

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(Unaudited)

(In millions, except per share amounts)

	Three months ended		
	January 31, 2019	October 31, 2018	January 31, 2018
Net revenue ^(a)	\$ 7,553	\$ 7,946	\$ 7,674
Costs and expenses:			
Cost of sales	5,207	5,507	5,505
Research and development	466	440	389
Selling, general and administrative	1,211	1,237	1,218
Amortization of intangible assets	72	72	78
Impairment of goodwill	—	88	—
Restructuring charges	—	5	5
Transformation costs	78	(77)	245
Acquisition, disposition and other related charges	63	12	30
Separation costs	—	9	(24)
Total costs and expenses	7,097	7,293	7,446
Earnings from continuing operations	456	653	228
Interest and other, net	(51)	(111)	(21)
Tax indemnification adjustments ^(b)	219	(12)	(919)
Non-service net periodic benefit credit ^(c)	16	31	33
Earnings from equity interests	15	15	22
Earnings (loss) from continuing operations before taxes	655	576	(657)
(Provision) benefit for taxes ^(d)	(478)	(1,348)	2,139
Net earnings (loss) from continuing operations	177	(772)	1,482
Net earnings (loss) from discontinued operations	—	15	(46)
Net earnings (loss)	\$ 177	\$ (757)	\$ 1,436
Net earnings (loss) per share:			
Basic			
Continuing operations	\$ 0.13	\$ (0.53)	\$ 0.93
Discontinued operations	—	0.01	(0.03)
Total basic net earnings (loss) per share	\$ 0.13	\$ (0.52)	\$ 0.90
Diluted			
Continuing operations	\$ 0.13	\$ (0.53)	\$ 0.92
Discontinued operations	—	0.01	(0.03)
Total diluted net earnings (loss) per share	\$ 0.13	\$ (0.52)	\$ 0.89
Cash dividends declared per share	\$ 0.1125	\$ 0.1125	\$ 0.1500
Weighted-average shares used to compute net earnings (loss) per share:			
Basic	1,401	1,459	1,591
Diluted	1,412	1,459	1,619

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
ADJUSTMENTS TO GAAP NET EARNINGS, EARNINGS FROM OPERATIONS,
OPERATING MARGIN AND DILUTED NET EARNINGS PER SHARE

(Unaudited)

(In millions, except percentages and per share amounts)

	Three months ended January 31, 2019	Diluted net earnings per share	Three months ended October 31, 2018	Diluted net earnings per share	Three months ended January 31, 2018	Diluted net earnings per share
GAAP net earnings (loss) from continuing operations	\$ 177	\$ 0.13	\$ (772)	\$ (0.53)	\$ 1,482	\$ 0.92
Non-GAAP adjustments:						
Amortization of intangible assets	72	0.05	72	0.05	78	0.05
Impairment of goodwill	—	—	88	0.06	—	—
Restructuring charges ^(c)	—	—	5	—	5	—
Transformation costs ^(c)	78	0.06	(57)	(0.04)	245	0.15
Acquisition, disposition and other related charges	63	0.04	12	0.01	30	0.02
Separation costs ^(c)	—	—	9	0.01	(24)	(0.01)
Tax indemnification adjustments ^(b)	(219)	(0.16)	12	0.01	919	0.57
Non-service net periodic benefit credit ^(c)	(16)	(0.01)	(31)	(0.02)	(33)	(0.02)
Loss from equity interests ^(e)	38	0.03	38	0.03	37	0.02
Adjustments for taxes ^{(d)(f)}	397	0.28	1,257	0.85	(2,219)	(1.38)
Non-GAAP net earnings from continuing operations ^(c)	<u>\$ 590</u>	<u>\$ 0.42</u>	<u>\$ 633</u>	<u>\$ 0.43</u>	<u>\$ 520</u>	<u>\$ 0.32</u>
GAAP earnings from continuing operations	\$ 456		\$ 653		\$ 228	
Non-GAAP adjustments related to continuing operations:						
Amortization of intangible assets	72		72		78	
Impairment of goodwill	—		88		—	
Restructuring charges ^(c)	—		5		5	
Transformation costs ^(c)	78		(77)		245	
Acquisition, disposition and other related charges	63		12		30	
Separation costs ^(c)	—		9		(24)	
Non-GAAP earnings from continuing operations	<u>\$ 669</u>		<u>\$ 762</u>		<u>\$ 562</u>	
GAAP operating margin from continuing operations	6%		8%		3%	
Non-GAAP adjustments from continuing operations	3%		2%		4%	
Non-GAAP operating margin from continuing operations	<u>9%</u>		<u>10%</u>		<u>7%</u>	
GAAP net earnings (loss) from discontinued operations	\$ —	\$ —	\$ 15	\$ 0.01	\$ (46)	\$ (0.03)
Non-GAAP adjustments related to discontinued operations:						

