HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES

Condensed Consolidated Statements of Earnings
(Unaudited)

	For the three months ended		
	January 31, 2023	October 31, 2022	January 31, 2022
	In millions, except per share amounts		
Net revenue	$ 7,809	$ 7,871	$ 6,961
Costs and expenses:			
Cost of sales	5,151	5,278	4,617
Research and development	623	515	504
Selling, general and administrative	1,257	1,262	1,201
Amortization of intangible assets	73	73	73
Impairment of goodwill	—	905	—
Transformation costs	102	184	111
Disaster charges (recovery)	1	(1)	(1)
Acquisition, disposition and other related charges (recoveries)	11	(6)	8
Total costs and expenses	7,218	8,210	6,513
Earnings (loss) from operations	591	(339)	448
Interest and other, net	(25)	(109)	(5)
Tax indemnification and related adjustments	(1)	(20)	(17)
Non-service net periodic benefit credit	—	28	36
Earnings from equity interests	58	83	31
Earnings (loss) before provision for taxes	623	(357)	493
(Provision) benefit for taxes	(122)	53	20
Net earnings (loss)	$ 501	$ (304)	$ 513
Net earnings (loss) per share:			
Basic	$ 0.39	$ (0.23)	$ 0.39
Diluted	$ 0.38	$ (0.23)	$ 0.39
Cash dividends declared per share	$ 0.12	$ 0.12	$ 0.12
Weighted-average shares used to compute net earnings per share:			
Basic	1,298	1,296	1,304
Diluted	1,315	1,296	1,325

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

	For the three months ended		
	January 31, 2023	October 31, 2022	January 31, 2022
		Dollars in millions	
GAAP net revenue	$ 7,809	$ 7,871	$ 6,961
GAAP cost of sales	5,151	5,278	4,617
GAAP gross profit	2,658	2,593	2,344
Non-GAAP adjustments			
Amortization of initial direct costs	—	1	1
Stock-based compensation expense	16	8	15
Non-GAAP gross profit	$ 2,674	$ 2,602	$ 2,360
GAAP gross profit margin	34.0 %	32.9 %	33.7 %
Non-GAAP adjustments	0.2 %	0.2 %	0.2 %
Non-GAAP gross profit margin	34.2 %	33.1 %	33.9 %

	For the three months ended		
	January 31, 2023	October 31, 2022	January 31, 2022
		Dollars in millions	
GAAP earnings (loss) from operations	$ 591	$ (339)	$ 448
Non-GAAP adjustments			
Amortization of initial direct costs	—	1	1
Amortization of intangible assets	73	73	73
Impairment of goodwill	—	905	—
Transformation costs	102	184	111
Disaster charges (recovery)	1	(1)	(1)
Stock-based compensation expense	140	85	128
Acquisition, disposition and other related charges (recoveries)	11	(6)	8
Non-GAAP earnings from operations	$ 918	$ 902	$ 768
GAAP operating profit (loss) margin	7.6 %	(4.3%)	6.4 %
Non-GAAP adjustments	4.2 %	15.8 %	4.6 %
Non-GAAP operating profit margin	11.8 %	11.5 %	11.0 %

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

	For the three months ended					
	January 31, 2023	Diluted net earnings per share	October 31, 2022	Diluted net earnings per share	January 31, 2022	Diluted net earnings per share
	Dollars in millions, except per share amounts					
GAAP net earnings (loss)	$ 501	$ 0.38	$ (304)	$ (0.23)	$ 513	$ 0.39
Non-GAAP adjustments:						
Amortization of initial direct costs	—	—	1	—	1	—
Amortization of intangible assets	73	0.06	73	0.06	73	0.06
Impairment of goodwill	—	—	905	0.68	—	—
Transformation costs	102	0.07	184	0.14	111	0.08
Disaster charges (recovery)	1	—	(1)	—	(1)	—
Stock-based compensation expense	140	0.11	85	0.07	128	0.10
Acquisition, disposition and other related charges (recoveries)	11	0.01	(6)	—	8	0.01
Tax indemnification and related adjustments	1	—	20	0.02	17	0.01
Non-service net periodic benefit credit	—	—	(28)	(0.02)	(36)	(0.03)
Earnings from equity interests[a]	12	0.01	3	—	17	0.01
Adjustments for taxes	(13)	(0.01)	(177)	(0.15)	(134)	(0.10)
Non-GAAP net earnings	$ 828	$ 0.63	$ 755	$ 0.57	$ 697	$ 0.53

