

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES

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

	For the three months ended		
	July 31, 2023	April 30, 2023	July 31, 2022
	In millions, except per share amounts		
Net revenue	\$ 7,002	\$ 6,973	\$ 6,951
Costs and Expenses:			
Cost of sales	4,492	4,461	4,555
Research and development	578	570	509
Selling, general and administrative	1,302	1,269	1,229
Amortization of intangible assets	72	71	73
Transformation costs	65	60	80
Disaster charges	1	3	30
Acquisition, disposition and other related charges	21	19	9
Total costs and expenses	<u>6,531</u>	<u>6,453</u>	<u>6,485</u>
Earnings from operations	471	520	466
Interest and other, net	(50)	(54)	(74)
Tax indemnification and related adjustments	45	6	(30)
Non-service net periodic benefit (cost) credit	(3)	1	34
Earnings from equity interests	73	49	68
Earnings before provision for taxes	536	522	464
Provision for taxes	(72)	(104)	(55)
Net earnings	<u>\$ 464</u>	<u>\$ 418</u>	<u>\$ 409</u>
Net Earnings Per Share:			
Basic	\$ 0.36	\$ 0.32	\$ 0.31
Diluted	\$ 0.35	\$ 0.32	\$ 0.31
Cash dividends declared per share	\$ 0.12	\$ 0.12	\$ 0.12
Weighted-average Shares Used to Compute Net Earnings Per Share:			
Basic	1,299	1,304	1,305
Diluted	1,316	1,318	1,323

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES

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

	For the nine months ended	
	July 31, 2023	July 31, 2022
	In millions, except per share amounts	
Net revenue	\$ 21,784	\$ 20,625
Costs and Expenses:		
Cost of sales	14,104	13,712
Research and development	1,771	1,530
Selling, general and administrative	3,828	3,679
Amortization of intangible assets	216	220
Transformation costs	227	289
Disaster charges	5	49
Acquisition, disposition and other related charges	51	25
Total costs and expenses	<u>20,202</u>	<u>19,504</u>
Earnings from operations	1,582	1,121
Interest and other, net	(129)	(79)
Tax indemnification and related adjustments	50	(47)
Non-service net periodic benefit (cost) credit	(2)	106
Earnings from equity interests	180	132
Earnings before provision for taxes	1,681	1,233
Provision for taxes	(298)	(61)
Net earnings	<u>\$ 1,383</u>	<u>\$ 1,172</u>
Net Earnings Per Share:		
Basic	\$ 1.06	\$ 0.90
Diluted	\$ 1.05	\$ 0.88
Cash dividends declared per share	\$ 0.36	\$ 0.36
Weighted-average Shares Used to Compute Net Earnings Per Share:		
Basic	1,300	1,306
Diluted	1,317	1,326

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

	For the three months ended		
	July 31, 2023	April 30, 2023	July 31, 2022
	Dollars in millions		
GAAP net revenue	\$ 7,002	\$ 6,973	\$ 6,951
GAAP cost of sales	4,492	4,461	4,555
GAAP gross profit	2,510	2,512	2,396
Non-GAAP Adjustments			
Amortization of initial direct costs	—	—	1
Stock-based compensation expense	9	13	9
Disaster (recovery) charges	(3)	—	6
Non-GAAP gross profit	\$ 2,516	\$ 2,525	\$ 2,412
GAAP gross profit margin	35.8 %	36.0 %	34.5 %
Non-GAAP adjustments	0.1 %	0.2 %	0.2 %
Non-GAAP gross profit margin	35.9 %	36.2 %	34.7 %

	For the nine months ended	
	July 31, 2023	July 31, 2022
	Dollars in millions	
GAAP net revenue	\$ 21,784	\$ 20,625
GAAP cost of sales	14,104	13,712
GAAP gross profit	\$ 7,680	\$ 6,913
Non-GAAP Adjustments		
Amortization of initial direct costs	\$ —	\$ 3
Stock-based compensation expense	38	38
Disaster (recovery) charges	(3)	111
Non-GAAP gross profit	\$ 7,715	\$ 7,065
GAAP gross profit margin	35.3 %	33.5 %
Non-GAAP adjustments	0.1 %	0.8 %
Non-GAAP gross profit margin	35.4 %	34.3 %