Separation costs	—	—	—	—	51	0.03
Tax indemnification adjustments	—	—	(11)	(0.01)	(4)	—
Adjustments for taxes	—	—	(4)	—	(1)	—
Non-GAAP net earnings from discontinued operations	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Total GAAP net earnings (loss)	<u>\$ 177</u>	<u>\$ 0.13</u>	<u>\$ (757)</u>	<u>\$ (0.52)</u>	<u>\$ 1,436</u>	<u>\$ 0.89</u>
Total Non-GAAP net earnings	<u>\$ 590</u>	<u>\$ 0.42</u>	<u>\$ 633</u>	<u>\$ 0.43</u>	<u>\$ 520</u>	<u>\$ 0.32</u>

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In millions, except par value)

	As of	
	January 31, 2019	October 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,781	\$ 4,880
Accounts receivable	3,183	3,263
Financing receivables	3,487	3,396
Inventory	2,300	2,447
Assets held for sale	14	6
Other current assets ^(g)	2,667	3,280
Total current assets	15,432	17,272
Property, plant and equipment	6,141	6,138
Long-term financing receivables and other assets	9,438	11,359
Investments in equity interests	2,413	2,398
Goodwill and intangible assets	18,334	18,326
Total assets	\$ 51,758	\$ 55,493
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and short-term borrowings	\$ 2,073	\$ 2,005
Accounts payable	5,789	6,092
Employee compensation and benefits	1,142	1,412
Taxes on earnings	295	378
Deferred revenue	3,152	3,177
Accrued restructuring	239	294
Other accrued liabilities	3,769	3,840
Total current liabilities	16,459	17,198
Long-term debt	10,280	10,136
Other non-current liabilities	6,684	6,885
Stockholders' equity		
HPE stockholders' equity:		
Preferred stock, \$0.01 par value (300 shares authorized; none issued and outstanding at January 31, 2019)	—	—
Common stock, \$0.01 par value (9,600 shares authorized; 1,378 and 1,423 shares issued and outstanding at January 31, 2019 and October 31, 2018, respectively)	14	14
Additional paid-in capital	29,607	30,342
Accumulated deficit ⁽ⁱ⁾	(8,034)	(5,899)
Accumulated other comprehensive loss	(3,294)	(3,218)
Total HPE stockholders' equity	18,293	21,239
Non-controlling interests	42	35
Total stockholders' equity	18,335	21,274
Total liabilities and stockholders' equity	\$ 51,758	\$ 55,493

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In millions)