	For the three months ended		
	January 31, 2023	October 31, 2022	January 31, 2022
	In millions		
Net cash (used in) provided by operating activities	$ (829)	$ 3,036	$ (76)
Investment in property, plant and equipment	(794)	(1,000)	(624)
Proceeds from sale of property, plant and equipment	159	238	123
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	138	(279)	—
Free cash flow	$ (1,326)	$ 1,995	$ (577)

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
Condensed Consolidated Balance Sheets

	As of	
	January 31, 2023	October 31, 2022
	(Unaudited)	(Audited)
	In millions, except par value	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,530	$ 4,163
Accounts receivable, net of allowances	4,201	4,101
Financing receivables, net of allowances	3,726	3,522
Inventory	4,644	5,161
Other current assets	3,133	3,559
Total current assets	18,234	20,506
Property, plant and equipment	5,990	5,784
Long-term financing receivables and other assets	11,046	10,537
Investments in equity interests	2,225	2,160
Goodwill and intangible assets	18,096	18,136
Total assets	$ 55,591	$ 57,123
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and short-term borrowings	$ 5,349	$ 4,612
Accounts payable	6,535	8,717
Employee compensation and benefits	1,284	1,401
Taxes on earnings	210	176
Deferred revenue	3,533	3,451
Accrued restructuring	185	192
Other accrued liabilities	4,380	4,625
Total current liabilities	21,476	23,174
Long-term debt	7,577	7,853
Other non-current liabilities	6,475	6,187
Stockholders' equity		
HPE stockholders' equity:		
Common stock, $0.01 par value (9,600 shares authorized; 1,297 and 1,281 shares issued and outstanding at January 31, 2023 and October 31, 2022, respectively)	13	13
Additional paid-in capital	28,259	28,299
Accumulated deficit	(5,005)	(5,350)
Accumulated other comprehensive loss	(3,256)	(3,098)
Total HPE stockholders' equity	20,011	19,864
Non-controlling interests	52	45
Total stockholders' equity	20,063	19,909
Total liabilities and stockholders' equity	$ 55,591	$ 57,123

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

	For the three months ended	
	January 31, 2023	January 31, 2022
	In millions	
Cash flows from operating activities:		
Net earnings	$ 501	$ 513
Adjustments to reconcile net earnings to net cash used in operating activities:		
Depreciation and amortization	656	621
Stock-based compensation expense	140	128
Provision for doubtful accounts and inventory	45	46
Restructuring charges	72	37
Deferred taxes on earnings	20	37
Earnings from equity interests	(58)	(31)
Other, net	(60)	(27)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(112)	543
Financing receivables	(523)	181
Inventory	495	(834)
Accounts payable	(2,195)	(438)
Taxes on earnings	46	(111)
Restructuring	(96)	(114)
Other assets and liabilities	240	(627)
Net cash used in operating activities	(829)	(76)
Cash flows from investing activities:		
Investment in property, plant and equipment	(794)	(624)
Proceeds from sale of property, plant and equipment	159	123
Purchases of investments	—	(21)
Proceeds from maturities and sales of investments	4	44
Financial collateral posted	(682)	(10)
Financial collateral received	108	153
Payments made in connection with business acquisitions, net of cash acquired	(32)	—
Net cash used in investing activities	(1,237)	(335)
Cash flows from financing activities:		
Short-term borrowings with original maturities less than 90 days, net	745	53
Proceeds from debt, net of issuance costs	261	1,276
Payment of debt	(661)	(633)
Net payments related to stock-based award activities	(107)	(57)
Repurchase of common stock	(73)	(129)
Cash dividends paid to shareholders	(156)	(155)
Net cash provided by financing activities	9	355
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	138	—
Decrease in cash, cash equivalents and restricted cash	(1,919)	(56)
Cash, cash equivalents and restricted cash at beginning of period	4,763	4,332
Cash, cash equivalents and restricted cash at end of period	$ 2,844	$ 4,276

