

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES

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

	For the three months ended		
	April 30, 2023	January 31, 2023	April 30, 2022
	In millions, except per share amounts		
Net revenue	\$ 6,973	\$ 7,809	\$ 6,713
Costs and expenses:			
Cost of sales ⁽¹⁾	4,461	5,151	4,540
Research and development	570	623	517
Selling, general and administrative	1,269	1,257	1,249
Amortization of intangible assets	71	73	74
Transformation costs	60	102	98
Disaster charges	3	1	20
Acquisition, disposition and other related charges	19	11	8
Total costs and expenses	<u>6,453</u>	<u>7,218</u>	<u>6,506</u>
Earnings from operations	520	591	207
Interest and other, net	(54)	(25)	—
Tax indemnification and related adjustments	6	(1)	—
Non-service net periodic benefit credit	1	—	36
Earnings from equity interests	49	58	33
Earnings before provision for taxes	522	623	276
Provision for taxes	(104)	(122)	(26)
Net earnings	<u>\$ 418</u>	<u>\$ 501</u>	<u>\$ 250</u>
Net earnings per share:			
Basic	\$ 0.32	\$ 0.39	\$ 0.19
Diluted	\$ 0.32	\$ 0.38	\$ 0.19
Cash dividends declared per share	\$ 0.12	\$ 0.12	\$ 0.12
Weighted-average shares used to compute net earnings per share:			
Basic	1,304	1,298	1,307
Diluted	1,318	1,315	1,329

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES

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

	<u>For the six months ended</u>	
	<u>April 30, 2023</u>	<u>April 30, 2022</u>
	<u>In millions, except per share amounts</u>	
Net revenue	\$ 14,782	\$ 13,674
Costs and expenses:		
Cost of sales ⁽¹⁾	9,612	9,157
Research and development	1,193	1,021
Selling, general and administrative	2,526	2,450
Amortization of intangible assets	144	147
Transformation costs	162	209
Disaster charges	4	19
Acquisition, disposition and other related charges	30	16
Total costs and expenses	<u>13,671</u>	<u>13,019</u>
Earnings from operations	1,111	655
Interest and other, net	(79)	(5)
Tax indemnification and related adjustments	5	(17)
Non-service net periodic benefit credit	1	72
Earnings from equity interests	107	64
Earnings before provision for taxes	1,145	769
Provision for taxes	(226)	(6)
Net earnings	<u>\$ 919</u>	<u>\$ 763</u>
Net earnings per share:		
Basic	\$ 0.71	\$ 0.58
Diluted	\$ 0.70	\$ 0.57
Cash dividends declared per share	\$ 0.24	\$ 0.24
Weighted-average shares used to compute net earnings per share:		
Basic	1,301	1,306
Diluted	1,317	1,327

(1) The three and six months ended April 30, 2022 include amounts for expected credit loss reserves of \$105 million due to the Company's exit from its Russia and Belarus businesses.

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

	For the three months ended		
	April 30, 2023	January 31, 2023	April 30, 2022
	Dollars in millions		
GAAP net revenue	\$ 6,973	\$ 7,809	\$ 6,713
GAAP cost of sales	4,461	5,151	4,540
GAAP gross profit	2,512	2,658	2,173
Non-GAAP adjustments			
Amortization of initial direct costs	—	—	1
Stock-based compensation expense	13	16	14
Disaster charges ⁽¹⁾	—	—	105
Non-GAAP gross profit	\$ 2,525	\$ 2,674	\$ 2,293
GAAP gross profit margin	36.0 %	34.0 %	32.4 %
Non-GAAP adjustments	0.2 %	0.2 %	1.8 %
Non-GAAP gross profit margin	36.2 %	34.2 %	34.2 %

	For the six months ended	
	April 30, 2023	April 30, 2022
	Dollars in millions	
GAAP net revenue	\$ 14,782	\$ 13,674
GAAP cost of sales	9,612	9,157
GAAP gross profit	\$ 5,170	\$ 4,517
Non-GAAP adjustments		
Amortization of initial direct costs	\$ —	\$ 2
Stock-based compensation expense	29	29
Disaster charges ⁽¹⁾	—	105
Non-GAAP gross profit	\$ 5,199	\$ 4,653
GAAP gross profit margin	35.0 %	33.0 %
Non-GAAP adjustments	0.2 %	1.0 %
Non-GAAP gross profit margin	35.2 %	34.0 %

