

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES

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

	For the three months ended		
	April 30, 2024	January 31, 2024	April 30, 2023
	In millions, except per share amounts		
Net revenue	\$ 7,204	\$ 6,755	\$ 6,973
Costs and Expenses:			
Cost of sales	4,828	4,298	4,461
Research and development	590	582	570
Selling, general and administrative	1,215	1,216	1,269
Amortization of intangible assets	67	71	71
Transformation costs	33	20	60
Disaster charges	—	—	3
Acquisition, disposition and other related charges	46	43	19
Total costs and expenses	<u>6,779</u>	<u>6,230</u>	<u>6,453</u>
Earnings from operations	425	525	520
Interest and other, net ⁽¹⁾	(22)	(88)	(47)
Earnings from equity interests	42	46	49
Earnings before provision for taxes	445	483	522
Provision for taxes	(131)	(96)	(104)
Net earnings	<u>\$ 314</u>	<u>\$ 387</u>	<u>\$ 418</u>
Net Earnings Per Share:			
Basic	\$ 0.24	\$ 0.30	\$ 0.32
Diluted	\$ 0.24	\$ 0.29	\$ 0.32
Cash dividends declared per share	\$ 0.13	\$ 0.13	\$ 0.12
Weighted-average Shares Used to Compute Net Earnings Per Share:			
Basic	1,311	1,301	1,304
Diluted	1,325	1,316	1,318

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES

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(Unaudited)**

	For the six months ended	
	April 30, 2024	April 30, 2023
	In millions, except per share amounts	
Net revenue	\$ 13,959	\$ 14,782
Costs and Expenses:		
Cost of sales	9,126	9,612
Research and development	1,172	1,193
Selling, general and administrative	2,431	2,526
Amortization of intangible assets	138	144
Transformation costs	53	162
Disaster charges	—	4
Acquisition, disposition and other related charges	89	30
Total costs and expenses	13,009	13,671
Earnings from operations	950	1,111
Interest and other, net	(110)	(73)
Earnings from equity interests	88	107
Earnings before provision for taxes	928	1,145
Provision for taxes	(227)	(226)
Net earnings	\$ 701	\$ 919
Net Earnings Per Share:		
Basic	\$ 0.54	\$ 0.71
Diluted	\$ 0.53	\$ 0.70
Cash dividends declared per share	\$ 0.26	\$ 0.24
Weighted-average Shares Used to Compute Net Earnings Per Share:		
Basic	1,306	1,301
Diluted	1,320	1,317

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

	For the three months ended		
	April 30, 2024	January 31, 2024	April 30, 2023
	Dollars in millions		
GAAP net revenue	\$ 7,204	\$ 6,755	\$ 6,973
GAAP cost of sales	4,828	4,298	4,461
GAAP gross profit	2,376	2,457	2,512
Non-GAAP Adjustments			
Stock-based compensation expense	14	16	13
Disaster recovery	(7)	(25)	—
Non-GAAP gross profit	\$ 2,383	\$ 2,448	\$ 2,525
GAAP gross profit margin	33.0 %	36.4 %	36.0 %
Non-GAAP adjustments	0.1 %	(0.2)%	0.2 %
Non-GAAP gross profit margin	33.1 %	36.2 %	36.2 %

	For the six months ended	
	April 30, 2024	April 30, 2023
	Dollars in millions	
GAAP net revenue	\$ 13,959	\$ 14,782
GAAP cost of sales	9,126	9,612
GAAP gross profit	\$ 4,833	\$ 5,170
Non-GAAP Adjustments		
Stock-based compensation expense	30	29
Disaster recovery	(32)	—
Non-GAAP gross profit	\$ 4,831	\$ 5,199
GAAP gross profit margin	34.6 %	35.0 %
Non-GAAP adjustments	— %	0.2 %
Non-GAAP gross profit margin	34.6 %	35.2 %