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
Segment Information
(Unaudited)

	For the three months ended		
	January 31, 2023	October 31, 2022	January 31, 2022
		In millions	
Net revenue:			
Compute[(b)]	$ 3,456	$ 3,768	$ 3,044
High Performance Computing & Artificial Intelligence	1,056	862	790
Storage[(b)]	1,187	1,274	1,128
Intelligent Edge	1,127	965	901
Financial Services	873	857	842
Corporate Investments and Other	293	303	325
Total segment net revenue	7,992	8,029	7,030
Elimination of intersegment net revenue	(183)	(158)	(69)
Total consolidated net revenue	$ 7,809	$ 7,871	$ 6,961
Earnings before taxes:			
Compute[(b)]	$ 609	$ 560	$ 427
High Performance Computing & Artificial Intelligence	1	30	(7)
Storage[(b)]	142	196	157
Intelligent Edge	247	128	157
Financial Services	82	95	104
Corporate Investments and Other	(55)	(26)	(11)
Total segment earnings from operations	1,026	983	827
Unallocated corporate costs and eliminations	(108)	(81)	(59)
Stock-based compensation expense	(140)	(85)	(128)
Amortization of initial direct costs	—	(1)	(1)
Amortization of intangible assets	(73)	(73)	(73)
Impairment of goodwill	—	(905)	—
Transformation costs	(102)	(184)	(111)
Disaster (charges) recovery	(1)	1	1
Acquisition, disposition and other related charges (recoveries)	(11)	6	(8)
Interest and other, net	(25)	(109)	(5)
Tax indemnification and related adjustments	(1)	(20)	(17)
Non-service net periodic benefit credit	—	28	36
Earnings from equity interests	58	83	31
Total pretax earnings (loss)	$ 623	$ (357)	$ 493

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
Segment Information
(Unaudited)

	For the three months ended			Change (%)	
	January 31, 2023	October 31, 2022	January 31, 2022	Q/Q	Y/Y
	Dollars in millions				
Net revenue:					
Compute[b]	$ 3,456	$ 3,768	$ 3,044	(8%)	14%
High Performance Computing & Artificial Intelligence	1,056	862	790	23	34
Storage[b]	1,187	1,274	1,128	(7)	5
Intelligent Edge	1,127	965	901	17	25
Financial Services	873	857	842	2	4
Corporate Investments and Other	293	303	325	(3)	(10)
Total segment net revenue	7,992	8,029	7,030	—	14
Elimination of intersegment net revenue	(183)	(158)	(69)	16	165
Total consolidated net revenue	$ 7,809	$ 7,871	$ 6,961	(1%)	12%

	For the three months ended			Change in Operating Profit Margin (pts)	
	January 31, 2023	October 31, 2022	January 31, 2022	Q/Q	Y/Y
Segment operating profit margin:					
Compute[b]	17.6 %	14.9 %	14.0 %	2.7	3.6
High Performance Computing & Artificial Intelligence	0.1 %	3.5 %	(0.9)%	(3.4)	1.0
Storage[b]	12.0 %	15.4 %	13.9 %	(3.4)	(1.9)
Intelligent Edge	21.9 %	13.3 %	17.4 %	8.6	4.5
Financial Services	9.4 %	11.1 %	12.4 %	(1.7)	(3.0)
Corporate Investments and Other	(18.8%)	(8.6%)	(3.4%)	(10.2)	(15.4)
Total segment operating profit margin	12.8 %	12.2 %	11.8 %	0.6	1.0

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

	For the three months ended		
	January 31, 2023	October 31, 2022	January 31, 2022
	In millions, except per share amounts		
Numerator:			
GAAP net earnings (loss)	$ 501	$ (304)	$ 513
Non-GAAP net earnings	$ 828	$ 755	$ 697
Denominator:			
Weighted-average shares used to compute basic net earnings per share	1,298	1,296	1,304
Dilutive effect of employee stock plans	17	18	21
Weighted-average shares used to compute diluted net earnings per share	1,315	1,314	1,325
GAAP net earnings (loss) per share			
Basic	$ 0.39	$ (0.23)	$ 0.39
Diluted	$ 0.38	$ (0.23)	$ 0.39
Non-GAAP net earnings per share			
Basic	$ 0.64	$ 0.58	$ 0.53
Diluted	$ 0.63	$ 0.57	$ 0.53

(a) Represents the amortization of basis difference adjustments related to H3C. The three months ended January 31, 2023 includes the Company's portion of intangible asset impairment charges from H3C of $8 million.

