

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(Unaudited)

(In millions, except per share amounts)

| | Three months ended | | |
|---|---------------------|---------------------|---------------------|
| | January 31, 2020 | October 31, 2019 | January 31, 2019 |
| Net revenue | \$ 6,949 | \$ 7,215 | \$ 7,553 |
| Costs and expenses: | | | |
| Cost of sales | 4,667 | 4,822 | 5,207 |
| Research and development | 485 | 438 | 466 |
| Selling, general and administrative | 1,218 | 1,229 | 1,211 |
| Amortization of intangible assets | 120 | 68 | 72 |
| Transformation costs | 89 | 151 | 78 |
| Acquisition, disposition and other related charges | 22 | 47 | 63 |
| Total costs and expenses | <u>6,601</u> | <u>6,755</u> | <u>7,097</u> |
| Earnings from operations | 348 | 460 | 456 |
| Interest and other, net | (19) | (38) | (51) |
| Tax indemnification adjustments ^(a) | (21) | 288 | 219 |
| Non-service net periodic benefit credit | 37 | 14 | 16 |
| Earnings (loss) from equity interests | 33 | (1) | 15 |
| Earnings before taxes | <u>378</u> | <u>723</u> | <u>655</u> |
| Provision for taxes ^(b) | (45) | (243) | (478) |
| Net earnings | <u>\$ 333</u> | <u>\$ 480</u> | <u>\$ 177</u> |
| Net earnings per share: | | | |
| Basic | \$ 0.26 | \$ 0.37 | \$ 0.13 |
| Diluted | \$ 0.25 | \$ 0.36 | \$ 0.13 |
| Cash dividends declared per share | \$ 0.1200 | \$ 0.1200 | \$ 0.1125 |
| Weighted-average shares used to compute net earnings per share: | | | |
| Basic | 1,300 | 1,308 | 1,401 |
| Diluted | 1,315 | 1,323 | 1,412 |

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, 2020 | Diluted net earnings per share | Three months ended October 31, 2019 | Diluted net earnings per share | Three months ended January 31, 2019 | Diluted net earnings per share |
|--|--|--------------------------------------|--|--------------------------------------|--|--------------------------------------|
| GAAP net earnings | \$ 333 | \$ 0.25 | \$ 480 | \$ 0.36 | \$ 177 | \$ 0.13 |
| Non-GAAP adjustments: | | | | | | |
| Amortization of initial direct costs | 3 | — | — | — | — | — |
| Amortization of intangible assets | 120 | 0.09 | 68 | 0.05 | 72 | 0.05 |
| Transformation costs | 89 | 0.07 | 151 | 0.11 | 78 | 0.06 |
| Acquisition, disposition and other related charges | 42 | 0.03 | 54 | 0.04 | 63 | 0.04 |
| Tax indemnification adjustments ^(a) | 21 | 0.02 | (288) | (0.22) | (219) | (0.16) |
| Non-service net periodic benefit credit | (37) | (0.03) | (14) | (0.01) | (16) | (0.01) |
| Loss from equity interests ^(c) | 37 | 0.03 | 38 | 0.03 | 38 | 0.03 |
| Adjustments for taxes ^{(b)(d)} | (33) | (0.02) | 155 | 0.13 | 397 | 0.28 |
| Non-GAAP net earnings | <u>\$ 575</u> | <u>\$ 0.44</u> | <u>\$ 644</u> | <u>\$ 0.49</u> | <u>\$ 590</u> | <u>\$ 0.42</u> |
| GAAP earnings from operations | \$ 348 | | \$ 460 | | \$ 456 | |
| Non-GAAP adjustments | | | | | | |
| Amortization of initial direct costs | 3 | | — | | — | |
| Amortization of intangible assets | 120 | | 68 | | 72 | |
| Transformation costs | 89 | | 151 | | 78 | |
| Acquisition, disposition and other related charges | 42 | | 54 | | 63 | |
| Non-GAAP earnings from operations | <u>\$ 602</u> | | <u>\$ 733</u> | | <u>\$ 669</u> | |
| GAAP operating margin | 5% | | 6% | | 6% | |
| Non-GAAP adjustments | 4% | | 4% | | 3% | |
| Non-GAAP operating margin | <u>9%</u> | | <u>10%</u> | | <u>9%</u> | |

