



(1) For additional investment performance disclosure please see Appendix slide #2.

(2) Includes segment expenses and principal performance payments.

# Permanent Capital Vehicles

- Second quarter pre-tax DE of \$18 million and LTM pre-tax DE of \$66 million
  - \$14 million of gross incentive income in 2Q 2016, up from \$2 million in 1Q 2016
  - \$30 million of gross unrecognized incentive income as of 2Q 2016<sup>(1)</sup>
- \$6.6 billion of AUM across six publicly traded vehicles
  - AUM declined slightly in the quarter, primarily due to a €75 million share repurchase completed by Eurocastle in June 2016
- \$4.7 billion of incentive eligible NAV above incentive income thresholds at quarter end
  - NRZ, SNR, NEWM & ECT were at or above incentive income thresholds as of June 30, 2016

Financial Results (\$ millions)	2Q 2016	1Q 2016	2Q 2015	1H 2016	1H 2015
Segment Revenues	41	29	97	70	119
Expenses <sup>(2)</sup>	(24)	(21)	(36)	(45)	(54)
Fund Management DE	17	8	61	25	65
Net Investment Income	1	1	1	2	1
Pre-Tax DE	18	9	62	27	66
Fee-Paying AUM	6,644	6,773	6,948	6,644	6,948

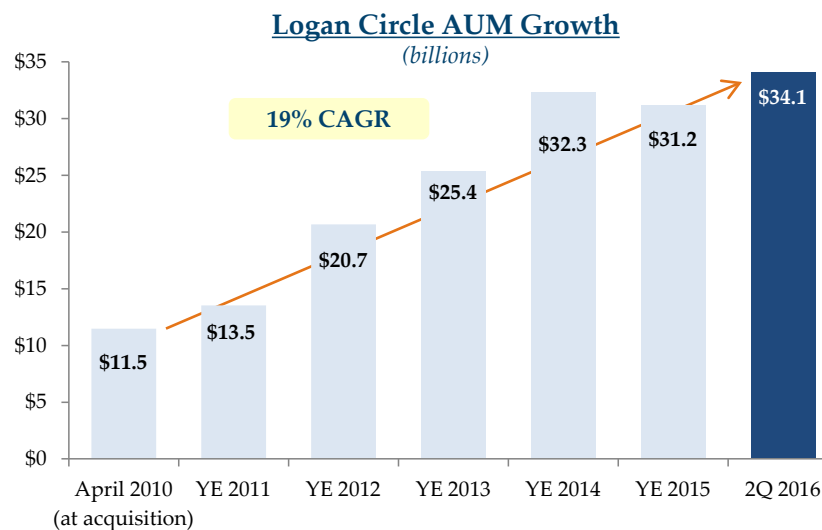
Permanent Capital Vehicle	Investment Focus	Market Cap <sup>(3)</sup>	Largest "Peer" Market Cap <sup>(3)</sup>	Addressable Market <sup>(4)</sup>
New Residential (NRZ)	Mortgage Servicing Related Investments	\$3.1bn	NLY: \$10.1bn	\$22tn
Newcastle (NCT)	Real Estate Debt & Golf Business	\$0.3bn	STWD: \$5.1bn	\$7tn
New Senior (SNR)	Healthcare REIT	\$1.0bn	HCN: \$27.6bn	\$300bn
New Media (NEWM)	Local Print & Digital Media	\$0.9bn	GCI: \$1.5bn	\$26bn
Eurocastle (ECT)	Italian NPLs	€0.4bn	IF: €1.0bn	\$205bn
Fortress Transportation & Infrastructure (FTAI)	Transportation & Infrastructure	\$0.9bn	KMI: \$45.2bn	\$3tn

- Represents incentive income that would have been recorded in DE if Fortress had (i) exercised all of its in-the-money options it holds in the Permanent Capital Vehicles and sold all of the resulting shares and (ii) sold all of its Permanent Capital Vehicle common shares which it received as incentive income, based on their June 30, 2016 closing price.
- Includes segment expenses and principal performance payments.
- Market cap based on stock prices as of July 27, 2016.
- Based on FIG estimates as of July 2016.

