

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)
(In millions, except per share amounts)

	Three months ended		
	April 30, 2021	January 31, 2021	April 30, 2020
Net revenue	\$ 6,700	\$ 6,833	\$ 6,009
Costs and expenses:			
Cost of sales	4,413	4,545	4,095
Research and development	503	468	450
Selling, general and administrative	1,199	1,159	1,109
Amortization of intangible assets	84	110	84
Impairment of goodwill	—	—	865
Transformation costs	209	311	200
Disaster charges	1	—	22
Acquisition, disposition and other related charges	13	18	18
Total costs and expenses	6,422	6,611	6,843
Earnings (loss) from operations	278	222	(834)
Interest and other, net	(11)	(44)	(68)
Tax indemnification adjustments	—	(16)	(35)
Non-service net periodic benefit credit	17	17	36
Earnings (loss) from equity interests	4	26	(10)
Earnings (loss) before taxes	288	205	(911)
(Provision) benefit from taxes	(29)	18	90
Net earnings (loss)	<u>\$ 259</u>	<u>\$ 223</u>	<u>\$ (821)</u>
Net earnings (loss) per share:			
Basic	\$ 0.20	\$ 0.17	\$ (0.64)
Diluted	\$ 0.19	\$ 0.17	\$ (0.64)
Cash dividends declared per share	\$ 0.12	\$ 0.12	\$ 0.12
Weighted-average shares used to compute net earnings (loss) per share:			
Basic	1,309	1,300	1,291
Diluted	1,331	1,315	1,291

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)
(In millions, except per share amounts)

	Six months ended April 30,	
	2021	2020
Net revenue	\$ 13,533	\$ 12,958
Costs and expenses:		
Cost of sales	8,958	8,762
Research and development	971	935
Selling, general and administrative	2,358	2,327
Amortization of intangible assets	194	204
Impairment of goodwill	—	865
Transformation costs	520	289
Disaster charges	1	22
Acquisition, disposition and other related charges	31	40
Total costs and expenses	<u>13,033</u>	<u>13,444</u>
Earnings (loss) from operations	500	(486)
Interest and other, net	(55)	(87)
Tax indemnification adjustments	(16)	(56)
Non-service net periodic benefit credit	34	73
Earnings from equity interests	30	23
Earnings (loss) before taxes	493	(533)
(Provision) benefit from taxes	(11)	45
Net earnings (loss)	<u>\$ 482</u>	<u>\$ (488)</u>
Net earnings (loss) per share:		
Basic	\$ 0.37	\$ (0.38)
Diluted	\$ 0.36	\$ (0.38)
Cash dividends declared per share	\$ 0.24	\$ 0.24
Weighted-average shares used to compute net earnings (loss) per share:		
Basic	1,304	1,295
Diluted	1,323	1,295

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
RECONCILIATION OF GAAP TO NON-GAAP MEASURES
(Unaudited)

(In millions, except percentages and per share amounts)

	Three months ended April 30, 2021	Diluted net earnings per share	Three months ended January 31, 2021	Diluted net earnings per share	Three months ended April 30, 2020	Diluted net earnings per share
GAAP net earnings (loss)	\$ 259	\$ 0.19	\$ 223	\$ 0.17	\$ (821)	\$ (0.64)
Non-GAAP adjustments:						
Amortization of initial direct costs	2	—	2	—	3	—
Amortization of intangible assets	84	0.06	110	0.08	84	0.07
Impairment of goodwill	—	—	—	—	865	0.67
Transformation costs	209	0.15	311	0.23	200	0.15
Disaster charges	1	—	—	—	22	0.02
Stock-based compensation expense ^(a)	98	0.08	110	0.08	67	0.05
Acquisition, disposition and other related charges	13	0.01	18	0.01	25	0.02
Tax indemnification adjustments	—	—	16	0.02	35	0.03
Non-service net periodic benefit credit	(17)	(0.01)	(17)	(0.01)	(36)	(0.03)
Earnings from equity interests ^(b)	34	0.03	34	0.03	37	0.03
Adjustments for taxes	(71)	(0.05)	(128)	(0.09)	(137)	(0.10)
Non-GAAP net earnings	<u>\$ 612</u>	<u>\$ 0.46</u>	<u>\$ 679</u>	<u>\$ 0.52</u>	<u>\$ 344</u>	<u>\$ 0.27</u>
GAAP earnings (loss) from operations	\$ 278		\$ 222		\$ (834)	
Non-GAAP adjustments						
Amortization of initial direct costs	2		2		3	
Amortization of intangible assets	84		110		84	
Impairment of goodwill	—		—		865	
Transformation costs	209		311		200	
Disaster charges	1		—		22	
Stock-based compensation expense ^(a)	98		110		67	
Acquisition, disposition and other related charges	13		18		25	
Non-GAAP earnings from operations	<u>\$ 685</u>		<u>\$ 773</u>		<u>\$ 432</u>	
GAAP operating profit margin	4.1 %		3.2 %		(13.9)%	
Non-GAAP adjustments	6.1 %		8.1 %		21.1 %	
Non-GAAP operating profit margin	<u>10.2 %</u>		<u>11.3 %</u>		<u>7.2 %</u>	