	Three Months Ended January 31,	
	2019	2018
Cash flows from operating activities:		
Net earnings	\$ 177	\$ 1,436
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	639	635
Stock-based compensation expense	75	103
Provision for doubtful accounts and inventory	42	41
Restructuring charges	33	174
Deferred taxes on earnings	370	(1,335)
Earnings from equity interests	(15)	(22)
Other, net	46	102
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	113	(34)
Financing receivables	(156)	(287)
Inventory	99	(146)
Accounts payable	(256)	(107)
Taxes on earnings	(107)	(1,009)
Restructuring	(110)	(226)
Other assets and liabilities	(568)	817
Net cash provided by operating activities	382	142
Cash flows from investing activities:		
Investment in property, plant and equipment	(729)	(669)
Proceeds from sale of property, plant and equipment	157	115
Purchases of available-for-sale securities and other investments	(5)	(3)
Maturities and sales of available-for-sale securities and other investments	1	—
Financial collateral posted	(245)	(738)
Financial collateral returned	281	164
Payments made in connection with business acquisitions, net of cash acquired	(76)	—
Net cash used in investing activities	(616)	(1,131)
Cash flows from financing activities:		
Short-term borrowings with original maturities less than 90 days, net	(12)	(3)
Proceeds from debt, net of issuance costs	389	270
Payment of debt	(334)	(253)
Net proceeds related to stock-based award activities	(17)	17
Repurchase of common stock	(814)	(742)
Net transfer of cash and cash equivalents to Everett	—	(28)
Net transfer of cash and cash equivalents to Seattle	—	(70)
Cash dividends paid	(157)	(120)
Net cash used in financing activities	(945)	(929)
Decrease in cash, cash equivalents and restricted cash ^(g)	(1,179)	(1,918)
Cash, cash equivalents and restricted cash at beginning of period ^(g)	5,084	9,592
Cash, cash equivalents and restricted cash at end of period ^(g)	\$ 3,905	\$ 7,674

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
SEGMENT INFORMATION
(Unaudited)
(In millions)

	Three months ended		
	January 31, 2019	October 31, 2018	January 31, 2018
Net revenue: ^{(a)(h)}			
Hybrid IT	\$ 5,970	\$ 6,338	\$ 6,158
Intelligent Edge	686	773	656
Financial Services	919	939	888
Corporate Investments	118	139	136
Total segment net revenue	7,693	8,189	7,838
Elimination of intersegment net revenue and other	(140)	(243)	(164)
Total Hewlett Packard Enterprise consolidated net revenue	<u>\$ 7,553</u>	<u>\$ 7,946</u>	<u>\$ 7,674</u>
Earnings from continuing operations before taxes: ^{(c)(h)}			
Hybrid IT	\$ 675	\$ 716	\$ 572
Intelligent Edge	9	86	34
Financial Services	77	71	71
Corporate Investments	(28)	(12)	(26)
Total segment earnings from operations ^{(c)(h)}	733	861	651
Unallocated corporate costs and eliminations ^(c)	(50)	(90)	(59)
Unallocated stock-based compensation expense	(14)	(9)	(30)
Amortization of intangible assets	(72)	(72)	(78)
Impairment of goodwill	—	(88)	—
Restructuring charges ^(c)	—	(5)	(5)
Transformation costs ^(c)	(78)	77	(245)
Acquisition, disposition and other related charges	(63)	(12)	(30)
Separation costs ^(c)	—	(9)	24
Interest and other, net	(51)	(111)	(21)
Tax indemnification adjustments ^(b)	219	(12)	(919)
Non-service net periodic benefit credit ^(c)	16	31	33
Earnings from equity interests	15	15	22
Total Hewlett Packard Enterprise consolidated earnings (loss) from continuing operations before taxes	<u>\$ 655</u>	<u>\$ 576</u>	<u>\$ (657)</u>

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
SEGMENT/BUSINESS UNIT INFORMATION
(Unaudited)
(In millions, except percentages)

	Three months ended			Change (%)	
	January 31, 2019	October 31, 2018	January 31, 2018	Q/Q	Y/Y
Net revenue: ^{(a)(b)}					
Hybrid IT					
Hybrid IT Product					
Compute	\$ 3,402	\$ 3,707	\$ 3,518	(8%)	(3%)
Storage	975	959	948	2%	3%
Total Hybrid IT Product	4,377	4,666	4,466	(6%)	(2%)
HPE Pointnext	1,593	1,672	1,692	(5%)	(6%)
Total Hybrid IT	5,970	6,338	6,158	(6%)	(3%)
Intelligent Edge					
HPE Aruba Product	597	685	582	(13%)	3%
HPE Aruba Services	89	88	74	1%	20%
Total Intelligent Edge	686	773	656	(11%)	5%
Financial Services	919	939	888	(2%)	3%
Corporate Investments	118	139	136	(15%)	(13%)
Total segment net revenue	7,693	8,189	7,838	(6%)	(2%)
Elimination of intersegment net revenue and other	(140)	(243)	(164)	(42%)	(15%)
Total Hewlett Packard Enterprise consolidated net revenue	<u>\$ 7,553</u>	<u>\$ 7,946</u>	<u>\$ 7,674</u>	(5%)	(2%)