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

| | As of | |
|--|------------------|------------------|
| | January 31, 2020 | October 31, 2019 |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 3,171 | \$ 3,753 |
| Accounts receivable, net of allowance for doubtful accounts | 2,864 | 2,957 |
| Financing receivables, net of allowance for doubtful accounts | 3,591 | 3,572 |
| Inventory | 2,560 | 2,387 |
| Assets held for sale | 12 | 46 |
| Other current assets | 2,553 | 2,428 |
| Total current assets | 14,751 | 15,143 |
| Property, plant and equipment | 5,711 | 6,054 |
| Long-term financing receivables and other assets ^(e) | 10,179 | 8,918 |
| Investments in equity interests | 2,290 | 2,254 |
| Goodwill and intangible assets | 19,313 | 19,434 |
| Total assets | \$ 52,244 | \$ 51,803 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Notes payable and short-term borrowings | \$ 4,510 | \$ 4,425 |
| Accounts payable | 5,332 | 5,595 |
| Employee compensation and benefits | 1,009 | 1,522 |
| Taxes on earnings | 173 | 186 |
| Deferred revenue | 3,267 | 3,234 |
| Accrued restructuring | 184 | 195 |
| Other accrued liabilities ^(e) | 4,279 | 4,002 |
| Total current liabilities | 18,754 | 19,159 |
| Long-term debt | 9,362 | 9,395 |
| Other non-current liabilities ^(e) | 6,885 | 6,100 |
| Stockholders' equity | | |
| HPE stockholders' equity: | | |
| Preferred stock, \$0.01 par value (300 shares authorized; none issued) | — | — |
| Common stock, \$0.01 par value (9,600 shares authorized; 1,293 and 1,294 shares issued and outstanding at January 31, 2020 and October 31, 2019, respectively) | 13 | 13 |
| Additional paid-in capital | 28,287 | 28,444 |
| Accumulated deficit ^(f) | (7,411) | (7,632) |
| Accumulated other comprehensive loss ^(f) | (3,700) | (3,727) |
| Total HPE stockholders' equity | 17,189 | 17,098 |
| Non-controlling interests | 54 | 51 |
| Total stockholders' equity | 17,243 | 17,149 |
| Total liabilities and stockholders' equity | \$ 52,244 | \$ 51,803 |

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

| | Three months ended January 31, 2020 | Three months ended January 31, 2019 |
|---|--|--|
| Cash flows from operating activities: | | |
| Net earnings | \$ 333 | \$ 177 |
| Adjustments to reconcile net earnings to net cash (used in) provided by operating activities: | | |
| Depreciation and amortization | 690 | 639 |
| Stock-based compensation expense | 93 | 75 |
| Provision for doubtful accounts and inventory | 41 | 42 |
| Restructuring charges | 84 | 33 |
| Deferred taxes on earnings | (28) | 370 |
| Earnings from equity interests | (33) | (15) |
| Other, net | (36) | 46 |
| Changes in operating assets and liabilities, net of acquisitions: | | |
| Accounts receivable | 82 | 113 |
| Financing receivables | (104) | (156) |
| Inventory | (204) | 99 |
| Accounts payable | (250) | (256) |
| Taxes on earnings | (27) | (107) |
| Restructuring | (87) | (110) |
| Other assets and liabilities | (633) | (568) |
| Net cash (used in) provided by operating activities | <u>(79)</u> | <u>382</u> |
| Cash flows from investing activities: | | |
| Investment in property, plant and equipment | (568) | (729) |
| Proceeds from sale of property, plant and equipment | 462 | 157 |
| Purchases of available-for-sale securities and other investments | (59) | (5) |
| Maturities and sales of available-for-sale securities and other investments | 8 | 1 |
| Financial collateral posted | (48) | (245) |
| Financial collateral returned | 147 | 281 |
| Payments made in connection with business acquisitions, net of cash acquired | (6) | (76) |
| Net cash used in investing activities | <u>(64)</u> | <u>(616)</u> |
| Cash flows from financing activities: | | |
| Short-term borrowings with original maturities less than 90 days, net | 127 | (12) |
| Proceeds from debt, net of issuance costs | 340 | 389 |
| Payment of debt | (450) | (334) |
| Net proceeds related to stock-based award activities | (43) | (17) |
| Repurchase of common stock | (204) | (814) |
| Contributions from non-controlling interests | 1 | — |
| Cash dividends paid | (156) | (157) |
| Net cash used in financing activities | <u>(385)</u> | <u>(945)</u> |
| Decrease in cash, cash equivalents and restricted cash | (528) | (1,179) |
| Cash, cash equivalents and restricted cash at beginning of period | 4,076 | 5,084 |
| Cash, cash equivalents and restricted cash at end of period | <u>\$ 3,548</u> | <u>\$ 3,905</u> |