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
RECONCILIATION OF GAAP TO NON-GAAP MEASURES
(Unaudited)
(In millions, except percentages and per share amounts)

	Three months ended April 30, 2021	Three months ended January 31, 2021	Three months ended April 30, 2020
GAAP net revenue	\$ 6,700	\$ 6,833	\$ 6,009
GAAP cost of sales	4,413	4,545	4,095
GAAP gross profit	\$ 2,287	\$ 2,288	\$ 1,914
Non-GAAP adjustments			
Amortization of initial direct costs	\$ 2	\$ 2	\$ 3
Acquisition, disposition and other related charges ^(c)	—	—	7
Stock-based compensation expense ^(a)	11	13	9
Non-GAAP gross profit	\$ 2,300	\$ 2,303	\$ 1,933
GAAP gross profit margin	34.1 %	33.5 %	31.9 %
Non-GAAP adjustments	0.2 %	0.2 %	0.3 %
Non-GAAP gross profit margin	34.3 %	33.7 %	32.2 %
Net cash provided by (used in) operating activities	\$ 822	\$ 963	\$ 100
Investment in property, plant and equipment	(535)	(513)	(591)
Proceeds from sale of property, plant and equipment	81	113	89
Free cash flow	\$ 368	\$ 563	\$ (402)

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
RECONCILIATION OF GAAP TO NON-GAAP MEASURES
(Unaudited)
(In millions, except percentages and per share amounts)

	Six months ended April 30, 2021	Diluted net earnings per share	Six months ended April 30, 2020	Diluted net earnings per share
GAAP net earnings (loss)	\$ 482	\$ 0.36	\$ (488)	\$ (0.38)
Non-GAAP adjustments:				
Amortization of initial direct costs	4	—	6	—
Amortization of intangible assets	194	0.15	204	0.16
Impairment of goodwill	—	—	865	0.67
Transformation costs	520	0.40	289	0.22
Disaster charges	1	—	22	0.02
Stock-based compensation expense ^(a)	208	0.16	160	0.12
Acquisition, disposition and other related charges	31	0.02	67	0.05
Tax indemnification adjustments	16	0.01	56	0.04
Non-service net periodic benefit credit	(34)	(0.03)	(73)	(0.06)
Earnings from equity interests ^(b)	68	0.05	74	0.06
Adjustments for taxes	(199)	(0.14)	(181)	(0.13)
Non-GAAP net earnings	<u>\$ 1,291</u>	<u>\$ 0.98</u>	<u>\$ 1,001</u>	<u>\$ 0.77</u>
GAAP (loss) earnings from operations	\$ 500		\$ (486)	
Non-GAAP adjustments				
Amortization of initial direct costs	4		6	
Amortization of intangible assets	194		204	
Impairment of goodwill	—		865	
Transformation costs	520		289	
Disaster charges	1		22	
Stock-based compensation expense ^(a)	208		160	
Acquisition, disposition and other related charges	31		67	
Non-GAAP earnings from operations	<u>\$ 1,458</u>		<u>\$ 1,127</u>	
GAAP operating profit margin	3.7 %		(3.8)%	
Non-GAAP adjustments	7.1 %		12.5 %	
Non-GAAP operating profit margin	<u>10.8 %</u>		<u>8.7 %</u>	

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
RECONCILIATION OF GAAP TO NON-GAAP MEASURES
(Unaudited)
(In millions, except percentages and per share amounts)

