

Blackstone's Conversion to a Corporation

April 18, 2019

Transaction Overview

Blackstone announced conversion from a publicly traded partnership to a corporation

- ▶ Expected to be effective July 1, 2019

- ▶ Eliminates Schedule K-1
 - Existing unitholders will receive final K-1 for the period January 1, 2019 through June 30, 2019

- ▶ Post-conversion, shareholders will receive annual Form 1099-DIV
 - Dividends will be qualified for U.S. tax purposes

Blackstone's Conversion to a Corporation

We view BX as a must-own stock that will now be easier to own

- ▶ Blackstone is a category leader, with an exceptional business model and financial profile
- ▶ Despite our market-leading position, Blackstone's partnership structure has limited the market for our shares
- ▶ Conversion unlocks opportunity for equity value appreciation by removing ownership restrictions and meaningfully expanding global investor universe
- ▶ Significant potential benefit at relatively modest additional tax cost

Compelling step in evolution of BX as a public company

Blackstone's Conversion to a Corporation

Blackstone ranks #1 of the largest 150 U.S. public companies based on a composite of key metrics

Key Metrics	Blackstone	Median of Largest 150 U.S. Public Companies	Blackstone Ranking among the Largest 150 U.S. Public Companies
10Y Revenue CAGR	13%	5%	24 th
10Y Earnings CAGR	19%	9%	18 th
Pre-Tax Margin	54%	17%	5 th
LTM Dividend Yield	6.2%	1.9%	3 rd

Composite of Key Metrics

1st

For BX, Revenue and Earnings CAGRs from 2008 through 1Q'19 LTM; largest 150 U.S. Public Companies from 2008 through 2018. BX Revenue CAGR based on Total Segment Revenues, Earnings CAGR based on Distributable Earnings, Pre-Tax Margin is calculated by dividing Total Segment Distributable Earnings by Total Segment Revenues for 1Q'19 LTM. BX LTM dividend yield based on 3/31/19 closing price and LTM Cash Distributions to shareholders of \$2.15 per unit. Largest 150 U.S. Public Companies represent largest companies in the S&P500 by market capitalization as of 3/31/19; metrics calculated on a GAAP basis. Composite assumes 25% equal weighting for each of the above categories. Source: Capital IQ. See page 8 for the Reconciliation of GAAP to non-GAAP measures. See pages 10 and 11 for Definitions and Distribution Policy.

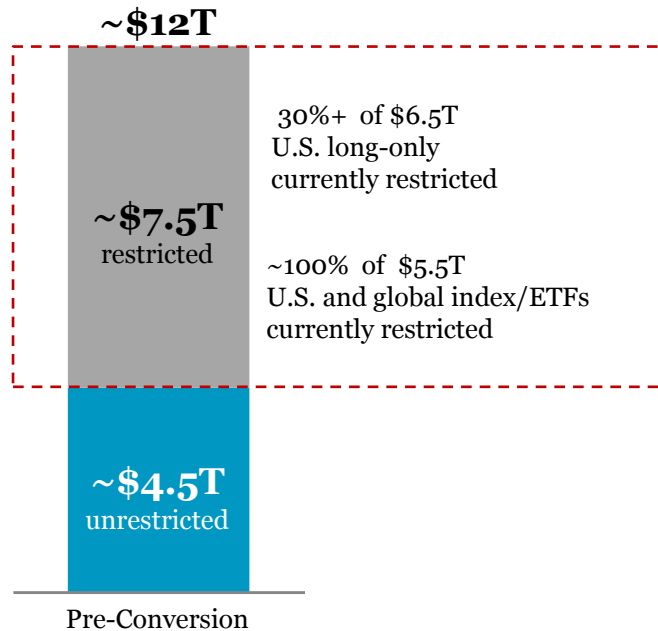
Blackstone's Conversion to a Corporation

Despite our market-leading position, Blackstone's partnership structure has limited the market for our shares