# Logan Circle

- Logan Circle currently manages **\$34.1 billion** of AUM across three core fixed income platforms:
  - High Grade – \$23.6 billion of AUM
  - Short Duration / Intermediate – \$6.2 billion of AUM
  - High Yield – \$4.3 billion of AUM
- All 16 Logan Circle strategies generated positive net returns in 2Q 2016
  - AUM increased 4% in the quarter, primarily due to **\$1.3 billion** of performance-related valuation gains
  - 14 out of 16 strategies outperformed respective benchmarks in the quarter
  - 15 of 16 Logan Circle strategies have outperformed since inception through 2Q 2016

Financial Results (\$ millions)	2Q 2016	1Q 2016	2Q 2015	1H 2016	1H 2015
Segment Revenues	14	14	14	28	27
Expenses	(13)	(13)	(14)	(26)	(28)
Fund Management DE	1	1	-	2	(1)
Net Investment Income	1	-	-	1	-
Pre-Tax DE	2	1	-	3	(1)
Fee-Paying AUM	34,080	32,801	33,564	34,080	33,564



# Liquid Markets

- **Two recent actions taken to rationalize an underperforming business**
  - In June 2016, transferred interests as general partner and investment manager of the Convex Asia Funds to a third party
  - Post quarter end, informed investors that Fortress will close the Fortress Centaurus Global Funds and expects to return most capital to investors by end of 2016
- **Convex Asia and Centaurus Global Funds generated a pre-tax DE loss of \$9 million in the first half of 2016**
  - Together, these strategies had \$0.4 billion of AUM, representing less than 1% of total Fortress AUM

Financial Results (\$ millions)	2Q 2016	1Q 2016	2Q 2015	1H 2016	1H 2015
Segment Revenues	5	8	18	13	40
Expenses <sup>(1)</sup>	(7)	(10)	(24)	(17)	(49)
Fund Management DE <sup>(2)</sup>	(1)	(1)	(7)	(2)	(1)
Net Investment Income	(5)	3	1	(2)	4
Pre-Tax DE	(6)	2	(6)	(4)	3
Fee-Paying AUM <sup>(3)</sup>	4,622	5,195	7,377	4,622	7,377

Liquid Hedge Fund	Investment Focus/Strategy	AUM
Affiliated Managers	▪ Asia Macro	\$4.1bn
Fortress Funds <sup>(4)</sup>	▪ Endowment-Style ▪ Global Macro	\$0.3bn

(1) Includes segment expenses.

(2) Includes \$1 million, \$1 million, \$(1) million, \$2 million and \$8 million of earnings from Affiliated Managers for 2Q 2016, 1Q 2016, 2Q 2015, 1H 2016 and 1H 2015, respectively.

(3) In January 2015, the Fortress Asia Macro Funds and related managed accounts transitioned to Graticule as part of Affiliated Managers. Affiliated Managers had \$4.1 billion of AUM as of 2Q 2016. For 2Q 2016, includes \$0.2 billion of AUM related to the Fortress Centaurus Global Funds. In July 2016, Fortress informed investors that it will close the Fortress Centaurus Global Funds and expects to return most capital to investors by the end of 2016.

(4) Includes Fortress Partners Funds and Drawbridge Global Macro Funds.

# Substantial Embedded Value on Balance Sheet Yet to Impact Earnings

*Intend to unlock and distribute underappreciated embedded value through balance sheet monetizations and distributions*

- Transition to **\$300 - \$500 million** “maintenance” balance sheet from current \$955 million size
- \$1.15 to \$1.65 per share<sup>(1)</sup>** of implied potential distributions (assuming no further appreciation)