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

	For the three months ended		
	April 30, 2024	January 31, 2024	April 30, 2023
	Dollars in millions		
GAAP earnings from operations	\$ 425	\$ 525	\$ 520
Non-GAAP Adjustments			
Amortization of intangible assets	67	71	71
Transformation costs	33	20	60
Disaster (recovery) charges	(7)	(25)	3
Stock-based compensation expense	120	141	126
Acquisition, disposition and other related charges	46	43	19
Non-GAAP earnings from operations	<u>\$ 684</u>	<u>\$ 775</u>	<u>\$ 799</u>
GAAP operating profit margin	5.9 %	7.8%	7.5 %
Non-GAAP adjustments	3.6 %	3.7 %	4.0 %
Non-GAAP operating profit margin	<u>9.5 %</u>	<u>11.5 %</u>	<u>11.5 %</u>

	For the six months ended	
	April 30, 2024	April 30, 2023
	Dollars in millions	
GAAP earnings from operations	\$ 950	\$ 1,111
Non-GAAP Adjustments		
Amortization of intangible assets	138	144
Transformation costs	53	162
Disaster (recovery) charges	(32)	4
Stock-based compensation expense	261	266
Acquisition, disposition and other related charges	89	30
Non-GAAP earnings from operations	<u>\$ 1,459</u>	<u>\$ 1,717</u>
GAAP operating profit margin	6.8 %	7.5 %
Non-GAAP adjustments	3.7 %	4.1 %
Non-GAAP operating profit margin	<u>10.5 %</u>	<u>11.6 %</u>

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

	For the three months ended					
	April 30, 2024	Diluted net earnings per share	January 31, 2024	Diluted net earnings per share	April 30, 2023	Diluted net earnings per share
	Dollars in millions, except per share amounts					
GAAP net earnings	\$ 314	\$ 0.24	\$ 387	\$ 0.29	\$ 418	\$ 0.32
Non-GAAP Adjustments:						
Amortization of intangible assets	67	0.05	71	0.05	71	0.05
Transformation costs	33	0.03	20	0.02	60	0.05
Disaster (recovery) charges	(7)	(0.01)	(25)	(0.02)	3	—
Stock-based compensation expense	120	0.09	141	0.11	126	0.10
Acquisition, disposition and other related charges	46	0.04	43	0.03	19	0.01
Earnings from equity interests ⁽²⁾	(42)	(0.03)	(46)	(0.03)	2	—
Loss on equity investments, net	—	—	61	0.05	—	—
Adjustments for taxes	31	0.02	(16)	(0.02)	(7)	(0.01)
Other adjustments ⁽³⁾	(1)	(0.01)	2	—	(7)	—
Non-GAAP net earnings	\$ 561	\$ 0.42	\$ 638	\$ 0.48	\$ 685	\$ 0.52

	For the six months ended			
	April 30, 2024	Diluted net earnings per share	April 30, 2023	Diluted net earnings per share
	Dollars in millions, except per share amounts			
GAAP net earnings	\$ 701	\$ 0.53	\$ 919	\$ 0.70
Non-GAAP Adjustments:				
Amortization of intangible assets	138	0.10	144	0.11
Transformation costs	53	0.04	162	0.12
Disaster (recovery) charges	(32)	(0.02)	4	—
Stock-based compensation expense	261	0.20	266	0.21
Acquisition, disposition and other related charges	89	0.07	30	0.02
Earnings from equity interests ⁽²⁾	(88)	(0.07)	14	0.01
Loss on equity investments, net	61	0.05	—	—
Adjustments for taxes	15	0.01	(20)	(0.02)
Other adjustments ⁽³⁾	1	—	(6)	—
Non-GAAP net earnings	\$ 1,199	\$ 0.91	\$ 1,513	\$ 1.15

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

	For the three months ended		
	April 30, 2024	January 31, 2024	April 30, 2023
	In millions		
Net cash provided by operating activities	\$ 1,093	\$ 64	\$ 889
Investment in property, plant and equipment	(560)	(656)	(688)
Proceeds from sale of property, plant and equipment	122	96	86
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(45)	14	1
Free cash flow	<u>\$ 610</u>	<u>\$ (482)</u>	<u>\$ 288</u>