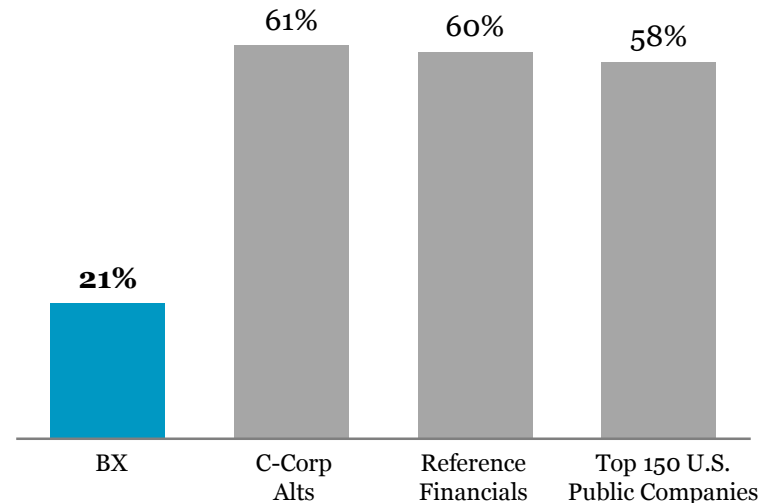
60%+ of U.S. long-only and index fund / ETF market restricted from owning partnerships...

...resulting in under-ownership of BX relative to peers and leading companies

U.S. Long-Only & Index/ETF Market



Ownership by U.S. Long-Only & Index/ETF Market (% of Float)

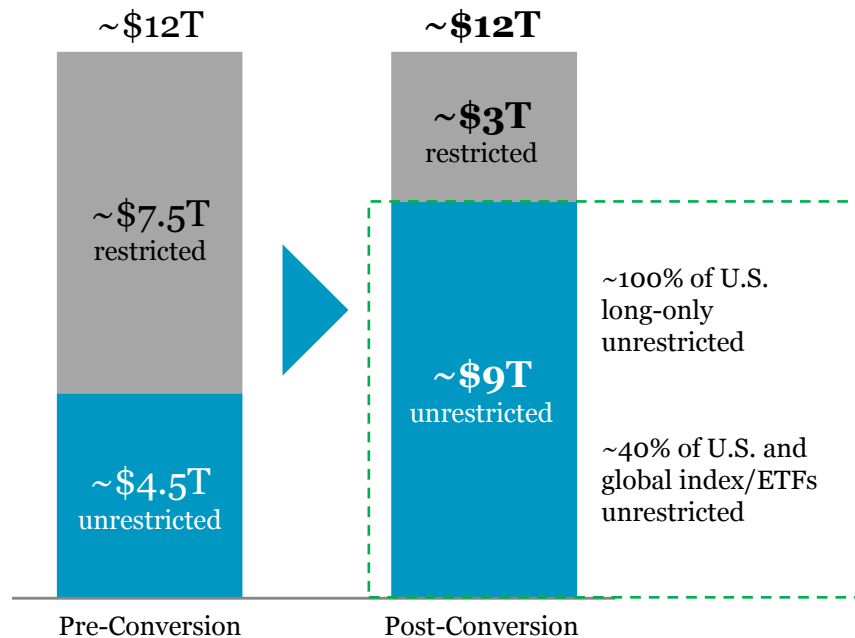


U.S. long-only & index/ETF market estimate of ~\$12 trillion includes the equity AUM of: (1) U.S.-domiciled actively managed platforms with a U.S. focus (primarily mutual funds; excludes hedge funds and brokers), estimated at \$6.5 trillion; and (2) index funds/ETFs with a U.S or global focus (excludes non-financial sector-specific funds), estimated at \$5.5 trillion. Does not include non-U.S. domiciled platforms. Percentage restricted and not restricted are Blackstone estimates. C-Corp Alts consist of ARES, KKR, HLNE. Reference Financials consist of BLK, JPM, GS, MS. Top 150 U.S. Public Companies represent largest companies in the S&P500 by market capitalization as of 3/31/19. Source: Ipreo, Bloomberg, Morningstar, Capital IQ, Blackstone estimates.

Blackstone's Conversion to a Corporation

Conversion unlocks opportunity for equity value appreciation by removing ownership restrictions and meaningfully expanding global investor universe

Unrestricted long-only and index/ETF market doubles to ~\$9 trillion



U.S. Long-Only & Index/ETF Market

- ✓ Removes restrictions for **long-only** market
 - Eliminates K-1; shareholders receive 1099
 - Eliminates ECI, UBTI and nonresident state-sourced income
- ✓ Removes restrictions for substantial portion of **index/ETF** market
 - Eligible for inclusion in CRSP, MSCI and Total Market indices

Blackstone's Conversion to a Corporation

Significant potential benefit at relatively modest additional tax cost

	Pro Forma 2018	Average Next 5 years	Longer Term
Estimated Annual Dilution to DE per Common Share	Negligible	~2-5%	~12-13%