(b) Effective at the beginning of the first quarter of fiscal 2023, the Company implemented certain organizational changes to align its segment financial reporting more closely with its current business structure. This resulted in the transfer of certain storage networking products, previously reported within the Storage reportable segment, to the Compute reportable 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 the Company's previously reported consolidated results.

Use of non-GAAP financial measures

To supplement Hewlett Packard Enterprise's condensed consolidated financial statement information presented on a GAAP basis, Hewlett Packard Enterprise provides financial measures including revenue on a constant currency basis, non-GAAP gross profit, non-GAAP gross profit margin, non-GAAP operating profit (non-GAAP earnings from operations), non-GAAP operating profit margin, non-GAAP income tax rate, non-GAAP net earnings, non-GAAP diluted net earnings per share, and free cash flow. Hewlett Packard Enterprise also provides forecasts of non-GAAP diluted net earnings per share and free cash flow.

These non-GAAP financial measures are not computed in accordance with, or as an alternative to, GAAP in the United States. The GAAP measure most directly comparable to revenue on a constant currency basis is revenue. The GAAP measure most directly comparable to non-GAAP gross profit is gross profit. The GAAP measure most directly comparable to non-GAAP gross profit margin is gross profit margin. The GAAP measure most directly comparable to non-GAAP operating profit (non-GAAP earnings from operations) is operating profit (earnings from operations). The GAAP measure most directly comparable to non-GAAP operating profit margin is operating profit margin. The GAAP measure most directly comparable to non-GAAP income tax rate is income tax rate. The GAAP measure most directly comparable to non-GAAP net earnings is net earnings. The GAAP measure most directly comparable to non-GAAP diluted net earnings per share is diluted net earnings per share. The GAAP measure most directly comparable to free cash flow is cash flow from operations. Reconciliations of each of these non-GAAP financial measures to GAAP information are included in the tables above or elsewhere in the materials accompanying this news release.

Use and economic substance of non-GAAP financial measures used by Hewlett Packard Enterprise

Net revenue on a constant currency basis assumes no change in the foreign exchange rate from the prior-year period. Non-GAAP gross profit and non-GAAP gross profit margin are defined to exclude charges relating to the amortization of initial direct costs, stock-based compensation expense and disaster charges (recovery). Non-GAAP operating profit (non-GAAP earnings from operations), and non-GAAP operating profit margin are defined to exclude any charges relating to the amortization of intangible assets, amortization of initial direct costs, impairment of goodwill, transformation costs, disaster charges (recovery), stock-based compensation expense and acquisition, disposition and other related charges (recovery). Non-GAAP net earnings and non-GAAP diluted net earnings per share consist of net earnings or diluted net earnings per share excluding those same charges, as well as an adjustment to earnings from equity interests, non-service net periodic benefit credit, tax indemnification and related adjustments, certain income tax valuation allowances and separation taxes, the impact of tax reform and excess tax benefit from stock-based compensation. Non-GAAP net earnings and non-GAAP diluted net earnings per share are adjusted by the amount of additional taxes or tax benefits associated with each non-GAAP item.