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

	For the three months ended		
	July 31, 2023	April 30, 2023	July 31, 2022
	Dollars in millions		
GAAP earnings from operations	\$ 471	\$ 520	\$ 466
Non-GAAP Adjustments			
Amortization of initial direct costs	—	—	1
Amortization of intangible assets	72	71	73
Transformation costs	65	60	80
Disaster (recovery) charges	(2)	3	36
Stock-based compensation expense	91	126	64
Acquisition, disposition and other related charges	21	19	9
Non-GAAP earnings from operations	<u>\$ 718</u>	<u>\$ 799</u>	<u>\$ 729</u>
GAAP operating profit margin	6.7 %	7.5%	6.7 %
Non-GAAP adjustments	3.6 %	4.0 %	3.8 %
Non-GAAP operating profit margin	<u>10.3 %</u>	<u>11.5 %</u>	<u>10.5 %</u>

	For the nine months ended	
	July 31, 2023	July 31, 2022
	Dollars in millions	
GAAP earnings from operations	\$ 1,582	\$ 1,121
Non-GAAP Adjustments		
Amortization of initial direct costs	—	3
Amortization of intangible assets	216	220
Transformation costs	227	289
Disaster charges	2	160
Stock-based compensation expense	357	306
Acquisition, disposition and other related charges	51	25
Non-GAAP earnings from operations	<u>\$ 2,435</u>	<u>\$ 2,124</u>
GAAP operating profit margin	7.3 %	5.4 %
Non-GAAP adjustments	3.9 %	4.9 %
Non-GAAP operating profit margin	<u>11.2 %</u>	<u>10.3 %</u>

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

	For the three months ended					
	July 31, 2023	Diluted net earnings per share	April 30, 2023	Diluted net earnings per share	July 31, 2022	Diluted net earnings per share
	Dollars in millions, except per share amounts					
GAAP net earnings	\$ 464	\$ 0.35	\$ 418	\$ 0.32	\$ 409	\$ 0.31
Non-GAAP Adjustments:						
Amortization of initial direct costs	—	—	—	—	1	—
Amortization of intangible assets	72	0.05	71	0.05	73	0.05
Transformation costs	65	0.05	60	0.05	80	0.06
Disaster (recovery) charges	(2)	—	3	—	36	0.03
Stock-based compensation expense	91	0.07	126	0.10	64	0.05
Acquisition, disposition and other related charges	21	0.02	19	0.01	9	0.01
Tax indemnification and related adjustments	(45)	(0.03)	(6)	—	30	0.02
Non-service net periodic benefit cost (credit)	3	—	(1)	—	(34)	(0.03)
Earnings from equity interests ⁽¹⁾	2	—	2	—	8	0.01
Adjustments for taxes	(32)	(0.02)	(7)	(0.01)	(47)	(0.03)
Non-GAAP net earnings	<u>\$ 639</u>	<u>\$ 0.49</u>	<u>\$ 685</u>	<u>\$ 0.52</u>	<u>\$ 629</u>	<u>\$ 0.48</u>

	For the nine months ended			
	July 31, 2023	Diluted net earnings per share	July 31, 2022	Diluted net earnings per share
	Dollars in millions, except per share amounts			
GAAP net earnings	\$ 1,383	\$ 1.05	\$ 1,172	\$ 0.88
Non-GAAP Adjustments:				
Amortization of initial direct costs	—	—	3	—
Amortization of intangible assets	216	0.16	220	0.17
Transformation costs	227	0.17	289	0.22
Disaster charges	2	—	160	0.12
Stock-based compensation expense	357	0.28	306	0.22
Acquisition, disposition and other related charges	51	0.04	25	0.02
Tax indemnification and related adjustments	(50)	(0.04)	47	0.04
Non-service net periodic benefit cost (credit)	2	—	(106)	(0.08)
Earnings from equity interests ⁽¹⁾	16	0.01	42	0.03
Adjustments for taxes	(52)	(0.04)	(249)	(0.18)
Non-GAAP net earnings	<u>\$ 2,152</u>	<u>\$ 1.63</u>	<u>\$ 1,909</u>	<u>\$ 1.44</u>

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

	For the three months ended		
	July 31, 2023	April 30, 2023	July 31, 2022
	In millions		
Net cash provided by operating activities	\$ 1,525	\$ 889	\$ 1,254
Investment in property, plant and equipment	(671)	(688)	(773)
Proceeds from sale of property, plant and equipment	102	86	106
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(1)	1	—
Free cash flow	\$ 955	\$ 288	\$ 587