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
SEGMENT OPERATING MARGIN SUMMARY DATA
(Unaudited)

	Three months ended	Change in Operating Margin (pts)	
	January 31, 2019	Q/Q	Y/Y
Segment operating margin: ^{(c)(h)}			
Hybrid IT	11.3 %	0 pts	2.0 pts
Intelligent Edge	1.3 %	(9.8) pts	(3.9) pts
Financial Services	8.4 %	0.8 pts	0.4 pts
Corporate Investments	(23.7)%	(15.1) pts	(4.6) pts
Total segment operating margin	9.5 %	(1.0) pts	1.2 pts

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
CALCULATION OF DILUTED NET EARNINGS (LOSS) PER SHARE
(Unaudited)
(In millions, except per share amounts)

	Three months ended		
	January 31, 2019	October 31, 2018	January 31, 2018
Numerator:			
GAAP net earnings (loss) from continuing operations	\$ 177	\$ (772)	\$ 1,482
GAAP net earnings (loss) from discontinued operations	\$ —	\$ 15	\$ (46)
Non-GAAP net earnings from continuing operations	\$ 590	\$ 633	\$ 520
Non-GAAP net earnings from discontinued operations	\$ —	\$ —	\$ —
Denominator:			
Weighted-average shares used to compute basic net earnings (loss) per share and diluted net earnings (loss) per share	1,401	1,459	1,591
Dilutive effect of employee stock plans ⁽ⁱ⁾	11	17	28
Weighted-average shares used to compute diluted net earnings (loss) per share	1,412	1,476	1,619
GAAP net earnings (loss) per share from continuing operations			
Basic	\$ 0.13	\$ (0.53)	\$ 0.93
Diluted ⁽ⁱ⁾	\$ 0.13	\$ (0.53)	\$ 0.92
GAAP net earnings (loss) per share from discontinued operations			
Basic	\$ —	\$ 0.01	\$ (0.03)
Diluted ⁽ⁱ⁾	\$ —	\$ 0.01	\$ (0.03)
Non-GAAP net earnings per share from continuing operations			
Basic	\$ 0.42	\$ 0.43	\$ 0.33
Diluted ^(k)	\$ 0.42	\$ 0.43	\$ 0.32
Non-GAAP net earnings per share from discontinued operations			
Basic	\$ —	\$ —	\$ —
Diluted	\$ —	\$ —	\$ —
Total Hewlett Packard Enterprise GAAP basic net earnings (loss) per share	\$ 0.13	\$ (0.52)	\$ 0.90
Total Hewlett Packard Enterprise GAAP diluted net earnings (loss) per share	\$ 0.13	\$ (0.52)	\$ 0.89
Total Hewlett Packard Enterprise Non-GAAP basic net earnings per share	\$ 0.42	\$ 0.43	\$ 0.33
Total Hewlett Packard Enterprise Non-GAAP diluted net earnings per share	\$ 0.42	\$ 0.43	\$ 0.32

(a) The Company adopted the new revenue recognition accounting standard (ASC 606) on a modified retrospective basis effective the first quarter of fiscal 2019. The results for the first quarter of fiscal 2019 are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported under the prior revenue recognition accounting standard (ASC 605).

(b) For the three months ended January 31, 2019, this amount primarily includes the effects of U.S. tax reform on tax attributes related to fiscal periods prior to the Separation with HP Inc.