Hewlett Packard Enterprise's management uses these non-GAAP financial measures for purposes of evaluating Hewlett Packard Enterprise's historical and prospective financial performance, as well as Hewlett Packard Enterprise's performance relative to its competitors. Hewlett Packard Enterprise's management also uses these non-GAAP measures to further its own understanding of Hewlett Packard Enterprise's segment operating performance. Hewlett Packard Enterprise believes that excluding the items mentioned above from these non-GAAP financial measures allows Hewlett Packard Enterprise's management to better understand Hewlett Packard Enterprise's consolidated financial performance in relation to the operating results of Hewlett Packard Enterprise's segments, as Hewlett Packard Enterprise's management does not believe that the excluded items are reflective of ongoing operating results. More specifically, Hewlett Packard Enterprise's management excludes each of those items mentioned above for the following reasons:

- Amortization of initial direct costs represents the portion of lease origination costs incurred in prior fiscal years that do not qualify for capitalization under the new leasing standard. Hewlett Packard Enterprise excludes these costs as the Company elected the practical expedient under the new leasing standard. As a result, the Company did not adjust these historical costs to accumulated deficit. Hewlett Packard Enterprise believes that most financing companies did not elect this practical expedient and therefore the Company excludes these costs to facilitate a more meaningful evaluation of its current operating performance and comparisons to its peers.
- Hewlett Packard Enterprise incurs charges relating to the amortization of intangible assets and excludes these charges for purposes of calculating these non-GAAP measures. Such charges are significantly impacted by the timing and magnitude of Hewlett Packard Enterprise's acquisitions and any related impairment charges. Consequently, Hewlett Packard Enterprise excludes these charges for purposes of calculating these non-GAAP measures to facilitate a more meaningful evaluation of Hewlett Packard Enterprise's current operating performance and comparisons to Hewlett Packard Enterprise's operating performance in other periods.
- In the fourth quarter of fiscal 2022, Hewlett Packard Enterprise recorded an impairment charge for the goodwill associated with its HPC & AI and Software reporting units following the annual goodwill impairment review. Hewlett Packard Enterprise excludes these charges for purposes of calculating these non-GAAP measures to facilitate a more

meaningful evaluation of Hewlett Packard Enterprise’s current operating performance and comparisons to Hewlett Packard Enterprise’s operating performance in other periods

