

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES

**Condensed Consolidated Statements of Earnings
(Unaudited)**

	For the three months ended		
	January 31, 2022	October 31, 2021	January 31, 2021
	In millions, except per share amounts		
Net revenue	\$ 6,961	\$ 7,354	\$ 6,833
Costs and expenses:			
Cost of sales	4,617	4,935	4,545
Research and development	504	502	468
Selling, general and administrative	1,201	1,280	1,159
Amortization of intangible assets	73	78	110
Transformation costs	111	197	311
Disaster charges	—	10	—
Acquisition, disposition and other related charges	7	2	18
Total costs and expenses	6,513	7,004	6,611
Earnings from operations	448	350	222
Interest and other, net	(5)	(106)	(44)
Tax indemnification and related adjustments	(17)	5	(16)
Non-service net periodic benefit credit	36	17	17
Litigation judgment	—	2,351	—
Earnings from equity interests	31	71	26
Earnings before benefit (provision) for taxes	493	2,688	205
Benefit (provision) for taxes	20	(135)	18
Net earnings	<u>\$ 513</u>	<u>\$ 2,553</u>	<u>\$ 223</u>
Net earnings per share:			
Basic	\$ 0.39	\$ 1.95	\$ 0.17
Diluted	\$ 0.39	\$ 1.91	\$ 0.17
Cash dividends declared per share	\$ 0.12	\$ 0.12	\$ 0.12
Weighted-average shares used to compute net earnings per share:			
Basic	1,304	1,312	1,300
Diluted	1,325	1,335	1,315

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
Reconciliation of GAAP to Non-GAAP measures
(Unaudited)

	For the three months ended		
	January 31, 2022	October 31, 2021	January 31, 2021
	In millions, except percentages		
GAAP net revenue	\$ 6,961	\$ 7,354	\$ 6,833
GAAP cost of sales	4,617	4,935	4,545
GAAP gross profit	\$ 2,344	\$ 2,419	\$ 2,288
Non-GAAP adjustments			
Amortization of initial direct costs	\$ 1	\$ 2	\$ 2
Stock-based compensation expense	15	7	13
Non-GAAP gross profit	\$ 2,360	\$ 2,428	\$ 2,303
GAAP gross profit margin	33.7 %	32.9 %	33.5 %
Non-GAAP adjustments	0.2 %	0.1 %	0.2 %
Non-GAAP gross profit margin	33.9 %	33.0 %	33.7 %

	For the three months ended		
	January 31, 2022	October 31, 2021	January 31, 2021
	In millions, except percentages		
GAAP earnings from operations	\$ 448	\$ 350	\$ 222
Non-GAAP adjustments			
Amortization of initial direct costs	1	2	2
Amortization of intangible assets	73	78	110
Transformation costs	111	197	311
Disaster charges	—	10	—
Stock-based compensation expense	128	78	110
Acquisition, disposition and other related charges	7	2	18
Non-GAAP earnings from operations	\$ 768	\$ 717	\$ 773
GAAP operating profit margin	6.4 %	4.8 %	3.2 %
Non-GAAP adjustments	4.6 %	4.9 %	8.1 %
Non-GAAP operating profit margin	11.0 %	9.7 %	11.3 %

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
Reconciliation of GAAP to Non-GAAP measures
(Unaudited)

	For the three months ended					
	January 31, 2022	Diluted net earnings per share	October 31, 2021	Diluted net earnings per share	January 31, 2021	Diluted net earnings per share
	In millions, except per share amounts					
GAAP net earnings	\$ 513	\$ 0.39	\$ 2,553	\$ 1.91	\$ 223	\$ 0.17
Non-GAAP adjustments:						
Amortization of initial direct costs	1	—	2	—	2	—
Amortization of intangible assets	73	0.06	78	0.06	110	0.08
Transformation costs	111	0.08	197	0.15	311	0.23
Disaster charges	—	—	10	0.01	—	—
Stock-based compensation expense	128	0.10	78	0.06	110	0.08
Acquisition, disposition and other related charges	7	0.01	2	—	18	0.01
Tax indemnification and related adjustments	17	0.01	(5)	—	16	0.02
Non-service net periodic benefit credit	(36)	(0.03)	(17)	(0.01)	(17)	(0.01)
Litigation judgement	—	—	(2,351)	(1.76)	—	—
Early debt redemption costs	—	—	100	0.07	—	—
Earnings from equity interests ^(a)	17	0.01	18	0.01	34	0.03
Adjustments for taxes	(134)	(0.10)	23	0.02	(128)	(0.09)
Non-GAAP net earnings	\$ 697	\$ 0.53	\$ 688	\$ 0.52	\$ 679	\$ 0.52