## Balance Sheet: \$955 Million

(\$ millions)	Remaining Expected Life - by Fund Maturity			
	< 3 Years	> 3 Years	Other	Total
Cash & Cash Equivalents	279	-	-	279
Direct Equity/Other	-	-	20	20
PE Investments	547	7	-	554
Credit PE Investments	14	168	-	182
Hedge Fund Investments	9	-	154	163
Other Investments	6	-	11	17
<b>Total Cash &amp; Investments</b>	<b>855</b>	<b>175</b>	<b>185</b>	<b>1,215</b>
Less: Debt Outstanding	(261)	-	-	(261)
<b>Net Cash &amp; Investments<sup>(2)</sup></b>	<b>594</b>	<b>175</b>	<b>185</b>	<b>955</b>
<b>Per Share<sup>(1)</sup></b>	<b>\$1.51</b>	<b>\$0.44<sup>(1)</sup></b>	<b>\$0.47</b>	<b>\$2.42</b>

~50% of balance sheet value resides in our four largest PE investments: Florida<sup>(3)</sup>, OneMain, Holiday & Nationstar

## Potential Balance Sheet: \$0.3bn to \$0.5bn

(per share) <sup>(1)</sup>	Low	High
Current B/S	\$2.42	\$2.42
<b>Potential Future B/S</b>	<b>~\$0.76</b>	<b>~\$1.27</b>
<b>Potential Distribution</b>	<b>~\$1.65</b>	<b>~\$1.15</b>

(1) Based on 394 million dividend paying shares outstanding as of June 30, 2016.

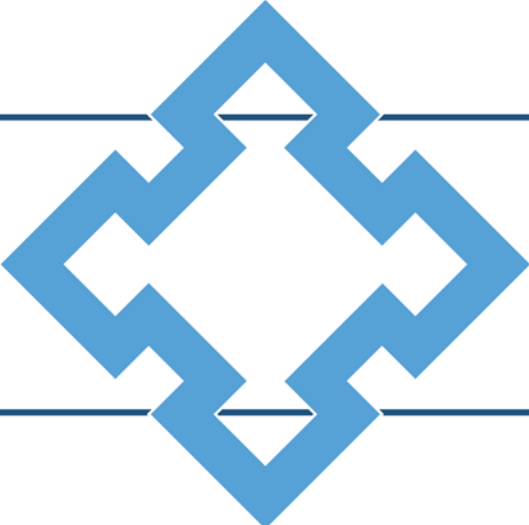
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(3) Florida includes Florida East Coast Railway and Florida East Coast Industries.

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# Appendix


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# Appendix Slide #1: Consolidated Results

Pre-tax DE of \$101 million, or \$0.26 per dividend paying share, for 2Q 2016

## Distributable Earnings (\$ millions)<sup>(1)</sup>

 FORTRESS	2Q 2016	1Q 2016	2Q 2015	1H 2016	1H 2015
Management Fees	141	141	144	282	283
Incentive Income	131	64	183	195	234
<b>Segment Revenues</b>	<b>272</b>	<b>205</b>	<b>327</b>	<b>477</b>	<b>517</b>
Operating Expenses	(106)	(109)	(121)	(215)	(236)
Profit Sharing Expenses	(58)	(31)	(54)	(89)	(84)
<b>Segment Expenses</b>	<b>(164)</b>	<b>(140)</b>	<b>(175)</b>	<b>(304)</b>	<b>(320)</b>
Earnings From Affiliated Managers	1	1	(1)	2	8
Principal Performance Payments	(11)	(3)	(18)	(14)	(21)
<b>Fund Management DE</b>	<b>98</b>	<b>63</b>	<b>133</b>	<b>161</b>	<b>184</b>
Net Investment Income	3	1	4	4	8
<b>Pre-Tax DE</b>	<b>101</b>	<b>64</b>	<b>137</b>	<b>165</b>	<b>192</b>
<b>per dividend paying share</b>	<b>\$0.26</b>	<b>\$0.16</b>	<b>\$0.30</b>	<b>\$0.42</b>	<b>\$0.42</b>

(1) Segment Revenues, Segment Expenses, Fund Management Distributable Earnings and Pre-Tax Distributable Earnings are non-GAAP financial measures described in Fortress's second quarter 2016 earnings release. The release is available in the "Public Shareholders" section of Fortress's website, [www.fortress.com](http://www.fortress.com). For a reconciliation of GAAP Revenues, GAAP Expenses and GAAP Net Income to Segment Revenues, Segment Expenses and Pre-Tax Distributable Earnings, please see Appendix slide #3.