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

	For the three months ended		
	April 30, 2023	January 31, 2023	April 30, 2022
	Dollars in millions		
GAAP earnings from operations	\$ 520	\$ 591	\$ 207
Non-GAAP adjustments			
Amortization of initial direct costs	—	—	1
Amortization of intangible assets	71	73	74
Transformation costs	60	102	98
Disaster charges ⁽¹⁾	3	1	125
Stock-based compensation expense	126	140	114
Acquisition, disposition and other related charges	19	11	8
Non-GAAP earnings from operations	\$ 799	\$ 918	\$ 627
GAAP operating profit margin	7.5 %	7.6 %	3.1 %
Non-GAAP adjustments	4.0 %	4.2 %	6.2 %
Non-GAAP operating profit margin	11.5 %	11.8 %	9.3 %

	For the six months ended	
	April 30, 2023	April 30, 2022
	Dollars in millions	
GAAP earnings from operations	\$ 1,111	\$ 655
Non-GAAP adjustments		
Amortization of initial direct costs	—	2
Amortization of intangible assets	144	147
Transformation costs	162	209
Disaster charges ⁽¹⁾	4	124
Stock-based compensation expense	266	242
Acquisition, disposition and other related charges	30	16
Non-GAAP earnings from operations	\$ 1,717	\$ 1,395
GAAP operating profit margin	7.5 %	4.8 %
Non-GAAP adjustments	4.1 %	5.4 %
Non-GAAP operating profit margin	11.6 %	10.2 %

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

	For the three months ended					
	April 30, 2023	Diluted net earnings per share	January 31, 2023	Diluted net earnings per share	April 30, 2022	Diluted net earnings per share
	Dollars in millions, except per share amounts					
GAAP net earnings	\$ 418	\$ 0.32	\$ 501	\$ 0.38	\$ 250	\$ 0.19
Non-GAAP adjustments:						
Amortization of initial direct costs	—	—	—	—	1	—
Amortization of intangible assets	71	0.05	73	0.06	74	0.06
Transformation costs	60	0.05	102	0.07	98	0.07
Disaster charges ⁽¹⁾	3	—	1	—	125	0.09
Stock-based compensation expense	126	0.10	140	0.11	114	0.09
Acquisition, disposition and other related	19	0.01	11	0.01	8	0.01
Tax indemnification and related adjustments	(6)	—	1	—	—	—
Non-service net periodic benefit credit	(1)	—	—	—	(36)	(0.03)
Earnings from equity interests ⁽²⁾	2	—	12	0.01	17	0.01
Adjustments for taxes	(7)	(0.01)	(13)	(0.01)	(68)	(0.05)
Non-GAAP net earnings	<u>\$ 685</u>	<u>\$ 0.52</u>	<u>\$ 828</u>	<u>\$ 0.63</u>	<u>\$ 583</u>	<u>\$ 0.44</u>

	For the six months ended			
	April 30, 2023	Diluted net earnings per share	April 30, 2022	Diluted net earnings per share
	Dollars in millions, except per share amounts			
GAAP net earnings	\$ 919	\$ 0.70	\$ 763	\$ 0.57
Non-GAAP adjustments:				
Amortization of initial direct costs	—	—	2	—
Amortization of intangible assets	144	0.11	147	0.11
Transformation costs	162	0.12	209	0.16
Disaster charges ⁽¹⁾	4	—	124	0.09
Stock-based compensation expense	266	0.21	242	0.18
Acquisition, disposition and other related charges	30	0.02	16	0.01
Tax indemnification and related adjustments	(5)	—	17	0.01
Non-service net periodic benefit credit	(1)	—	(72)	(0.05)
Earnings from equity interests ⁽²⁾	14	0.01	34	0.03
Adjustments for taxes	(20)	(0.02)	(202)	(0.15)
Non-GAAP net earnings	<u>\$ 1,513</u>	<u>\$ 1.15</u>	<u>\$ 1,280</u>	<u>\$ 0.96</u>

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

	For the three months ended		
	April 30, 2023	January 31, 2023	April 30, 2022
	In millions		
Net cash provided by (used in) operating activities	\$ 889	\$ (829)	\$ 379
Investment in property, plant and equipment	(688)	(794)	(725)
Proceeds from sale of property, plant and equipment	86	159	135
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	1	138	—
Free cash flow	\$ 288	\$ (1,326)	\$ (211)