	For the three months ended		
	January 31, 2022	October 31, 2021	January 31, 2021
	In millions		
Net cash (used in) provided by operating activities	\$ (76)	\$ 2,956	\$ 963
Litigation judgment, net of taxes paid	—	(2,172)	—
Net cash (used in) provided by operating activities, excluding litigation judgment, net of taxes paid	(76)	784	963
Investment in property, plant and equipment	(624)	(770)	(513)
Proceeds from sale of property, plant and equipment	123	80	113
Free cash flow	\$ (577)	\$ 94	\$ 563

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
Condensed Consolidated Balance Sheets

	As of	
	January 31, 2022	October 31, 2021
	(Unaudited)	(Audited)
In millions, except par value		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,861	\$ 3,996
Accounts receivable, net of allowances	3,432	3,979
Financing receivables, net of allowances	3,815	3,932
Inventory	5,321	4,511
Other current assets	2,913	2,460
Total current assets	19,342	18,878
Property, plant and equipment	5,498	5,613
Long-term financing receivables and other assets	11,528	11,670
Investments in equity interests	2,250	2,210
Goodwill and intangible assets	19,255	19,328
Total assets	\$ 57,873	\$ 57,699
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and short-term borrowings	\$ 3,795	\$ 3,552
Accounts payable	6,549	7,004
Employee compensation and benefits	1,160	1,778
Taxes on earnings	166	169
Deferred revenue	3,457	3,408
Accrued restructuring	225	290
Other accrued liabilities	5,121	4,486
Total current liabilities	20,473	20,687
Long-term debt	10,277	9,896
Other non-current liabilities	6,758	7,099
Stockholders' equity		
HPE stockholders' equity:		
Common stock, \$0.01 par value (9,600 shares authorized; 1,300 and 1,295 shares issued and outstanding at January 31, 2022 and October 31, 2021, respectively)	13	13
Additional paid-in capital	28,422	28,470
Accumulated deficit	(5,239)	(5,597)
Accumulated other comprehensive loss	(2,878)	(2,915)
Total HPE stockholders' equity	20,318	19,971
Non-controlling interests	47	46
Total stockholders' equity	20,365	20,017
Total liabilities and stockholders' equity	\$ 57,873	\$ 57,699

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	For the three months ended January 31,	
	2022	2021
In millions		
Cash flows from operating activities:		
Net earnings	\$ 513	\$ 223
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	621	674
Stock-based compensation expense	128	113
Provision for doubtful accounts and inventory	46	52
Restructuring charges	37	232
Deferred taxes on earnings	37	(71)
Earnings from equity interests	(31)	(26)
Other, net	(27)	65
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	543	446
Financing receivables	181	(120)
Inventory	(834)	(148)
Accounts payable	(438)	(161)
Taxes on earnings	(111)	(34)
Restructuring	(114)	(220)
Other assets and liabilities	(627)	(62)
Net cash (used in) provided by operating activities	<u>(76)</u>	<u>963</u>
Cash flows from investing activities:		
Investment in property, plant and equipment	(624)	(513)
Proceeds from sale of property, plant and equipment	123	113
Purchases of investments	(21)	(7)
Proceeds from maturities and sales of investments	44	1
Financial collateral posted	(10)	(266)
Financial collateral received	153	20
Net cash used in investing activities	<u>(335)</u>	<u>(652)</u>
Cash flows from financing activities:		
Short-term borrowings with original maturities less than 90 days, net	53	26
Proceeds from debt, net of issuance costs	1,276	323
Payment of debt	(633)	(611)
Net payments related to stock-based award activities	(57)	(34)
Repurchase of common stock	(129)	—
Cash dividends paid to non-controlling interests	—	(8)
Cash dividends paid to shareholders	(155)	(155)
Net cash provided by (used in) financing activities	<u>355</u>	<u>(459)</u>
Decrease in cash, cash equivalents and restricted cash	(56)	(148)
Cash, cash equivalents and restricted cash at beginning of period	4,332	4,621
Cash, cash equivalents and restricted cash at end of period	<u>\$ 4,276</u>	<u>\$ 4,473</u>

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
Segment Information
(Unaudited)