	Six months ended April 30, 2021	Six months ended April 30, 2020
GAAP net revenue	\$ 13,533	\$ 12,958
GAAP cost of sales	8,958	8,762
GAAP gross profit	\$ 4,575	\$ 4,196
Non-GAAP adjustments		
Amortization of initial direct costs	\$ 4	\$ 6
Acquisition, disposition and other related charges ^(c)	—	27
Stock-based compensation expense ^(a)	24	22
Non-GAAP gross profit	\$ 4,603	\$ 4,251
GAAP gross profit margin	33.8 %	32.4 %
Non-GAAP adjustments	0.2 %	0.4 %
Non-GAAP gross profit margin	34.0 %	32.8 %
Net cash provided by operating activities	\$ 1,785	\$ 21
Investment in property, plant and equipment	(1,048)	(1,159)
Proceeds from sale of property, plant and equipment	194	551
Free cash flow	\$ 931	\$ (587)

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

	As of	
	April 30, 2021	October 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,625	\$ 4,233
Accounts receivable, net of allowances	2,936	3,386
Financing receivables, net of allowances	3,845	3,794
Inventory	3,117	2,674
Assets held for sale	—	77
Other current assets	2,180	2,392
Total current assets	<u>16,703</u>	<u>16,556</u>
Property, plant and equipment	5,480	5,625
Long-term financing receivables and other assets	10,770	10,544
Investments in equity interests	2,212	2,170
Goodwill and intangible assets	18,967	19,120
Total assets	<u>\$ 54,132</u>	<u>\$ 54,015</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and short-term borrowings	\$ 3,531	\$ 3,755
Accounts payable	5,533	5,383
Employee compensation and benefits	1,397	1,391
Taxes on earnings	133	148
Deferred revenue	3,415	3,430
Accrued restructuring	233	366
Other accrued liabilities	3,738	4,265
Total current liabilities	<u>17,980</u>	<u>18,738</u>
Long-term debt	12,296	12,186
Other non-current liabilities	7,245	6,995
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; 1,304 and 1,287 shares issued and outstanding at April 30, 2021 and October 31, 2020, respectively)	13	13
Additional paid-in capital	28,538	28,350
Accumulated deficit	(8,229)	(8,375)
Accumulated other comprehensive loss	(3,762)	(3,939)
Total HPE stockholders' equity	<u>16,560</u>	<u>16,049</u>
Non-controlling interests	51	47
Total stockholders' equity	<u>16,611</u>	<u>16,096</u>
Total liabilities and stockholders' equity	<u>\$ 54,132</u>	<u>\$ 54,015</u>

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

	Three months ended April 30, 2021	Six months ended April 30, 2021
Cash flows from operating activities:		
Net earnings	\$ 259	\$ 482
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	639	1,313
Stock-based compensation expense	105	218
Provision for doubtful accounts and inventory	46	98
Restructuring charges	134	366
Deferred taxes on earnings	(24)	(95)
Earnings from equity interests	(4)	(30)
Other, net	(3)	62
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(14)	432
Financing receivables	16	(104)
Inventory	(349)	(497)
Accounts payable	325	164
Taxes on earnings	4	(30)
Restructuring	(104)	(324)
Other assets and liabilities	(208)	(270)
Net cash provided by operating activities	<u>822</u>	<u>1,785</u>
Cash flows from investing activities:		
Investment in property, plant and equipment	(535)	(1,048)
Proceeds from sale of property, plant and equipment	81	194
Purchases of available-for-sale securities and other investments	(12)	(19)
Maturities and sales of available-for-sale securities and other investments	9	10
Financial collateral posted	(365)	(631)
Financial collateral received	277	297
Payments made in connection with business acquisitions, net of cash acquired	(34)	(34)
Net cash used in investing activities	<u>(579)</u>	<u>(1,231)</u>
Cash flows from financing activities:		
Short-term borrowings with original maturities less than 90 days, net	13	39
Proceeds from debt, net of issuance costs	1,309	1,632
Payment of debt	(1,133)	(1,744)
Net proceeds (payments) related to stock-based award activities	7	(27)
Contributions from non-controlling interests	—	(8)
Cash dividends paid	(156)	(311)
Net cash provided by (used in) financing activities	<u>40</u>	<u>(419)</u>
Increase in cash, cash equivalents and restricted cash	283	135
Cash, cash equivalents and restricted cash at beginning of period	4,473	4,621
Cash, cash equivalents and restricted cash at end of period	<u>\$ 4,756</u>	<u>\$ 4,756</u>