- Transformation costs represent net costs related to the Cost Optimization and Prioritization Plan and HPE Next initiative and include restructuring charges, program design and execution costs, costs incurred to transform Hewlett Packard Enterprise's IT infrastructure, net gains from the sale of real-estate and any impairment charges on real-estate identified as part of the initiative. Hewlett Packard Enterprise believes that eliminating such expenses and gains for purposes of calculating these non-GAAP measures facilitates a more meaningful evaluation of Hewlett Packard Enterprise’s current operating performance and comparisons to Hewlett Packard Enterprise’s past operating performance.
- Disaster charges (recovery) are primarily related to the exit of the Company’s businesses in Russia and Belarus, and include credit losses of financing receivables and trade receivables, employee severance and abandoned assets. Disaster charges (recovery) also include direct costs or recovery related to COVID-19 as a result of Hewlett Packard Enterprise-hosted, co-hosted, or sponsored event cancellations and shift to a virtual format. Hewlett Packard Enterprise believes that eliminating these amounts for purposes of calculating non-GAAP measures facilitates a more meaningful evaluation of Hewlett Packard Enterprise’s current operating performance and comparisons to Hewlett Packard Enterprise’s operating performance in other periods.
- Stock-based compensation expense consists of equity awards granted based on the estimated fair value of those awards at grant date. Although stock-based compensation is a key incentive offered to our employees, Hewlett Packard Enterprise excludes these charges for the purpose of calculating these non-GAAP measures, primarily because they are non-cash expenses, and such an exclusion facilitates a more meaningful evaluation of Hewlett Packard Enterprise’s current operating performance and comparisons to Hewlett Packard Enterprise’s operating performance in other periods.
- Hewlett Packard Enterprise incurs costs related to its acquisition, disposition and other related charges (recovery), most of which are treated as non-cash or non-capitalized expenses. The charges are direct expenses such as professional fees and retention costs. Charges may also include expenses associated with disposal activities including legal and arbitration settlements in connection with certain dispositions. Because non-cash or non-capitalized acquisition-related expenses are inconsistent in amount and frequency and are significantly impacted by the timing and nature of Hewlett Packard Enterprise’s acquisitions and divestitures, Hewlett Packard Enterprise believes that eliminating such expenses for purposes of calculating these non-GAAP measures facilitates a more meaningful evaluation of Hewlett Packard Enterprise’s current operating performance and comparisons to Hewlett Packard Enterprise’s past operating performance.
- Tax indemnification and related adjustments are primarily related to changes to certain pre-separation and pre-divestiture tax liabilities and tax receivables for which Hewlett Packard Enterprise remains liable on behalf of the separated or divested business, but which may not be subject to indemnification. Hewlett Packard Enterprise excludes these income or charges and the associated tax impact for the purpose of calculating non-GAAP measures to facilitate a more meaningful evaluation of Hewlett Packard Enterprise’s current operating performance and comparisons to Hewlett Packard Enterprise’s operating performance in other periods.
- Non-service net periodic benefit credit includes certain market-related factors such as (i) interest cost, (ii) expected return on plan assets, (iii) amortization of prior plan amendments, (iv) amortized actuarial gains or losses, (v) the impacts of any plan settlements/curtailments and (vi) impacts from other market-related factors associated with Hewlett Packard Enterprise's defined benefit pension and post-retirement benefit plans. These market-driven retirement-related adjustments are primarily due to the change in pension plan assets and liabilities which are tied to financial market performance. Hewlett Packard Enterprise excludes these adjustments for purposes of calculating non-GAAP measures and considers them to be outside the operational performance of the business.
- Adjustment to earnings from equity interests includes the amortization of the basis difference in relation to the H3C divestiture and the resulting equity method investment in H3C. In the first fiscal quarter of 2023, this adjustment also included the Company's portion of intangible asset impairment charges from H3C. Hewlett Packard Enterprise believes that eliminating this amount for purposes of calculating non-GAAP measures facilitates a more meaningful evaluation of Hewlett Packard Enterprise’s current operating performance and comparisons to Hewlett Packard Enterprise’s operating performance in other periods.
- Hewlett Packard Enterprise utilizes a structural long-term projected non-GAAP income tax rate in order to provide better consistency across the interim reporting periods and to eliminate the effects of items not directly related to the Company’s operating structure that can vary in size and frequency. When projecting this long-term rate, Hewlett Packard Enterprise evaluated a three-year financial projection. The projected rate assumes no incremental acquisitions in the three-year projection period and considers other factors including Hewlett Packard Enterprise’s expected tax structure, its tax positions in various jurisdictions and current impacts from key legislation implemented in major jurisdictions where Hewlett Packard Enterprise operates. For fiscal 2023, the Company will use a projected non-GAAP income tax rate of 14%, which reflects currently available information as well as other factors and assumptions. The non-GAAP income tax rate could be subject to change for a variety of reasons, including the rapidly evolving

global tax environment, significant changes in Hewlett Packard Enterprise's geographic earnings mix including due to acquisition activity, or other changes to the Company's strategy or business operations. The Company will re-evaluate its long-term rate as appropriate. For fiscal 2022, the Company had a non-GAAP tax rate of 14%. Hewlett Packard Enterprise believes that making these adjustments for purposes of calculating non-GAAP measures, facilitates a better evaluation of our current operating performance and comparisons to past operating results.

- Free cash flow is a non-GAAP measure that is defined as cash flow from operations, less net capital expenditures (investments in property, plant & equipment ("PP&E") less proceeds from the sale of PP&E), and adjusted for the effect of exchange rate fluctuations on cash, cash equivalents, and restricted cash. HPE's management uses free cash flow for the purpose of determining the amount of cash available for investment in HPE's businesses, repurchasing stock and other purposes. HPE's management also uses free cash flow to evaluate HPE's historical and prospective liquidity. Because free cash flow represents cash flow from operations less net capital expenditures (investments in PP&E less proceeds from the sale of PP&E), and adjusted for the effect of exchange rate fluctuations on cash, cash equivalents, and restricted cash, HPE believes that free cash flow provides a more accurate and complete assessment of HPE's liquidity and capital resources.

