

MESSAGE FROM THE CHAIRMAN

2012 was a year of tremendous momentum for Blackstone. The firm's leadership positions in diverse global markets and asset classes, along with strong performance across all of our businesses, led to our best year ever as a publicly traded entity.

Our accelerating progress, despite global economic weakness, political uncertainty and market dislocation, reflects the exceptional strengths of our business. We have built leading franchises in each of our asset classes and segments, while remaining entrepreneurial, nimble and responsive. Our investment process is rigorous and emphasizes collaboration and sharing of intellectual capital across our diverse businesses, allowing us to better identify opportunities that others may miss. We are also disciplined about assessing and managing risk. These strengths are reinforced by a culture that invests in talent and requires all team members to take responsibility for maintaining excellence and delivering on commitments.

Today, we operate a unique array of businesses that provide exceptional access to global opportunities, including:

- The world's largest private sector owner of real estate assets.
- The largest discretionary allocator to hedge funds.
- A private equity portfolio whose companies together produce \$120 billion of annual revenue, equivalent to that of a "Fortune 13" company.
- One of the world's largest credit platforms, and a major global investor in sub-investment grade debt.
- Financial advisory and restructuring advisory businesses that are renowned for their client-centric, strategic and results-oriented focus.

All of our businesses are scaled to provide powerful competitive advantages in their respective sectors, and all of them significantly outperformed market indices in the past year. Overall, revenues reached an all-time high of over \$4 billion. Economic net income (ENI) was up 30% to \$2 billion or \$1.77 per unit—our highest ENI since becoming a public company.

Distributable earnings surged 48% to over \$1 billion or \$0.85 per common unit. We announced an increase in our base quarterly distribution to \$0.12 per unit, up 20% from \$0.10 per unit. Any excess net cash available for distribution to common unit holders will also be distributed each quarter as earned, to provide cash earnings more quickly to our unit holders. In another indication of our financial strength, the A/A+ ratings on our corporate debt make Blackstone one of the most highly rated financial services companies.

Focused on Things That Matter

As always, we remained focused in 2012 on the things that matter for the long-term prosperity of our businesses—and for our ability to meet our commitments to those who depend on us to protect their investments.

Limited Partners continued to place their trust in us to preserve and protect their assets. Institutional investors are increasingly turning to alternative assets to provide the returns they require, and our history of consistent superior investment results gives them confidence in our ability to deliver those returns. In the past year, gross inflows across our businesses were \$47 billion. We completed fund-raising for vehicles such as our seventh global real estate fund, a debt strategies fund, a private equity energy fund, and our new Tactical Opportunities platform. Our BAAM hedge fund solutions business saw \$2.4 billion in net inflows at a time when the hedge fund sector has experienced outflows. Overall, assets under management (AUM) was a record \$210 billion at 2012 year-end, up 26% from the prior year.

Our ability to deploy our investors' capital in attractive investments also drives results that matter. At the end of 2012, we had substantial capital to deploy on behalf of our investors: \$35 billion, across multiple asset classes, market sectors and regions. In the past year we deployed or committed over \$18 billion in markets that offered exceptional value, such as real estate, private equity transactions, and a range of credit instruments including rescue funds, and mezzanine financing.

Creating and enhancing the value of our investments is another of the things that matter to Blackstone and our LPs. We returned \$18 billion to our investors in 2012, including such transactions as the sale of interests in TeamHealth and the IPO of PBF Energy. Our record of delivering outstanding returns over the long term derives from our hands-on approach: partnering with great management teams, applying our financial and intellectual capital to take companies to the next level, and then exiting our investments strategically. The Blackstone brand is a competitive advantage in our quest to create value, as companies, managements and potential partners seek us out because of the vast financial and intellectual capital and global perspective we bring to each opportunity.

Innovation also matters—providing new avenues of value creation for our investors. We have over \$70 billion of AUM in strategies and products that did not exist five years ago. One of our most exciting innovations is our Tactical Opportunities platform. “Tac Opps” allows us to draw upon our exceptional diversity of deal flow and handpick the best investment opportunities that do not neatly fit any of our other funds, but that nonetheless offer the potential for compelling risk-adjusted returns. And, because the “Tac Opps” investment committee includes the leaders of each of our businesses, as well as other members of their teams, it provides the perfect environment to cultivate the next generation of leadership for the firm. Other innovations include our first rescue lending fund, Capital Solutions, which builds on the opportunity to turn around viable, but financially challenged businesses. We launched the \$2.5 billion Blackstone Energy Partners, a dedicated private equity fund, to provide much needed capital to find and develop new energy resources. I also want to highlight our investment in Invitation Homes, a major effort to purchase, renovate and lease distressed single-family housing, which has invested \$3 billion to restore U.S. homes, provide shelter for families and rebuild neighborhoods.

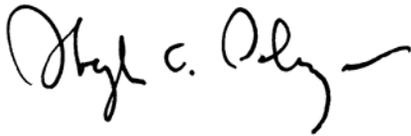
Our focus on innovation also includes the Blackstone Charitable Foundation's efforts to support entrepreneurship and job creation. For example, we are expanding the Blackstone LaunchPad entrepreneurship training platform to new regions in collaboration with local universities. We are

supporting innovative organizations to help them pilot, expand or replicate projects and programs that will catalyze the growth of successful businesses, industries and communities. In total, the Foundation contributed over \$4 million and Blackstone employees participated in nearly 4,800 hours of charitable and community-based volunteering in the past year.

Looking Ahead

As we look to 2013, we see a global business environment that poses continued challenges and uncertainties, but also exciting opportunities. Blackstone is in the strongest position in our history to seize these opportunities, with our entrepreneurial spirit, leadership position in diverse platforms, an exceptional team and rigorous investment process. These strengths will enable us to continue our consistent record of top-quartile performance for investors, reward unitholders with rising distributions and make a positive impact on local communities.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen A. Schwarzman", with a long horizontal flourish extending to the right.

Stephen A. Schwarzman
Chairman, Chief Executive Officer and Co-Founder