## Appendix Slide #2

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### *Credit Hedge Funds*

Net returns are for Drawbridge Special Opportunities Fund LP only and exclude certain other funds, which may have returns that are materially lower than those presented herein. The performance data contained herein reflects 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 borne by the Fund and incentive allocations. The returns for the Drawbridge Special Opportunities Funds reflect the performance of each fund excluding special investments and the performance of the redeeming capital accounts.

### *Credit PE Funds*

Net returns are for Fortress Credit Opportunities Funds I, Credit Opportunities Fund II, Credit Opportunities Fund III, Japan Opportunity Fund, and Japan Opportunity Fund II (Yen) only and exclude certain other funds, which may have returns that are materially lower than those presented herein. 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 based on a hypothetical liquidation of the 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.

### *Private Equity Funds*

Gross 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. Main PE Fund multiples are for Fortress Investment Fund I, Fortress Investment Fund II, Fortress Investment Fund III, Fortress Investment Fund IV, and Fortress Investment Fund V only and exclude certain other funds, which may have multiples that are materially lower than those presented herein.

# Appendix Slide #3

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

	Three Months Ended				Full Year 2015	Three Months Ended		Six Months Ended June 30, 2016
	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015		March 31, 2016	June 30, 2016	
<b>GAAP Net Income (Loss)</b>	<b>\$ 87</b>	<b>\$ 5</b>	<b>\$ (26)</b>	<b>\$ 116</b>	<b>\$ 182</b>	<b>\$ (16)</b>	<b>\$ (27)</b>	<b>\$ (43)</b>
Principals' and Others' Interests in (Income) Loss of Consolidated Subsidiaries	(52)	(2)	12	(62)	(104)	7	13	20
Redeemable non-controlling interests in Income (Loss)	-	-	-	-	-	-	-	-
<b>GAAP Net Income (Loss) Attributable to Class A Shareholders</b>	<b>\$ 35</b>	<b>\$ 3</b>	<b>\$ (14)</b>	<b>\$ 54</b>	<b>\$ 78</b>	<b>\$ (9)</b>	<b>\$ (14)</b>	<b>\$ (23)</b>
Private Equity incentive income	3	19	21	(16)	27	23	73	96
Hedge Fund, PCV and Logan Circle incentive income	23	23	1	(47)	-	8	26	34
Incentive income received related to exercise of options	-	57	-	1	58	-	-	-
Reserve for clawback	-	-	-	-	-	-	-	-