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

| | Three months ended | | |
|---|---------------------|---------------------|---------------------|
| | January 31, 2020 | October 31, 2019 | January 31, 2019 |
| Net revenue: ^(g) | | | |
| Compute | \$ 3,011 | \$ 3,349 | \$ 3,575 |
| HPC & MCS | 823 | 777 | 779 |
| Storage | 1,250 | 1,256 | 1,356 |
| A & PS | 243 | 269 | 241 |
| Intelligent Edge | 720 | 742 | 705 |
| Financial Services | 859 | 878 | 919 |
| Corporate Investments | 121 | 134 | 118 |
| Total segment net revenue | <u>7,027</u> | <u>7,405</u> | <u>7,693</u> |
| Elimination of intersegment net revenue and other | (78) | (190) | (140) |
| Total Hewlett Packard Enterprise consolidated net revenue | <u>\$ 6,949</u> | <u>\$ 7,215</u> | <u>\$ 7,553</u> |
| Earnings before taxes: ^(g) | | | |
| Compute | \$ 286 | \$ 464 | \$ 340 |
| HPC & MCS | 49 | 79 | 98 |
| Storage | 226 | 219 | 254 |
| A & PS | (2) | 1 | (32) |
| Intelligent Edge | 70 | 46 | 24 |
| Financial Services | 73 | 74 | 77 |
| Corporate Investments | (27) | (26) | (28) |
| Total segment earnings from operations | <u>675</u> | <u>857</u> | <u>733</u> |
| Unallocated corporate costs and eliminations | (52) | (107) | (50) |
| Unallocated stock-based compensation expense | (21) | (17) | (14) |
| Amortization of initial direct costs | (3) | — | — |
| Amortization of intangible assets | (120) | (68) | (72) |
| Transformation costs | (89) | (151) | (78) |
| Acquisition, disposition and other related charges | (42) | (54) | (63) |
| Interest and other, net | (19) | (38) | (51) |
| Tax indemnification adjustments ^(a) | (21) | 288 | 219 |
| Non-service net periodic benefit credit | 37 | 14 | 16 |
| Earnings (loss) from equity interests | 33 | (1) | 15 |
| Total Hewlett Packard Enterprise consolidated earnings before taxes | <u>\$ 378</u> | <u>\$ 723</u> | <u>\$ 655</u> |

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

| | Three months ended | | | Change (%) | |
|---|---------------------|---------------------|---------------------|------------|-------|
| | January 31, 2020 | October 31, 2019 | January 31, 2019 | Q/Q | Y/Y |
| Net revenue: ^(g) | | | | | |
| Compute | \$ 3,011 | \$ 3,349 | \$ 3,575 | (10%) | (16%) |
| HPC & MCS | 823 | 777 | 779 | 6% | 6% |
| Storage | 1,250 | 1,256 | 1,356 | —% | (8%) |
| A & PS | 243 | 269 | 241 | (10%) | 1% |
| Intelligent Edge | 720 | 742 | 705 | (3%) | 2% |
| Financial Services | 859 | 878 | 919 | (2%) | (7%) |
| Corporate Investments | 121 | 134 | 118 | (10%) | 3% |
| Total segment net revenue | <u>7,027</u> | <u>7,405</u> | <u>7,693</u> | (5%) | (9%) |
| Elimination of intersegment net revenue and other | (78) | (190) | (140) | (59%) | (44%) |
| Total Hewlett Packard Enterprise consolidated net revenue | <u>\$ 6,949</u> | <u>\$ 7,215</u> | <u>\$ 7,553</u> | (4%) | (8%) |