	For the six months ended	
	April 30, 2024	April 30, 2023
	In millions	
Net cash provided by operating activities	\$ 1,157	\$ 60
Investment in property, plant and equipment	(1,216)	(1,482)
Proceeds from sale of property, plant and equipment	218	245
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(31)	139
Free cash flow	<u>\$ 128</u>	<u>\$ (1,038)</u>

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
Condensed Consolidated Balance Sheets

	As of	
	April 30, 2024	October 31, 2023
	(Unaudited)	(Audited)
	In millions, except par value	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,676	\$ 4,270
Accounts receivable, net of allowances	3,840	3,481
Financing receivables, net of allowances	3,646	3,543
Inventory	7,326	4,607
Other current assets	3,939	3,047
Total current assets	21,427	18,948
Property, plant and equipment, net	5,817	5,989
Long-term financing receivables and other assets	11,673	11,377
Investments in equity interests	2,291	2,197
Goodwill and intangible assets	18,503	18,642
Total assets	\$ 59,711	\$ 57,153
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Notes payable and short-term borrowings	\$ 3,767	\$ 4,868
Accounts payable	10,119	7,136
Employee compensation and benefits	1,084	1,724
Taxes on earnings	181	155
Deferred revenue	3,783	3,658
Accrued restructuring	97	180
Other accrued liabilities	4,719	4,161
Total current liabilities	23,750	21,882
Long-term debt	7,490	7,487
Other non-current liabilities	6,737	6,546
Stockholders' Equity		
Common stock, \$0.01 par value (9,600 shares authorized; 1,298 and 1,283 shares issued and outstanding as of April 30, 2024 and October 31, 2023, respectively)	13	13
Additional paid-in capital	28,308	28,199
Accumulated deficit	(3,583)	(3,946)
Accumulated other comprehensive loss	(3,058)	(3,084)
Total HPE stockholders' equity	21,680	21,182
Non-controlling interests	54	56
Total stockholders' equity	21,734	21,238
Total liabilities and stockholders' equity	\$ 59,711	\$ 57,153

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

	For the six months ended	
	April 30, 2024	April 30, 2023
	In millions	
Cash Flows from Operating Activities:		
Net earnings	\$ 701	\$ 919
Adjustments to Reconcile Net Earnings to Net Cash Provided by Operating Activities:		
Depreciation and amortization	1,299	1,307
Stock-based compensation expense	261	266
Provision for inventory and credit losses	113	97
Restructuring charges	18	95
Deferred taxes on earnings	—	69
Earnings from equity interests	(88)	(107)
Other, net	128	(11)
Changes in Operating Assets and Liabilities, Net of Acquisitions:		
Accounts receivable	(376)	370
Financing receivables	(327)	(666)
Inventory	(2,808)	782
Accounts payable	3,026	(3,220)
Taxes on earnings	95	(1)
Restructuring	(121)	(147)
Other assets and liabilities	(764)	307
Net cash provided by operating activities	<u>1,157</u>	<u>60</u>
Cash Flows from Investing Activities:		
Investment in property, plant and equipment	(1,216)	(1,482)
Proceeds from sale of property, plant and equipment	218	245
Purchases of investments	(16)	(5)
Proceeds from maturities and sales of investments	5	4
Financial collateral posted	(499)	(1,009)
Financial collateral received	401	483
Payments made in connection with business acquisitions, net of cash acquired	—	(406)
Net cash used in investing activities	<u>(1,107)</u>	<u>(2,170)</u>
Cash Flows from Financing Activities:		
Short-term borrowings with original maturities less than 90 days, net	(45)	344
Proceeds from debt, net of issuance costs	1,075	2,845
Payment of debt	(2,218)	(2,428)
Cash settlement for derivative hedging debt	—	(2)
Net payments related to stock-based award activities	(94)	(106)
Repurchase of common stock	(48)	(179)
Cash dividends paid to non-controlling interests, net of contributions	(8)	—
Cash dividends paid to shareholders	(338)	(311)
Net cash (used in) provided by financing activities	<u>(1,676)</u>	<u>163</u>
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(31)	139
Decrease in cash, cash equivalents and restricted cash	(1,657)	(1,808)
Cash, cash equivalents and restricted cash at beginning of period	4,581	4,763
Cash, cash equivalents and restricted cash at end of period	<u>\$ 2,924</u>	<u>\$ 2,955</u>