Reconciliations and Disclosures

Reconciliation of GAAP to Non-GAAP Measures

(Dollars in Thousands)	2008	2Q'18	3Q'18	4Q'18	1Q'19	1Q'19 LTM	
Net Income (Loss) Attributable to The Blackstone Group L.P.	\$ (1,163,032)	\$ 742,042	\$ 442,742	\$ (10,868)	\$ 481,304	\$ 1,655,220	
Net Income Attributable to Non-Controlling Interests in Blackstone Holdings	(3,638,799)	678,952	360,576	5,253	402,260	1,447,041	
Net Income (Loss) Attributable to Non-Controlling Interests in Consolidated Entities	(159,828)	129,078	143,101	(68,800)	186,833	390,212	
Net Income (Loss) Attributable to Redeemable Non-Controlling Interest in Consolidated Entities	(632,495)	905	2,569	(4,303)	2,480	1,651	
Net Income (Loss)	\$ (5,594,154)	\$ 1,550,977	\$ 948,988	\$ (78,718)	\$ 1,072,877	\$ 3,494,124	
Provision for Taxes	(14,145)	138,731	26,798	29,366	41,155	236,050	
Income (Loss) Before Provision for Taxes	\$ (5,608,299)	\$ 1,689,708	\$ 975,786	\$ (49,352)	\$ 1,114,032	\$ 3,730,174	
Transaction-Related Charges (a)	3,332,721	(470,078)	79,242	76,431	89,451	(224,954)	
Amortization of Intangibles (b)	153,237	14,873	14,856	15,392	16,483	61,604	
Impact of Consolidation (c)	792,323	(129,983)	(145,670)	73,103	(189,313)	(391,863)	
Unrealized Performance Revenues (d)	1,286,262	(440,424)	(298,931)	806,531	(664,333)	(597,157)	
Unrealized Performance Allocations Compensation (e)	(207,714)	189,991	178,184	(302,868)	287,015	352,322	
Unrealized Principal Investment (Income) Loss (f)	691,934	(52,126)	(28,704)	160,659	(139,925)	(60,096)	
Other Revenues (g)	(13,595)	(94,416)	(9,092)	(46,854)	(13,189)	(163,551)	
Equity-Based Compensation (h)	64,288	34,394	36,576	43,102	66,776	180,848	
Taxes and Related Payables (i)	(43,457)	(41,797)	(32,963)	(54,063)	(29,039)	(157,862)	
Distributable Earnings	\$ 447,700	\$ 700,142	\$ 769,284	\$ 722,081	\$ 537,958	\$ 2,729,465	10Y CAGR 19%
Taxes and Related Payables (i)	43,457	41,797	32,963	54,063	29,039	157,862	
Net Interest (Income) Loss (j)	(9,023)	(2,842)	(9,013)	(11,923)	(5,061)	(28,839)	
Total Segment Distributable Earnings	\$ 482,134	\$ 739,097	\$ 793,234	\$ 764,221	\$ 561,936	\$ 2,858,488	
Total Segment Revenues Reconciliation							
Total GAAP Revenues	\$ (349,361)	\$ 2,632,570	\$ 1,926,580	\$ 504,978	\$ 2,024,871	\$ 7,088,999	
Less: Unrealized Performance Revenues (d)	1,286,262	(440,424)	(298,931)	806,531	(664,333)	(597,157)	
Less: Unrealized Principal Investment (Income) Loss (f)	691,934	(52,126)	(28,704)	160,659	(139,925)	(60,096)	
Less: Interest and Dividend Revenue (k)	(29,014)	(41,727)	(49,936)	(53,715)	(46,699)	(192,077)	
Less: Other Revenues (g)	(13,595)	(94,416)	(9,092)	(46,854)	(13,189)	(163,551)	
Impact of Consolidation (c)	(141,991)	(82,752)	(92,092)	962	(69,849)	(243,731)	
Amortization of Intangibles (b)	-	387	387	387	387	1,548	
Transaction-Related Charges (a)	36,575	(582,105)	(2,168)	(1,855)	1,468	(584,660)	
Intersegment Eliminations	12,684	1,293	1,253	2,082	1,787	6,415	
Total Segment Revenues	\$ 1,493,494	\$ 1,340,700	\$ 1,447,297	\$ 1,373,175	\$ 1,094,518	\$ 5,255,690	10Y CAGR 13%
					Pre-Tax Margin:	54%	

Notes on page 9. Effective January 1, 2018, Blackstone adopted new GAAP guidance on revenue recognition. Periods prior to 2013 have not been recast. The adoption of the new GAAP guidance on revenue recognition did not have an impact on Total Segment Revenues, Total Segment Distributable Earnings or Distributable Earnings.