	For the nine months ended	
	July 31, 2023	July 31, 2022
	In millions	
Net cash provided by operating activities	\$ 1,585	\$ 1,557
Investment in property, plant and equipment	(2,153)	(2,122)
Proceeds from sale of property, plant and equipment	347	364
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	138	—
Free cash flow	\$ (83)	\$ (201)

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
Condensed Consolidated Balance Sheets

	As of	
	July 31, 2023	October 31, 2022
	(Unaudited)	(Audited)
	In millions, except par value	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,919	\$ 4,163
Accounts receivable, net of allowances	3,448	4,101
Financing receivables, net of allowances	3,718	3,522
Inventory	4,541	5,161
Other current assets	3,029	3,559
Total current assets	17,655	20,506
Property, plant and equipment	6,089	5,784
Long-term financing receivables and other assets	11,659	10,537
Investments in equity interests	2,293	2,160
Goodwill and intangible assets	18,719	18,136
Total assets	\$ 56,415	\$ 57,123
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Notes payable and short-term borrowings	\$ 4,486	\$ 4,612
Accounts payable	5,604	8,717
Employee compensation and benefits	1,570	1,401
Taxes on earnings	215	176
Deferred revenue	3,654	3,451
Accrued restructuring	149	192
Other accrued liabilities	4,492	4,625
Total current liabilities	20,170	23,174
Long-term debt	8,866	7,853
Other non-current liabilities	6,702	6,187
Stockholders' Equity		
Common stock, \$0.01 par value (9,600 shares authorized; 1,283 and 1,281 shares issued and outstanding as of July 31, 2023 and October 31, 2022, respectively)	13	13
Additional paid-in capital	28,191	28,299
Accumulated deficit	(4,433)	(5,350)
Accumulated other comprehensive loss	(3,149)	(3,098)
Total HPE stockholders' equity	20,622	19,864
Non-controlling interests	55	45
Total stockholders' equity	20,677	19,909
Total liabilities and stockholders' equity	\$ 56,415	\$ 57,123

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

	For the nine months ended	
	July 31, 2023	July 31, 2022
In millions		
Cash Flows from Operating Activities:		
Net earnings	\$ 1,383	\$ 1,172
Adjustments to Reconcile Net Earnings to Net Cash Provided by Operating Activities:		
Depreciation and amortization	1,961	1,862
Stock-based compensation expense	357	306
Provision for inventory and credit losses	189	237
Restructuring charges	133	102
Deferred taxes on earnings	(2)	(61)
Earnings from equity interests	(180)	(132)
Dividends received from equity investees	34	38
Other, net	(7)	(6)
Changes in Operating Assets and Liabilities, Net of Acquisitions:		
Accounts receivable	623	557
Financing receivables	(870)	573
Inventory	491	(1,100)
Accounts payable	(3,146)	(171)
Taxes on earnings	26	39
Restructuring	(201)	(267)
Other assets and liabilities	794	(1,592)
Net cash provided by operating activities	<u>1,585</u>	<u>1,557</u>
Cash Flows from Investing Activities:		
Investment in property, plant and equipment	(2,153)	(2,122)
Proceeds from sale of property, plant and equipment	347	364
Purchases of investments	(10)	(54)
Proceeds from maturities and sales of investments	8	254
Financial collateral posted	(1,410)	(40)
Financial collateral received	793	374
Payments made in connection with business acquisitions, net of cash acquired	(761)	—
Net cash used in investing activities	<u>(3,186)</u>	<u>(1,224)</u>
Cash Flows from Financing Activities:		
Short-term borrowings with original maturities less than 90 days, net	(54)	114
Proceeds from debt, net of issuance costs	3,886	2,508
Payment of debt	(3,062)	(1,941)
Cash settlement for derivative hedging debt	(7)	—
Net payments related to stock-based award activities	(100)	(46)
Repurchase of common stock	(366)	(384)
Cash dividends paid to shareholders	(465)	(467)
Net cash provided by (used in) financing activities	<u>(168)</u>	<u>(216)</u>
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	138	—
(Decrease) increase in cash, cash equivalents and restricted cash	(1,631)	117
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>\$ 3,132</u>	<u>\$ 4,449</u>

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
Segment Information
(Unaudited)