Distributions of earnings from equity method investees	4	9	5	17	35	3	8	11
Losses (earnings) from equity method investees	(27)	33	23	17	46	24	8	32
Losses (gains) on options	(32)	9	27	2	6	2	(12)	(10)
Losses (gains) on other Investments	(1)	(5)	14	(1)	7	15	19	34
Impairment of investments	(3)	-	(1)	(2)	(6)	(2)	(1)	(3)
Adjust income from the receipt of options	(4)	(21)	-	-	(25)	-	-	-
Gain on transfer of Graticule	(134)	-	-	-	(134)	-	-	-
Amortization of intangible assets and impairment of goodwill	-	-	-	1	1	1	-	1
Employee, Principal and director compensation	20	6	2	5	33	3	2	5
Adjust non-controlling interests related to Fortress Operating Group units	52	1	(12)	62	103	(8)	(12)	(20)
Tax receivable agreement liability reduction	-	8	-	(2)	6	3	-	3
Adjust income taxes and other tax related items	18	(5)	3	39	55	1	4	5
Adjust transfer of interest in Graticule	101	-	-	-	101	-	-	-
<b>Pre-tax Distributable Earnings</b>	<b>\$ 55</b>	<b>\$ 137</b>	<b>\$ 69</b>	<b>\$ 130</b>	<b>\$ 391</b>	<b>\$ 64</b>	<b>\$ 101</b>	<b>\$ 165</b>
Investment Loss (income)	(5)	(4)	(3)	(19)	(31)	(4)	(6)	(10)
Interest Expense	1	-	1	2	4	3	3	6
<b>Fund Management DE</b>	<b>\$ 51</b>	<b>\$ 133</b>	<b>\$ 67</b>	<b>\$ 113</b>	<b>\$ 364</b>	<b>\$ 63</b>	<b>\$ 98</b>	<b>\$ 161</b>
<b>GAAP Revenues</b>	<b>\$ 227</b>	<b>\$ 308</b>	<b>\$ 264</b>	<b>\$ 415</b>	<b>\$ 1,214</b>	<b>\$ 232</b>	<b>\$ 232</b>	<b>\$ 464</b>
Adjust management fees	(1)	1	-	-	-	1	-	1
Adjust incentive income	27	100	22	(59)	90	31	100	131
Adjust income from the receipt of options	(4)	(21)	-	-	(25)	-	-	-
Other revenues	(59)	(61)	(65)	(76)	(261)	(59)	(60)	(119)
<b>Segment Revenues</b>	<b>\$ 190</b>	<b>\$ 327</b>	<b>\$ 221</b>	<b>\$ 280</b>	<b>\$ 1,018</b>	<b>\$ 205</b>	<b>\$ 272</b>	<b>\$ 477</b>
<b>GAAP Expenses</b>	<b>\$ 329</b>	<b>\$ 258</b>	<b>\$ 224</b>	<b>\$ 242</b>	<b>\$ 1,053</b>	<b>\$ 207</b>	<b>\$ 238</b>	<b>\$ 445</b>
Adjust interest expense	(1)	-	(1)	(2)	(4)	(3)	(3)	(6)
Adjust employee, Principal and director compensation	(18)	(2)	(1)	(5)	(26)	(2)	(1)	(3)
Adjust amortization of intangible assets and impairment of goodwill	-	-	-	(1)	(1)	(1)	-	(1)
Adjust expense reimbursements from affiliates and non-affiliates	(59)	(61)	(64)	(68)	(252)	(57)	(58)	(115)
Adjust Principal Performance Payments	(5)	(20)	(9)	(14)	(48)	(4)	(12)	(16)
Adjust transfer of interest in Graticule	(101)	-	-	-	(101)	-	-	-
<b>Segment Expenses</b>	<b>\$ 145</b>	<b>\$ 175</b>	<b>\$ 149</b>	<b>\$ 152</b>	<b>\$ 621</b>	<b>\$ 140</b>	<b>\$ 164</b>	<b>\$ 304</b>