	For the three months ended		
	January 31, 2022	October 31, 2021	January 31, 2021
	In millions		
Net revenue:			
Compute	\$ 3,016	\$ 3,224	\$ 2,984
High Performance Computing & Artificial Intelligence	790	999	761
Storage	1,156	1,256	1,192
Intelligent Edge	901	818	810
Financial Services	842	858	860
Corporate Investments and Other	325	353	321
Total segment net revenue	7,030	7,508	6,928
Elimination of intersegment net revenue	(69)	(154)	(95)
Total consolidated net revenue	<u>\$ 6,961</u>	<u>\$ 7,354</u>	<u>\$ 6,833</u>
Earnings before taxes:			
Compute	\$ 416	\$ 302	\$ 341
High Performance Computing & Artificial Intelligence	(7)	142	43
Storage	168	173	234
Intelligent Edge	157	89	154
Financial Services	104	121	84
Corporate Investments and Other	(11)	(11)	(31)
Total segment earnings from operations	827	816	825
Unallocated corporate costs and eliminations	(59)	(99)	(52)
Stock-based compensation expense	(128)	(78)	(110)
Amortization of initial direct costs	(1)	(2)	(2)
Amortization of intangible assets	(73)	(78)	(110)
Transformation costs	(111)	(197)	(311)
Disaster charges	—	(10)	—
Acquisition, disposition and other related charges	(7)	(2)	(18)
Interest and other, net	(5)	(6)	(44)
Tax indemnification and related adjustments	(17)	5	(16)
Non-service net periodic benefit credit	36	17	17
Litigation judgment	—	2,351	—
Early debt redemption costs	—	(100)	—
Earnings from equity interests	31	71	26
Total consolidated earnings before taxes	<u>\$ 493</u>	<u>\$ 2,688</u>	<u>\$ 205</u>

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
Segment Information
(Unaudited)

	For the three months ended			Change (%)	
	January 31, 2022	October 31, 2021	January 31, 2021	Q/Q	Y/Y
	In millions, except percentages				
Net revenue:					
Compute	\$ 3,016	\$ 3,224	\$ 2,984	(6%)	1%
High Performance Computing & Artificial Intelligence	790	999	761	(21%)	4%
Storage	1,156	1,256	1,192	(8%)	(3%)
Intelligent Edge	901	818	810	10%	11%
Financial Services	842	858	860	(2%)	(2%)
Corporate Investments and Other	325	353	321	(8%)	1%
Total segment net revenue	7,030	7,508	6,928	(6%)	1%
Elimination of intersegment net revenue	(69)	(154)	(95)	(55%)	(27%)
Total consolidated net revenue	\$ 6,961	\$ 7,354	\$ 6,833	(5%)	2%

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
Segment Operating Margin Summary Data
(Unaudited)

	For the three months ended		Change in Operating Profit Margin (pts)	
	January 31, 2022		Q/Q	Y/Y
Segment operating profit margin:				
Compute	13.8 %		4.4	2.4
High Performance Computing & Artificial Intelligence	(0.9)%		(15.1)	(6.6)
Storage	14.5 %		0.7	(5.1)
Intelligent Edge	17.4 %		6.5	(1.6)
Financial Services	12.4 %		(1.7)	2.6
Corporate Investments and Other	(3.4%)		(0.3)	6.3
Total segment operating profit margin	11.8 %		0.9	(0.1)

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
Calculation of Diluted Net Earnings Per Share
(Unaudited)

	<u>For the three months ended</u>		
	<u>January 31, 2022</u>	<u>October 31, 2021</u>	<u>January 31, 2021</u>
<u>In millions, except per share amounts</u>			
Numerator:			
GAAP net earnings	\$ 513	\$ 2,553	\$ 223
Non-GAAP net earnings	\$ 697	\$ 688	\$ 679
Denominator:			
Weighted-average shares used to compute basic net earnings per share	1,304	1,312	1,300
Dilutive effect of employee stock plans	<u>21</u>	<u>23</u>	<u>15</u>
Weighted-average shares used to compute diluted net earnings per share	<u><u>1,325</u></u>	<u><u>1,335</u></u>	<u><u>1,315</u></u>
GAAP net earnings per share			
Basic	\$ 0.39	\$ 1.95	\$ 0.17
Diluted	\$ 0.39	\$ 1.91	\$ 0.17
Non-GAAP net earnings per share			
Basic	\$ 0.53	\$ 0.52	\$ 0.52
Diluted	\$ 0.53	\$ 0.52	\$ 0.52

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