Reconciliation of GAAP to Non-GAAP Measures – Notes

Note: See pages 10-11, Definitions and Distribution Policy.

- (a) This adjustment removes Transaction-Related Charges, which are excluded from Blackstone's segment presentation. Transaction-Related Charges arise from corporate actions including acquisitions, divestitures, and Blackstone's initial public offering. They consist primarily of equity-based compensation charges, gains and losses on contingent consideration arrangements, changes in the balance of the tax receivable agreement resulting from a change in tax law or similar event, transaction costs and any gains or losses associated with these corporate actions.
- (b) This adjustment removes the amortization of transaction-related intangibles, which are excluded from Blackstone's segment presentation. This amount includes amortization of intangibles associated with Blackstone's investment in Pátria, which is accounted for under the equity method.
- (c) This adjustment reverses the effect of consolidating Blackstone Funds, which are excluded from Blackstone's segment presentation. This adjustment includes the elimination of Blackstone's interest in these funds, the increase to revenue representing the reimbursement of certain expenses by Blackstone Funds, which are presented gross under GAAP but netted against Other Operating Expenses in the segment presentation, and the removal of amounts associated with the ownership of Blackstone consolidated operating partnerships held by non-controlling interests.
- (d) This adjustment removes Unrealized Performance Revenues on a segment basis.
- (e) This adjustment removes Unrealized Performance Allocations Compensation.
- (f) This adjustment removes Unrealized Principal Investment Income (Loss) on a segment basis.
- (g) This adjustment removes Other Revenues on a segment basis.
- (h) This adjustment removes Equity-Based Compensation on a segment basis.
- (i) Taxes represent the total GAAP tax provision adjusted to include only the current tax provision (benefit) calculated on Income (Loss) Before Provision for Taxes and adjusted to exclude the tax impact of any divestitures. Related Payables represent tax-related payables including the amount payable under the Tax Receivable Agreement.
- (j) This adjustment removes Interest and Dividend Revenue less Interest Expense on a segment basis.
- (k) This adjustment removes Interest and Dividend Revenue on a segment basis.

Definitions and Distribution Policy

Blackstone discloses the following operating metrics and financial measures that are calculated and presented on the basis of methodologies other than in accordance with generally accepted accounting principles in the United States of America (“non-GAAP”) in this presentation:

- **Segment Distributable Earnings**, or “**Segment DE**”, is Blackstone’s segment profitability measure used to make operating decisions and assess performance across Blackstone’s four segments. Segment DE represents the net realized earnings of Blackstone’s segments and is the sum of Fee Related Earnings and Net Realizations for each segment. Blackstone’s segments are presented on a basis that deconsolidates Blackstone Funds, eliminates non-controlling ownership interests in Blackstone’s consolidated Operating Partnerships, removes the amortization of intangible assets and removes Transaction-Related Charges. Segment DE excludes unrealized activity and is derived from and reconciled to, but not equivalent to, its most directly comparable GAAP measure of Income (Loss) Before Provision for Taxes.
 - **Net Realizations** is presented on a segment basis and is the sum of Realized Principal Investment Income and Realized Performance Revenues (which refers to Realized Performance Revenues excluding Fee Related Performance Revenues), less Realized Performance Compensation (which refers to Realized Performance Compensation excluding Fee Related Performance Compensation and Equity-Based Performance Compensation).
 - **Total Segment Revenues** represents Net Management and Advisory Fees, Fee Related Performance Revenues, Realized Performance Revenues and Realized Principal Investment Income.
- **Distributable Earnings**, or “**DE**”, is derived from Blackstone’s segment reported results, and is used to assess performance and amounts available for distributions to Blackstone unitholders, including Blackstone personnel and others who are limited partners of the Blackstone Holdings Partnerships. DE is the sum of Segment DE plus Net Interest Income (Loss) less Taxes and Related Payables. DE excludes unrealized activity and is derived from and reconciled to, but not equivalent to, its most directly comparable GAAP measure of Income (Loss) Before Provision for Taxes.
 - **Net Interest Income (Loss)** is presented on a segment basis and is equal to Interest and Dividend Revenue less Interest Expense, adjusted for the impact of consolidation of Blackstone Funds, and interest expense associated with the Tax Receivable Agreement.
 - **Taxes and Related Payables** represent the total GAAP tax provision adjusted to include only the current tax provision (benefit) calculated on Income (Loss) Before Provision for Taxes excluding the tax impact of any divestitures and including the Payable under the Tax Receivable Agreement.
- **Fee Related Earnings**, or “**FRE**”, is a performance measure used to assess Blackstone’s ability to generate profits from revenues that are measured and received on a recurring basis and not subject to future realization events. FRE equals management and advisory fees (net of management fee reductions and offsets) plus Fee Related Performance Revenues, less (a) Fee Related Compensation on a segment basis, and (b) Other Operating Expenses. FRE is derived from and reconciled to, but not equivalent to, its most directly comparable GAAP measure of Income (Loss) Before Provision for Taxes.
 - **Fee Related Compensation** is presented on a segment basis and refers to the compensation expense, excluding Equity-Based Compensation, directly related to Management and Advisory Fees, Net and Fee Related Performance Revenues.
 - **Fee Related Performance Revenues** refers to the realized portion of Performance Revenues from Perpetual Capital that are (a) measured and received on a recurring basis, and (b) not dependent on realization events from the underlying investments.
 - **Fee Related Performance Compensation** is included in Fee Related Compensation on a segment basis and refers to compensation expense directly related to Fee Related Performance Revenues.
 - **Perpetual Capital** refers to the component of assets under management with an indefinite term, that is not in liquidation, and for which there is no requirement to return capital to investors through redemption requests in the ordinary course of business, except where funded by new capital inflows. Includes co-investment capital with an investor right to convert into Perpetual Capital.

Definitions and Distribution Policy – Continued

- **Performance Revenues** collectively refers to: (a) Incentive Fees, and (b) Performance Allocations.
- **Performance Compensation** collectively refers to: (a) Incentive Fee Compensation, and (b) Performance Allocations Compensation.
- **Transaction-Related Charges** arise from corporate actions including acquisitions, divestitures, and Blackstone’s initial public offering. They consist primarily of equity-based compensation charges, gains and losses on contingent consideration arrangements, changes in the balance of the tax receivable agreement resulting from a change in tax law or similar event, transaction costs and any gains or losses associated with these corporate actions.
- **Compound Annual Growth Rate** or “**CAGR**” is the mean annual growth rate over a specified period of time longer than one year.
- **LTM Dividend Yield** is calculated using stock price as of March 31, 2019 and dividends paid during the trailing twelve months as of March 31, 2019.

Distribution Policy. Blackstone’s intention is to distribute quarterly to common unitholders approximately 85% of The Blackstone Group L.P.’s share of Distributable Earnings, subject to adjustment by amounts determined by Blackstone’s general partner to be necessary or appropriate to provide for the conduct of its business, to make appropriate investments in its business and funds, to comply with applicable law, any of its debt instruments or other agreements, or to provide for future cash requirements such as tax-related payments, clawback obligations and distributions to unitholders for any ensuing quarter. The amount to be distributed could also be adjusted upward in any one quarter. All of the foregoing is subject to the qualification that the declaration and payment of any distributions are at the sole discretion of Blackstone’s general partner and may change its distribution policy at any time, including, without limitation, to eliminate such distributions entirely.

Important Disclosures

Forward-Looking Statements. This presentation may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 which reflect Blackstone’s current views with respect to, among other things, Blackstone’s operations, financial performance and unit repurchase and distribution activities. You can identify these forward-looking statements by the use of words such as “outlook,” “indicator,” “believes,” “expects,” “potential,” “continues,” “may,” “will,” “should,” “seeks,” “approximately,” “predicts,” “intends,” “plans,” “estimates,” “anticipates” or the negative version of these words or other comparable words. Such forward-looking statements are subject to various risks and uncertainties. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. Blackstone believes these factors include but are not limited to those described under the section entitled “Risk Factors” in its Annual Report on Form 10-K for the fiscal year ended December 31, 2018, as such factors may be updated from time to time in its periodic filings with the Securities and Exchange Commission, which are accessible on the SEC’s website at www.sec.gov. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this release and in the filings. Blackstone undertakes no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

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