## Appendix Slide #3A

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“Distributable earnings” is Fortress’s supplemental measure of operating performance used by management in analyzing segment and overall results. 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 in accordance with GAAP 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 10 to the financial statements included in the Company’s Annual Report on Form 10-Q for the quarter ended June 30, 2016.

Fortress’s management uses distributable earnings:

- 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;
- as a valuation measure in strategic analyses in connection with the performance of its funds and the performance of its employee; and
- to assist in evaluation of its periodic distributions to equity holders.

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. Fund management DE is comprised of “Pre-tax Distributable Earnings” excluding “Investment Income (Loss)” and “Interest Expense.” Fund management DE and its components are used by management to analyze and measure the performance of our investment management business on a stand-alone basis. Fortress defines segment operating margin to be equal to fund management DE divided by segment revenues. The Company believes that it is useful to provide investors with the opportunity to review our investment 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 #4

## 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,	
	2016	2015	2016	2015
<b>Weighted Average Class A Shares Outstanding (Used for Basic EPS)</b>	216,733,660	216,183,181	218,790,533	215,985,577
Weighted average fully vested restricted Class A share units with dividend equivalent rights	(291,469)	(3,717,045)	(984,000)	(5,464,698)
Weighted average restricted Class A shares	(810,882)	(780,497)	(790,155)	(810,412)
<b>Weighted Average Class A Shares Outstanding</b>	215,631,309	211,685,639	217,016,378	209,710,467
Weighted average restricted Class A shares <sup>1</sup>	810,882	780,497	790,155	810,412
Weighted average fully vested restricted Class A share units which are entitled to dividend equivalent payments	291,469	3,717,045	984,000	5,464,698
Weighted average unvested restricted Class A share units which are entitled to dividend equivalent payments	8,063,715	11,159,183	7,940,803	9,761,060
Weighted average Fortress Operating Group units	169,514,478	226,331,513	169,514,478	226,331,513
<b>Weighted Average Class A Shares Outstanding (Used for DEPS)</b>	394,311,853	453,673,877	396,245,814	452,078,150
Weighted average vested and unvested restricted Class A share units which are not entitled to dividend equivalent payments	9,344,273	13,416,141	9,050,075	12,564,428
<b>Weighted Average Fully Diluted Shares and Units Outstanding (Used for Diluted DEPS)</b>	403,656,126	467,090,018	405,295,889	464,642,578

“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. The Company believes it is useful for investors 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 and not an alternative 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 unvested restricted Class A shares.

# Appendix Slide #5

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

	As of June 30, 2016		As of December 31, 2015	
	GAAP Book Value	Net Cash and Investments	GAAP Book Value	Net Cash and Investments
Cash and Cash equivalents	\$ 278,937	\$ 278,937	\$ 339,842	\$ 339,842
Investments	936,530	936,530	1,055,789	1,055,789
Investments in options <sup>1</sup>	40,432	-	30,427	-
Due from Affiliates	178,837	-	273,811	-
Deferred Tax Asset, net	434,150	-	427,102	-
Other Assets	114,291	-	148,310	-
<b>Total Assets</b>	<b>1,983,177</b>	<b>1,215,467</b>	<b>2,275,281</b>	<b>1,395,631</b>
Debt Obligations Payable	\$ 260,677	\$ 260,677	\$ 230,677	\$ 230,677
Accrued Compensation and Benefits	184,642	-	318,750	-
Due to Affiliates	346,250	-	365,218	-
Deferred Incentive Income	366,983	-	332,329	-
Other Liabilities	98,269	-	86,503	-
<b>Total Liabilities</b>	<b>1,256,821</b>	<b>260,677</b>	<b>1,333,477</b>	<b>230,677</b>
<b>Net</b>	<b>\$ 726,356</b>	<b>\$ 954,790</b>	<b>\$ 941,804</b>	<b>\$ 1,164,954</b>
	<b>Shares Outstanding</b>	<b>Dividend Paying Shares and Units Outstanding</b>	<b>Shares Outstanding</b>	<b>Dividend Paying Shares and Units Outstanding</b>
Class A Shares	215,646	215,646	216,061	216,061
Restricted Class A Shares	887	887	729	729
Fortress Operating Group Units	169,514	169,514	169,515	169,515
Fully Vested Class A Shares - Dividend Paying	-	278	-	1,361
Unvested Class A Shares - Dividend Paying	-	8,064	-	9,175
<b>Shares Outstanding</b>	<b>386,047</b>	<b>394,389</b>	<b>386,305</b>	<b>396,841</b>
<b>Per Share</b>	<b>\$ 1.88</b>	<b>\$ 2.42</b>	<b>\$ 2.44</b>	<b>\$ 2.94</b>

Net cash and investments represents cash and cash equivalents plus investments less debt outstanding. The Company believes that net cash and investments is a useful supplemental measure because it provides investors with information regarding the Company's net investment assets. Net cash and investments excludes certain assets (investments in options, due from affiliates, deferred tax asset, other assets) and liabilities (due to affiliates, accrued compensation and benefits, deferred incentive income and other liabilities), and its utility as a measure of financial position is limited. Accordingly, net cash and investments should be considered only as a supplement and not an alternative 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 intrinsic value of options in equity method investees totaled \$26 million at year end and 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 options it holds in the permanent capital vehicles and sold all of the resulting shares at their June 30, 2016 closing price and differs from the fair value derived from option pricing models included in the table above.

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