	For the three months ended		
	July 31, 2023	April 30, 2023	July 31, 2022
	In millions		
Net Revenue:			
Compute ⁽²⁾	\$ 2,624	\$ 2,761	\$ 3,027
High Performance Computing & Artificial Intelligence	836	840	830
Storage ⁽²⁾	1,074	1,043	1,129
Intelligent Edge	1,415	1,304	941
Financial Services	873	858	817
Corporate Investments and other	318	296	300
Total segment net revenue	<u>7,140</u>	<u>7,102</u>	<u>7,044</u>
Elimination of intersegment net revenue	(138)	(129)	(93)
Total consolidated net revenue	<u>\$ 7,002</u>	<u>\$ 6,973</u>	<u>\$ 6,951</u>
Earnings Before Taxes:			
Compute ⁽²⁾	\$ 285	\$ 420	\$ 408
High Performance Computing & Artificial Intelligence	(7)	(2)	28
Storage ⁽²⁾	115	82	161
Intelligent Edge	420	351	155
Financial Services	73	84	96
Corporate Investments and other	(38)	(47)	(31)
Total segment earnings from operations	<u>848</u>	<u>888</u>	<u>817</u>
Unallocated corporate costs and eliminations	(130)	(89)	(88)
Stock-based compensation expense	(91)	(126)	(64)
Amortization of initial direct costs	—	—	(1)
Amortization of intangible assets	(72)	(71)	(73)
Transformation costs	(65)	(60)	(80)
Disaster recovery (charges)	2	(3)	(36)
Acquisition, disposition and other related charges	(21)	(19)	(9)
Interest and other, net	(50)	(54)	(74)
Tax indemnification and related adjustments	45	6	(30)
Non-service net periodic benefit (cost) credit	(3)	1	34
Earnings from equity interests ⁽¹⁾	73	49	68
Total pretax earnings (loss)	<u>\$ 536</u>	<u>\$ 522</u>	<u>\$ 464</u>

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
Segment Information
(Unaudited)

	For the nine months ended	
	July 31, 2023	July 31, 2022
	In millions	
Net Revenue:		
Compute ⁽²⁾	\$ 8,841	\$ 9,082
High Performance Computing & Artificial Intelligence	2,732	2,330
Storage ⁽²⁾	3,304	3,329
Intelligent Edge	3,846	2,709
Financial Services	2,604	2,482
Corporate Investments and other	907	952
Total segment net revenue	22,234	20,884
Elimination of intersegment net revenue	(450)	(259)
Total consolidated net revenue	<u>\$ 21,784</u>	<u>\$ 20,625</u>
Earnings Before Taxes:		
Compute ⁽²⁾	\$ 1,314	\$ 1,261
High Performance Computing & Artificial Intelligence	(8)	(19)
Storage ⁽²⁾	339	445
Intelligent Edge	1,018	421
Financial Services	239	304
Corporate Investments and other	(140)	(66)
Total segment earnings from operations	2,762	2,346
Unallocated corporate costs and eliminations	(327)	(222)
Stock-based compensation expense	(357)	(306)
Amortization of initial direct costs	—	(3)
Amortization of intangible assets	(216)	(220)
Transformation costs	(227)	(289)
Disaster charges	(2)	(160)
Acquisition, disposition and other related charges	(51)	(25)
Interest and other, net	(129)	(79)
Tax indemnification and related adjustments	50	(47)
Non-service net periodic benefit (cost) credit	(2)	106
Earnings from equity interests ⁽¹⁾	180	132
Total consolidated earnings before taxes	<u>\$ 1,681</u>	<u>\$ 1,233</u>

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
Segment Information
(Unaudited)

	For the three months ended			Change (%)	
	July 31, 2023	April 30, 2023	July 31, 2022	Q/Q	Y/Y
Dollars in millions					
Net Revenue:					
Compute ⁽²⁾	\$ 2,624	\$ 2,761	\$ 3,027	(5%)	(13%)
High Performance Computing & Artificial Intelligence	836	840	830	(1)	1
Storage ⁽²⁾	1,074	1,043	1,129	3	(5)
Intelligent Edge	1,415	1,304	941	9	50
Financial Services	873	858	817	2	7
Corporate Investments and other	318	296	300	7	6
Total segment net revenue	7,140	7,102	7,044	1	1
Elimination of intersegment net revenue	(138)	(129)	(93)	7	48
Total consolidated net revenue	<u>\$ 7,002</u>	<u>\$ 6,973</u>	<u>\$ 6,951</u>	—%	1%