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

	Three months ended		
	April 30, 2021	January 31, 2021	April 30, 2020
Net revenue: ^(d)			
Compute	\$ 2,976	\$ 2,986	\$ 2,655
HPC & MCS	685	762	607
Storage	1,137	1,193	1,086
Intelligent Edge	799	806	665
Financial Services	839	860	833
Corporate Investments and Other	350	321	328
Total segment net revenue	<u>6,786</u>	<u>6,928</u>	<u>6,174</u>
Elimination of intersegment net revenue	(86)	(95)	(165)
Total Hewlett Packard Enterprise consolidated net revenue	<u>\$ 6,700</u>	<u>\$ 6,833</u>	<u>\$ 6,009</u>
Earnings before taxes: ^{(a)(d)}			
Compute	\$ 335	\$ 342	\$ 155
HPC & MCS	19	43	46
Storage	191	235	171
Intelligent Edge	124	152	82
Financial Services	91	84	77
Corporate Investments and Other	(25)	(31)	(51)
Total segment earnings from operations	<u>735</u>	<u>825</u>	<u>480</u>
Unallocated corporate costs and eliminations	(50)	(52)	(48)
Stock-based compensation expense ^(a)	(98)	(110)	(67)
Amortization of initial direct costs	(2)	(2)	(3)
Amortization of intangible assets	(84)	(110)	(84)
Impairment of goodwill	—	—	(865)
Transformation costs	(209)	(311)	(200)
Disaster charges	(1)	—	(22)
Acquisition, disposition and other related charges	(13)	(18)	(25)
Interest and other, net	(11)	(44)	(68)
Tax indemnification adjustments	—	(16)	(35)
Non-service net periodic benefit credit	17	17	36
Earnings (loss) from equity interests	4	26	(10)
Total Hewlett Packard Enterprise consolidated earnings (loss) before taxes	<u>\$ 288</u>	<u>\$ 205</u>	<u>\$ (911)</u>

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

	Six months ended April 30,	
	2021	2020
Net revenue: ^(d)		
Compute	\$ 5,962	\$ 5,685
HPC & MCS	1,447	1,446
Storage	2,330	2,338
Intelligent Edge	1,605	1,385
Financial Services	1,699	1,692
Corporate Investments and Other	671	655
Total segment net revenue	13,714	13,201
Elimination of intersegment net revenue	(181)	(243)
Total Hewlett Packard Enterprise consolidated net revenue	<u>\$ 13,533</u>	<u>\$ 12,958</u>
Earnings before taxes: ^{(a)(d)}		
Compute	\$ 677	\$ 479
HPC & MCS	62	109
Storage	426	422
Intelligent Edge	276	169
Financial Services	175	152
Corporate Investments and Other	(56)	(104)
Total segment earnings from operations	1,560	1,227
Unallocated corporate costs and eliminations	(102)	(100)
Stock-based compensation expense ^(a)	(208)	(160)
Amortization of initial direct costs	(4)	(6)
Amortization of intangible assets	(194)	(204)
Impairment of goodwill	—	(865)
Transformation costs	(520)	(289)
Disaster (charges) recovery	(1)	(22)
Acquisition, disposition and other related charges	(31)	(67)
Interest and other, net	(55)	(87)
Tax indemnification adjustments	(16)	(56)
Non-service net periodic benefit credit	34	73
Earnings from equity interests	30	23
Total Hewlett Packard Enterprise consolidated earnings (loss) before taxes	<u>\$ 493</u>	<u>\$ (533)</u>

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

	Three months ended			Change (%)	
	April 30, 2021	January 31, 2021	April 30, 2020	Q/Q	Y/Y
Net revenue: ^(d)					
Compute	\$ 2,976	\$ 2,986	\$ 2,655	—%	12%
HPC & MCS	685	762	607	(10%)	13%
Storage	1,137	1,193	1,086	(5%)	5%
Intelligent Edge	799	806	665	(1%)	20%
Financial Services	839	860	833	(2%)	1%
Corporate Investments and Other	350	321	328	9%	7%
Total segment net revenue	6,786	6,928	6,174	(2%)	10%
Elimination of intersegment net revenue	(86)	(95)	(165)	(9%)	(48%)
Total Hewlett Packard Enterprise consolidated net revenue	\$ 6,700	\$ 6,833	\$ 6,009	(2%)	11%