	For the six months ended	
	April 30, 2023	April 30, 2022
	In millions	
Net cash provided by operating activities	\$ 60	\$ 303
Investment in property, plant and equipment	(1,482)	(1,349)
Proceeds from sale of property, plant and equipment	\$ 245	\$ 258
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	139	—
Free cash flow	\$ (1,038)	\$ (788)

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
Condensed Consolidated Balance Sheets

	As of	
	April 30, 2023	October 31, 2022
	(Unaudited)	(Audited)
	In millions, except par value	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,781	\$ 4,163
Accounts receivable, net of allowances	3,711	4,101
Financing receivables, net of allowances	3,716	3,522
Inventory	4,317	5,161
Other current assets	3,035	3,559
Total current assets	17,560	20,506
Property, plant and equipment	6,013	5,784
Long-term financing receivables and other assets	11,287	10,537
Investments in equity interests	2,281	2,160
Goodwill and intangible assets	18,408	18,136
Total assets	\$ 55,549	\$ 57,123
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and short-term borrowings	\$ 5,004	\$ 4,612
Accounts payable	5,501	8,717
Employee compensation and benefits	1,439	1,401
Taxes on earnings	198	176
Deferred revenue	3,621	3,451
Accrued restructuring	166	192
Other accrued liabilities	4,322	4,625
Total current liabilities	20,251	23,174
Long-term debt	8,372	7,853
Other non-current liabilities	6,505	6,187
Stockholders' equity		
Common stock, \$0.01 par value (9,600 shares authorized; 1,292 and 1,281 shares issued and outstanding at April 30, 2023 and October 31, 2022, respectively)	13	13
Additional paid-in capital	28,274	28,299
Accumulated deficit	(4,743)	(5,350)
Accumulated other comprehensive loss	(3,178)	(3,098)
Total HPE stockholders' equity	20,366	19,864
Non-controlling interests	55	45
Total stockholders' equity	20,421	19,909
Total liabilities and stockholders' equity	\$ 55,549	\$ 57,123

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

	For the six months ended	
	April 30, 2023	April 30, 2022
In millions		
Cash flows from operating activities:		
Net earnings	\$ 919	\$ 763
Adjustments to reconcile net earnings to net cash used in operating activities:		
Depreciation and amortization	1,307	1,242
Stock-based compensation expense	266	242
Provision for inventory and credit losses	97	213
Restructuring charges	95	68
Deferred taxes on earnings	69	(54)
Earnings from equity interests	(107)	(64)
Other, net	(11)	(46)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	370	817
Financing receivables	(666)	470
Inventory	782	(861)
Accounts payable	(3,220)	(1,323)
Taxes on earnings	(1)	35
Restructuring	(147)	(197)
Other assets and liabilities	307	(1,002)
Net cash provided by operating activities	<u>60</u>	<u>303</u>
Cash flows from investing activities:		
Investment in property, plant and equipment	(1,482)	(1,349)
Proceeds from sale of property, plant and equipment	245	258
Purchases of investments	(5)	(40)
Proceeds from maturities and sales of investments	4	72
Financial collateral posted	(1,009)	(40)
Financial collateral received	483	272
Payments made in connection with business acquisitions, net of cash acquired	(406)	—
Net cash used in investing activities	<u>(2,170)</u>	<u>(827)</u>
Cash flows from financing activities:		
Short-term borrowings with original maturities less than 90 days, net	344	56
Proceeds from debt, net of issuance costs	2,845	1,582
Payment of debt	(2,428)	(1,340)
Settlement of cash flow hedge	(2)	—
Net payments related to stock-based award activities	(106)	(60)
Repurchase of common stock	(179)	(187)
Cash dividends paid to shareholders	(311)	(311)
Net cash provided by (used in) financing activities	<u>163</u>	<u>(260)</u>
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	139	—
Decrease in cash, cash equivalents and restricted cash	(1,808)	(784)
Cash, cash equivalents and restricted cash at beginning of period	4,763	4,332
Cash, cash equivalents and restricted cash at end of period	<u>\$ 2,955</u>	<u>\$ 3,548</u>

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
Segment Information
(Unaudited)