	For the nine months ended			Y/Y
	July 31, 2023	July 31, 2022		
Dollars in millions				
Net Revenue:				
Compute ⁽²⁾	\$ 8,841	\$ 9,082		(3%)
High Performance Computing & Artificial Intelligence	2,732		2,330	17
Storage ⁽²⁾	3,304		3,329	(1)
Intelligent Edge	3,846		2,709	42
Financial Services	2,604		2,482	5
Corporate Investments and other	907		952	(5)
Total segment net revenue	22,234		20,884	7
Elimination of intersegment net revenue	(450)		(259)	74
Total consolidated net revenue	<u>\$ 21,784</u>	<u>\$ 20,625</u>		6%

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

	For the three months ended			Change in operating profit margin (pts)	
	July 31, 2023	April 30, 2023	July 31, 2022	Q/Q	Y/Y
Segment Operating Profit Margin:					
Compute ⁽²⁾	10.9 %	15.2 %	13.5 %	(4.3)	(2.6)
High Performance Computing & Artificial Intelligence	(0.8 %)	(0.2)%	3.4%	(0.6)	(4.2)
Storage ⁽²⁾	10.7 %	7.9 %	14.3 %	2.8	(3.6)
Intelligent Edge	29.7 %	26.9 %	16.5 %	2.8	13.2
Financial Services	8.4 %	9.8 %	11.8 %	(1.4)	(3.4)
Corporate Investments and other	(11.9%)	(15.9%)	(10.3%)	4.0	(1.6)
Total segment operating profit margin	11.9 %	12.5 %	11.6 %	(0.6)	0.3

	For the nine months ended		Change in operating profit margin (pts)
	July 31, 2023	July 31, 2022	Y/Y
Segment Operating Profit Margin:			
Compute ⁽²⁾	14.9 %	13.9 %	1.0
High Performance Computing & Artificial Intelligence	(0.3 %)	(0.8 %)	0.5
Storage ⁽²⁾	10.3 %	13.4 %	(3.1)
Intelligent Edge	26.5 %	15.5 %	11.0
Financial Services	9.2%	12.2%	(3.0)
Corporate Investments and other	(15.4 %)	(6.9 %)	(8.5)
Total segment operating profit margin	12.4 %	11.2 %	1.2

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

	For the three months ended		
	July 31, 2023	April 30, 2023	July 31, 2022
In millions, except per share amounts			
Numerator:			
GAAP net earnings	\$ 464	\$ 418	\$ 409
Non-GAAP net earnings	\$ 639	\$ 685	\$ 629
Denominator:			
Weighted-average shares used to compute basic net earnings per share	1,299	1,304	1,305
Dilutive effect of employee stock plans	17	14	18
Weighted-average shares used to compute diluted net earnings per share	<u>1,316</u>	<u>1,318</u>	<u>1,323</u>
GAAP Net Earnings Per Share			
Basic	\$ 0.36	\$ 0.32	\$ 0.31
Diluted	\$ 0.35	\$ 0.32	\$ 0.31
Non-GAAP Net Earnings Per Share			
Basic	\$ 0.49	\$ 0.53	\$ 0.48
Diluted	\$ 0.49	\$ 0.52	\$ 0.48

	For the nine months ended	
	July 31, 2023	July 31, 2022
In millions, except per share amounts		
Numerator:		
GAAP net earnings	\$ 1,383	\$ 1,172
Non-GAAP net earnings	\$ 2,152	\$ 1,909
Denominator:		
Weighted-average shares used to compute basic net earnings per share	1,300	1,306
Dilutive effect of employee stock plans	17	20
Weighted-average shares used to compute diluted net earnings per share	<u>1,317</u>	<u>1,326</u>
GAAP Net Earnings Per Share		
Basic	\$ 1.06	\$ 0.90
Diluted	\$ 1.05	\$ 0.88
Non-GAAP Net Earnings Per Share		
Basic	\$ 1.66	\$ 1.46
Diluted	\$ 1.63	\$ 1.44

-
- (1) Represents the amortization of basis difference adjustments related to H3C. The nine months ended July 31, 2023 also included the Company's portion of intangible asset impairment charges from H3C of \$8 million.
 - (2) 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.