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

| | Three months ended | Change in Operating Margin (pts) | |
|--|--------------------|----------------------------------|-----------|
| | January 31, 2020 | Q/Q | Y/Y |
| Segment operating margin. ^(g) | | | |
| Compute | 9.5 % | -4.4 pts. | 0.0 pts. |
| HPC & MCS | 6.0 % | -4.2 pts. | -6.6 pts. |
| Storage | 18.1 % | 0.7 pts. | -0.6 pts. |
| A & PS | (0.8)% | -1.2 pts. | 12.5 pts. |
| Intelligent Edge | 9.7 % | 3.5 pts. | 6.3 pts. |
| Financial Services | 8.5 % | 0.1 pts. | 0.1 pts. |
| Corporate Investments | (22.3)% | -2.9 pts | 1.4 pts. |
| Total segment operating margin | 9.6 % | -2.0 pts | 0.1 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, 2020 | October 31, 2019 | January 31, 2019 |
| Numerator: | | | |
| GAAP net earnings | \$ 333 | \$ 480 | \$ 177 |
| Non-GAAP net earnings | \$ 575 | \$ 644 | \$ 590 |
| Denominator: | | | |
| Weighted-average shares used to compute basic net earnings per share | 1,300 | 1,308 | 1,401 |
| Dilutive effect of employee stock plans ^(h) | 15 | 15 | 11 |
| Weighted-average shares used to compute diluted net earnings per share | <u>1,315</u> | <u>1,323</u> | <u>1,412</u> |
| GAAP net earnings per share | | | |
| Basic | \$ 0.26 | \$ 0.37 | \$ 0.13 |
| Diluted ^(h) | \$ 0.25 | \$ 0.36 | \$ 0.13 |
| Non-GAAP net earnings per share | | | |
| Basic | \$ 0.44 | \$ 0.49 | \$ 0.42 |
| Diluted ^(h) | \$ 0.44 | \$ 0.49 | \$ 0.42 |

- (a) For the three months ended October 31, 2019, the amount was due primarily to the termination of the Tax Matters Agreement with HP Inc. For the three months ended January 31, 2019, the amount primarily includes the effects of U.S. tax reform on tax attributes related to fiscal periods prior to the Separation.
- (b) The three months ended October 31, 2019 and January 31, 2019, include \$123 million and \$419 million of net income tax charges related to changes in U.S. federal and state valuation allowances as a result of impacts of the Tax Cuts and Jobs Act of 2017 (the "Tax Act").
- (c) Represents the amortization of basis difference adjustments related to the H3C divestiture.
- (d) Effective the first quarter of fiscal 2019, the Company uses a structural tax rate based on long-term non-GAAP financial projections.
- (e) The Company adopted the new accounting standard for leases in the first quarter of fiscal 2020 which requires lessees to recognize a lease liability and a right-of-use ("ROU") asset for the lease term. The Company elected the modified retrospective transition method whereby prior comparative periods are not restated. Adoption of the new lease standard resulted in the recognition of \$1.0 billion of ROU assets and \$1.1 billion of lease liabilities on the Company's Condensed Consolidated Balance Sheet.
- (f) The Company adopted an accounting standard update in the first quarter of fiscal 2020 that allowed it to reclassify \$43 million of stranded tax effects resulting from U.S. tax reform from accumulated other comprehensive loss into accumulated deficit.
- (g) Effective at the beginning of the first quarter of fiscal 2020, Hewlett Packard Enterprise Company ("HPE") implemented certain organizational changes to align its segment financial reporting more closely with its current business structure. As a result of these organizational changes, HPE replaced the Hybrid IT reportable segment (and the Compute, Storage and HPE Pointnext business units within it) with four new financial reporting segments: Compute, High Performance Compute & Mission-Critical Systems ("HPC & MCS"), Storage, and Advisory and Profession Services ("A & PS").

In addition, the HPE Aruba Services business unit of the Intelligent Edge segment now includes the Data Center Networking ("DC Networking") operational services business that was previously a part of the Hybrid IT-HPE Pointnext business unit. The DC Networking business, other than operational services, had been transferred to the Intelligent Edge segment in a prior realignment.

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, net earnings or net earnings per share ("EPS").

- (h) Diluted net earnings per share reflects any dilutive effect of restricted stock awards, stock options and performance-based awards.