For the three months ended January 31, 2018, this amount represents the settlement of certain pre-separation Hewlett-Packard Company income tax liabilities indemnified through the Tax Matters Agreement with HP Inc.

(c) Effective at the beginning of the first quarter of fiscal 2019, subsequent to the adoption of the accounting standards update for retirement benefits (Topic 715), the Company reclassified its non-service net periodic benefit credit from operating expense to other income and expense in its Condensed Consolidated Statements of Earnings. The Company reflected these changes retrospectively, by transferring the non-service net periodic benefit credit, a portion of which was previously allocated to the segments, and the remainder of which was reported within Unallocated corporate costs and eliminations, Transformation costs, Restructuring charges and Separation costs, to Non-service net periodic benefit credit as other income and expense for periods in fiscal 2018.

These changes had no impact on Hewlett Packard Enterprise's previously reported condensed consolidated GAAP net earnings or GAAP net earnings per share.

(d) For the three months ended January 31, 2019 and October 31, 2018, these amounts primarily include \$419 million and \$1.3 billion of tax expense, respectively, as a result of the impact of U.S. tax reform.

For the three months ended January 31, 2018 the amount primarily included \$920 million of income tax benefits for the effects of the settlement of certain pre-Separation Hewlett-Packard Company income tax liabilities, \$806 million of net income tax benefits for impacts related to U.S. tax reform, \$203 million of income tax benefits related to the liquidation of an insolvent non-U.S. subsidiary, \$244 million of income tax benefits from foreign tax credits and from the release of certain non-U.S. valuation allowances on deferred tax assets and liabilities established in connection with the Everett Transaction following changes in foreign tax laws.

(e) Represents the amortization of basis difference adjustments related to the H3C divestiture.

(f) Effective the first quarter of fiscal 2019, the Company uses a structural tax rate based on long-term non-GAAP financial projections.

(g) The Company adopted the guidance for the classification and presentation of restricted cash in the statement of cash flows in the first quarter of fiscal 2019, beginning November 1, 2018, using the retrospective method. As a result of the adoption of this accounting standard update, as of January 31, 2019 and October 31, 2018, the restricted cash balance, included in cash, cash equivalents and restricted cash as disclosed in the Statement of Cash Flows above, was \$124 million and \$204 million respectively, which was included in Other current assets in the Condensed Consolidated Balance Sheets.

(h) Effective at the beginning of the first quarter of fiscal 2019, the Company implemented organizational changes to align its segment financial reporting more closely with its current business structure. These organizational changes primarily include: (i) the transfer of the data center networking ("DC Networking") business, which was previously reported within the Hybrid IT Product business unit in the Hybrid IT segment, to the HPE Aruba Product and HPE Aruba Services business units within the Intelligent Edge segment; (ii) the transfer of the edge compute business, which was previously reported within the HPE Aruba Product business unit in the Intelligent Edge segment, to the Hybrid IT Product business unit within the Hybrid IT segment; and (iii) the transfer of the Communications and Media Solutions ("CMS") business, which was previously reported within the HPE Pointnext business unit in the Hybrid IT segment, to the Corporate Investments segment.

The Company reflected these changes to its segment information retrospectively to the earliest period presented, which primarily resulted in the transfer of net revenue and operating profit for each of the businesses as described above.

These changes had no impact on Hewlett Packard Enterprise's previously reported consolidated net revenue, earnings from operations, net earnings or net earnings per share.

- (i) The Company adopted the accounting standard update for income taxes related to intra-entity transfers of assets other than inventory, using the modified retrospective method. As a result, the Company recognized \$2.3 billion of income taxes as an adjustment to retained earnings in the first quarter of fiscal 2019.
- (j) GAAP diluted net earnings per share reflects any dilutive effect of restricted stock awards, stock options and performance-based awards, but the effect is excluded when calculating GAAP diluted net loss per share when it would be anti-dilutive.
- (k) Non-GAAP diluted net earnings per share reflects any dilutive effect of restricted stock awards, stock options and performance-based awards.