	For the three months ended		
	April 30, 2023	January 31, 2023	April 30, 2022
	In millions		
Net revenue:			
Compute ⁽³⁾	\$ 2,761	\$ 3,456	\$ 3,011
High Performance Computing & Artificial Intelligence	840	1,056	710
Storage ⁽³⁾	1,043	1,187	1,072
Intelligent Edge	1,304	1,127	867
Financial Services	858	873	823
Corporate Investments and other	296	293	327
Total segment net revenue	<u>7,102</u>	<u>7,992</u>	<u>6,810</u>
Elimination of intersegment net revenue	(129)	(183)	(97)
Total consolidated net revenue	<u>\$ 6,973</u>	<u>\$ 7,809</u>	<u>\$ 6,713</u>
Earnings before taxes:			
Compute ⁽³⁾	\$ 420	\$ 609	\$ 426
High Performance Computing & Artificial Intelligence	(2)	1	(40)
Storage ⁽³⁾	82	142	127
Intelligent Edge	351	247	109
Financial Services	84	82	104
Corporate Investments and other	(47)	(55)	(24)
Total segment earnings from operations	<u>888</u>	<u>1,026</u>	<u>702</u>
Unallocated corporate costs and eliminations	(89)	(108)	(75)
Stock-based compensation expense	(126)	(140)	(114)
Amortization of initial direct costs	—	—	(1)
Amortization of intangible assets	(71)	(73)	(74)
Transformation costs	(60)	(102)	(98)
Disaster charges ⁽¹⁾	(3)	(1)	(125)
Acquisition, disposition and other related charges	(19)	(11)	(8)
Interest and other, net	(54)	(25)	—
Tax indemnification and related adjustments	6	(1)	—
Non-service net periodic benefit credit	1	—	36
Earnings from equity interests ⁽²⁾	49	58	33
Total pretax earnings (loss)	<u>\$ 522</u>	<u>\$ 623</u>	<u>\$ 276</u>

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
Segment Information
(Unaudited)

	<u>For the six months ended</u>	
	<u>April 30, 2023</u>	<u>April 30, 2022</u>
	In millions	
Net revenue:		
Compute ⁽³⁾	\$ 6,217	\$ 6,055
High Performance Computing & Artificial Intelligence	1,896	1,500
Storage ⁽³⁾	2,230	2,200
Intelligent Edge	2,431	1,768
Financial Services	1,731	1,665
Corporate Investments and other	589	652
Total segment net revenue	<u>15,094</u>	<u>13,840</u>
Elimination of intersegment net revenue	(312)	(166)
Total consolidated net revenue	<u>\$ 14,782</u>	<u>\$ 13,674</u>
Earnings before taxes:		
Compute ⁽³⁾	\$ 1,029	\$ 853
High Performance Computing & Artificial Intelligence	(1)	(47)
Storage ⁽³⁾	224	284
Intelligent Edge	598	266
Financial Services	166	208
Corporate Investments and other	(102)	(35)
Total segment earnings from operations	<u>1,914</u>	<u>1,529</u>
Unallocated corporate costs and eliminations	(197)	(134)
Stock-based compensation expense	(266)	(242)
Amortization of initial direct costs	—	(2)
Amortization of intangible assets	(144)	(147)
Transformation costs	(162)	(209)
Disaster charges ⁽¹⁾	(4)	(124)
Acquisition, disposition and other related charges	(30)	(16)
Interest and other, net	(79)	(5)
Tax indemnification and related adjustments	5	(17)
Non-service net periodic benefit credit	1	72
Earnings from equity interests ⁽²⁾	107	64
Total consolidated earnings before taxes	<u>\$ 1,145</u>	<u>\$ 769</u>

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
Segment Information
(Unaudited)

	For the three months ended			Change (%)	
	April 30, 2023	January 31, 2023	April 30, 2022	Q/Q	Y/Y
	Dollars in millions				
Net revenue:					
Compute ⁽³⁾	\$ 2,761	\$ 3,456	\$ 3,011	(20%)	(8%)
High Performance Computing & Artificial Intelligence	840	1,056	710	(20)	18
Storage ⁽³⁾	1,043	1,187	1,072	(12)	(3)
Intelligent Edge	1,304	1,127	867	16	50
Financial Services	858	873	823	(2)	4
Corporate Investments and other	296	293	327	1	(9)
Total segment net revenue	7,102	7,992	6,810	(11)	4
Elimination of intersegment net revenue	(129)	(183)	(97)	(30)	33
Total consolidated net revenue	<u>\$ 6,973</u>	<u>\$ 7,809</u>	<u>\$ 6,713</u>	(11%)	4%