Material limitations associated with use of non-GAAP financial measures

These non-GAAP financial measures have limitations as analytical tools, and these measures should not be considered in isolation or as a substitute for analysis of Hewlett Packard Enterprise's results as reported under GAAP. Some of the limitations in relying on these non-GAAP financial measures are:

- Amortization of initial direct costs and disaster charges (recovery) are excluded from non-GAAP gross profit, non-GAAP gross profit margin, non-GAAP operating profit (non-GAAP earnings from operations), non-GAAP operating profit margin, non-GAAP net earnings, and non-GAAP diluted net earnings per share, which can have an impact on the equivalent GAAP earnings measure and HPE Financial Services segment results.
- Items such as stock-based compensation expense that is excluded from non-GAAP gross profit, non-GAAP gross profit margin, non-GAAP operating expenses, non-GAAP operating profit (non-GAAP earnings from operations), non-GAAP operating profit margin, non-GAAP net earnings, and non-GAAP diluted net earnings per share can have a material impact on the equivalent GAAP earnings measure.
- Amortization of intangible assets, though not directly affecting Hewlett Packard Enterprise's cash position, represents the loss in value of intangible assets over time. The expense associated with this loss in value is excluded from non-GAAP operating profit (non-GAAP earnings from operations), non-GAAP operating profit margin, non-GAAP net earnings, and non-GAAP diluted net earnings per share and can have a material impact on the equivalent GAAP earnings measure.
- Items such as impairment of goodwill, transformation costs, and acquisition, disposition and other related charges (recovery) that are excluded from non-GAAP operating expenses, non-GAAP operating profit (non-GAAP earnings from operations), non-GAAP operating profit margin, non-GAAP net earnings, and non-GAAP diluted net earnings per share can have a material impact on the equivalent GAAP earnings measures and cash flow.
- Items such as adjustment to non-service net periodic benefit credit, tax indemnification and related charges and earnings from equity interests that are excluded from non-GAAP net earnings and non-GAAP diluted net earnings per share can have a material impact on the equivalent GAAP earnings measure.
- Items such as certain income tax valuation allowances and separation taxes, the impact of tax reform, excess tax benefits from stock-based compensation, and the related tax impacts from other non-GAAP measures that are excluded from the non-GAAP income tax rate, non-GAAP net earnings and non-GAAP diluted net earnings per share can also have a material impact on the equivalent GAAP earnings measures.
- Free cash flow does not represent the total increase or decrease in cash for the period.
- Other companies may calculate revenue on a constant currency basis, non-GAAP gross profit, non-GAAP gross profit margin, non-GAAP operating profit (non-GAAP earnings from operations), non-GAAP operating profit margin, non-GAAP net earnings, non-GAAP diluted net earnings per share, and free cash flow differently than Hewlett Packard Enterprise does, limiting the usefulness of those measures for comparative purposes.

Compensation for limitations associated with use of non-GAAP financial measures

Hewlett Packard Enterprise compensates for the limitations on its use of non-GAAP financial measures by relying primarily on its GAAP results and using non-GAAP financial measures only as a supplement. Hewlett Packard Enterprise also provides a reconciliation of each non-GAAP financial measure to its most directly comparable GAAP measure within this news release and in other written materials that include these non-GAAP financial measures, and Hewlett Packard Enterprise encourages investors to review those reconciliations carefully.

Usefulness of non-GAAP financial measures to investors

Hewlett Packard Enterprise believes that providing financial measures including revenue on a constant currency basis, non-GAAP gross profit, non-GAAP gross profit margin, non-GAAP operating profit (non-GAAP earnings from operations), non-GAAP operating profit margin, non-GAAP income tax rate, non-GAAP net earnings, non-GAAP diluted net earnings per share, and free cash flow to investors in addition to the related GAAP measures provides investors with greater transparency to the information used by Hewlett Packard Enterprise's management in its financial and operational decision making and allows investors to see Hewlett Packard Enterprise's results "through the eyes" of management. Hewlett Packard Enterprise further believes that providing this information better enables Hewlett Packard Enterprise's investors to understand Hewlett Packard Enterprise's operating performance and to evaluate the efficacy of the methodology and information used by Hewlett Packard Enterprise's management to evaluate and measure such performance. Disclosure of these non-GAAP financial measures also facilitates comparisons of Hewlett Packard Enterprise's operating performance with the performance of other companies in Hewlett Packard Enterprise's industry that supplement their GAAP results with non-GAAP financial measures that may be calculated in a similar manner.