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

	Six months ended April 30,		
	2021	2020	Y/Y
Net revenue: ^(d)			
Compute	\$ 5,962	\$ 5,685	5%
HPC & MCS	1,447	1,446	—%
Storage	2,330	2,338	—%
Intelligent Edge	1,605	1,385	16%
Financial Services	1,699	1,692	—%
Corporate Investments	671	655	2%
Total segment net revenue	13,714	13,201	4%
Elimination of intersegment net revenue	(181)	(243)	(26%)
Total Hewlett Packard Enterprise consolidated net revenue	\$ 13,533	\$ 12,958	4%

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

	Three months ended	Change in Operating Profit Margin (pts)	
	April 30, 2021	Q/Q	Y/Y
Segment operating profit margin: ^{(a)(d)}			
Compute	11.3 %	-0.2	5.5
HPC & MCS	2.8 %	-2.8	-4.8
Storage	16.8 %	-2.9	1.1
Intelligent Edge	15.5 %	-3.4	3.2
Financial Services	10.8 %	1.0	1.6
Corporate Investments and Other	(7.1%)	2.6	8.4
Total segment operating profit margin	10.8 %	-1.1	3.0

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

	Three months ended		
	April 30, 2021	January 31, 2021	April 30, 2020
Numerator:			
GAAP net earnings (loss)	\$ 259	\$ 223	\$ (821)
Non-GAAP net earnings	\$ 612	\$ 679	\$ 344
Denominator:			
Weighted-average shares used to compute basic net earnings (loss) per share and diluted net loss per share	1,309	1,300	1,291
Dilutive effect of employee stock plans	22	15	7
Weighted-average shares used to compute diluted net earnings per share	<u>1,331</u>	<u>1,315</u>	<u>1,298</u>
GAAP net earnings (loss) per share			
Basic	\$ 0.20	\$ 0.17	\$ (0.64)
Diluted	\$ 0.19	\$ 0.17	\$ (0.64)
Non-GAAP net earnings per share			
Basic	\$ 0.47	\$ 0.52	\$ 0.27
Diluted	\$ 0.46	\$ 0.52	\$ 0.27

	Six months ended April 30,	
	2021	2020
Numerator:		
GAAP net earnings (loss)	\$ 482	\$ (488)
Non-GAAP net earnings	\$ 1,291	\$ 1,001
Denominator:		
Weighted-average shares used to compute basic net earnings (loss) per share and diluted net loss per share	1,304	1,295
Dilutive effect of employee stock plans	19	11
Weighted-average shares used to compute diluted net earnings per share	<u>1,323</u>	<u>1,306</u>
GAAP net earnings (loss) per share		
Basic	\$ 0.37	\$ (0.38)
Diluted	\$ 0.36	\$ (0.38)
Non-GAAP net earnings per share		
Basic	\$ 0.99	\$ 0.77
Diluted	\$ 0.98	\$ 0.77

- (a) Effective at the beginning of the first quarter of fiscal 2021, Hewlett Packard Enterprise Company ("the Company") excluded stock-based compensation expense ("Non-GAAP Stock-Based Compensation Adjustment") from its segment earnings from operations and excluded stock-based compensation expense from consolidated non-GAAP gross profit, non-GAAP gross profit margin, non-GAAP earnings from operations, non-GAAP operating profit margin, non-GAAP net earnings and non-GAAP net earnings per share. The Company reflected the Non-GAAP Stock-Based Compensation Adjustment to the earliest period presented. This change had no impact on the Company's previously reported consolidated GAAP results.
- (b) Represents the amortization of basis difference adjustments related to the H3C divestiture.
- (c) Acquisition, disposition and other related charges for the three and six months ended April 30, 2020 related to a non-cash inventory fair value adjustment in connection with the acquisition of Cray, Inc., which was included in Cost of sales.
- (d) Effective at the beginning of the first quarter of fiscal 2021, the Company implemented certain organizational changes to align its segment financial reporting more closely with its current business structure. These organizational changes are: (i) the transfer of the lifecycle event services business, previously reported within the Advisory and Professional Services ("A & PS") reportable segment to Compute, Storage and HPC & MCS reportable segments; (ii) the transfer of certain software and related services business, previously reported within the Compute, Storage and A & PS reportable segments, to the Corporate Investments and Other reportable segment, to form a new Software operating segment; and (iii) the transfer of the remaining A & PS operating segment, previously reported as a separate reportable segment, to the Corporate Investments and Other reportable segment. As a result of these changes, the Corporate Investments and Other Segment now includes the A & PS operating segment, the Communications and Media Solutions operating segment, the Software operating segment, and Hewlett Packard Enterprise Labs which is responsible for research and development.

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.