	For the six months ended		
	April 30, 2023	April 30, 2022	Y/Y
	Dollars in millions		
Net revenue:			
Compute ⁽³⁾	\$ 6,217	\$ 6,055	3%
High Performance Computing & Artificial Intelligence	1,896	1,500	26
Storage ⁽³⁾	2,230	2,200	1
Intelligent Edge	2,431	1,768	38
Financial Services	1,731	1,665	4
Corporate Investments and other	589	652	(10)
Total segment net revenue	15,094	13,840	9
Elimination of intersegment net revenue	(312)	(166)	88
Total consolidated net revenue	<u>\$ 14,782</u>	<u>\$ 13,674</u>	8%

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

	For the three months ended			Change in Operating Profit Margin (pts)	
	April 30, 2023	January 31, 2023	April 30, 2022	Q/Q	Y/Y
	Segment operating profit margin:				
Compute ⁽³⁾	15.2 %	17.6 %	14.1 %	(2.4)	1.1
High Performance Computing & Artificial Intelligence	(0.2 %)	0.1 %	(5.6%)	(0.3)	5.4
Storage ⁽³⁾	7.9 %	12.0 %	11.8 %	(4.1)	(3.9)
Intelligent Edge	26.9 %	21.9 %	12.6 %	5.0	14.3
Financial Services	9.8 %	9.4 %	12.6 %	0.4	(2.8)
Corporate Investments and other	(15.9%)	(18.8%)	(7.3%)	2.9	(8.6)
Total segment operating profit margin	12.5 %	12.8 %	10.3 %	(0.3)	2.2

	For the six months ended		Change in Operating Profit Margin (pts)
	April 30, 2023	April 30, 2022	Y/Y
	Segment operating profit margin:		
Compute ⁽³⁾	16.6 %	14.1 %	2.5
High Performance Computing & Artificial Intelligence	(0.1 %)	(3.1 %)	3.0
Storage ⁽³⁾	10.0 %	12.9 %	(2.9)
Intelligent Edge	24.6 %	15.0 %	9.6
Financial Services	9.6%	12.5%	(2.9)
Corporate Investments and other	(17.3 %)	(5.4 %)	(11.9)
Total segment operating profit margin	12.7 %	11.0 %	1.7

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

	For the three months ended		
	April 30, 2023	January 31, 2023	April 30, 2022
	In millions, except per share amounts		
Numerator:			
GAAP net earnings	\$ 418	\$ 501	\$ 250
Non-GAAP net earnings	\$ 685	\$ 828	\$ 583
Denominator:			
Weighted-average shares used to compute basic net earnings per share	1,304	1,298	1,307
Dilutive effect of employee stock plans	14	17	22
Weighted-average shares used to compute diluted net earnings per share	1,318	1,315	1,329
GAAP net earnings per share			
Basic	\$ 0.32	\$ 0.39	\$ 0.19
Diluted	\$ 0.32	\$ 0.38	\$ 0.19
Non-GAAP net earnings per share			
Basic	\$ 0.53	\$ 0.64	\$ 0.45
Diluted	\$ 0.52	\$ 0.63	\$ 0.44

	For the six months ended	
	April 30, 2023	April 30, 2022
	In millions, except per share amounts	
Numerator:		
GAAP net earnings	\$ 919	\$ 763
Non-GAAP net earnings	\$ 1,513	\$ 1,280
Denominator:		
Weighted-average shares used to compute basic net earnings per share	1,301	1,306
Dilutive effect of employee stock plans	16	21
Weighted-average shares used to compute diluted net earnings per share	1,317	1,327
GAAP net earnings per share		
Basic	\$ 0.71	\$ 0.58
Diluted	\$ 0.70	\$ 0.57
Non-GAAP net earnings per share		
Basic	\$ 1.16	\$ 0.98
Diluted	\$ 1.15	\$ 0.96

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- (1) The three and six months ended April 30, 2022 include amounts primarily for expected credit loss reserves of \$126 million, due to the Company's exit from its Russia and Belarus businesses, \$105 million of which is in Cost of sales and \$21 million in Disaster charges in the Condensed Consolidated Statements of Earnings. During the three and six months ended April 30, 2022, Disaster charges also included a recovery of \$1 million and \$2 million, respectively, related to COVID-19.
 - (2) Represents the amortization of basis difference adjustments related to H3C. The six months ended April 30, 2023 also includes the Company's portion of intangible asset impairment charges from H3C of \$8 million.
 - (3) 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.