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
Segment Information
(Unaudited)

	For the three months ended		
	April 30, 2024	January 31, 2024	April 30, 2023
	In millions		
Net Revenue:			
Server ⁽⁴⁾	\$ 3,867	\$ 3,352	\$ 3,287
Hybrid Cloud ⁽⁴⁾	1,256	1,248	1,371
Intelligent Edge ⁽⁴⁾	1,086	1,201	1,344
Financial Services	867	873	858
Corporate Investments and other ⁽⁴⁾	252	238	242
Total segment net revenue	7,328	6,912	7,102
Elimination of intersegment net revenue	(124)	(157)	(129)
Total consolidated net revenue	\$ 7,204	\$ 6,755	\$ 6,973
Earnings Before Taxes⁽⁴⁾:			
Server	\$ 426	\$ 383	\$ 473
Hybrid Cloud	10	47	26
Intelligent Edge	237	353	332
Financial Services	81	74	76
Corporate Investments and other	(9)	(10)	(19)
Total segment earnings from operations	745	847	888
Unallocated corporate costs and eliminations	(61)	(72)	(89)
Stock-based compensation expense	(120)	(141)	(126)
Amortization of intangible assets	(67)	(71)	(71)
Transformation costs	(33)	(20)	(60)
Disaster recovery (charges)	7	25	(3)
Acquisition, disposition and other related charges	(46)	(43)	(19)
Interest and other, net ⁽¹⁾	(22)	(88)	(47)
Earnings from equity interests	42	46	49
Total pretax earnings	\$ 445	\$ 483	\$ 522

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
Segment Information
(Unaudited)

	For the six months ended	
	April 30, 2024	April 30, 2023
	In millions	
Net Revenue:		
Server ⁽⁴⁾	\$ 7,219	\$ 7,619
Hybrid Cloud ⁽⁴⁾	2,504	2,755
Intelligent Edge ⁽⁴⁾	2,287	2,513
Financial Services	1,740	1,731
Corporate Investments and other ⁽⁴⁾	490	476
Total segment net revenue	14,240	15,094
Elimination of intersegment net revenue	(281)	(312)
Total consolidated net revenue	\$ 13,959	\$ 14,782
Earnings Before Taxes⁽⁴⁾:		
Server	\$ 809	\$ 1,151
Hybrid Cloud	57	106
Intelligent Edge	590	559
Financial Services	155	139
Corporate Investments and other	(19)	(41)
Total segment earnings from operations	1,592	1,914
Unallocated corporate costs and eliminations	(133)	(197)
Stock-based compensation expense	(261)	(266)
Amortization of intangible assets	(138)	(144)
Transformation costs	(53)	(162)
Disaster recovery (charges)	32	(4)
Acquisition, disposition and other related charges	(89)	(30)
Interest and other, net ⁽¹⁾	(110)	(73)
Earnings from equity interests	88	107
Total consolidated earnings before taxes	\$ 928	\$ 1,145

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
Segment Information
(Unaudited)

	For the three months ended			Change (%)	
	April 30, 2024	January 31, 2024	April 30, 2023	Q/Q	Y/Y
Dollars in millions					
Net Revenue:					
Server ⁽⁴⁾	\$ 3,867	\$ 3,352	\$ 3,287	15%	18%
Hybrid Cloud ⁽⁴⁾	1,256	1,248	1,371	1	(8)
Intelligent Edge ⁽⁴⁾	1,086	1,201	1,344	(10)	(19)
Financial Services	867	873	858	(1)	1
Corporate Investments and other ⁽⁴⁾	252	238	242	6	4
Total segment net revenue	<u>7,328</u>	<u>6,912</u>	<u>7,102</u>	6	3
Elimination of intersegment net revenue	(124)	(157)	(129)	(21)	(4)
Total consolidated net revenue	<u>\$ 7,204</u>	<u>\$ 6,755</u>	<u>\$ 6,973</u>	7%	3%

	For the six months ended		
	April 30, 2024	April 30, 2023	Y/Y
Dollars in millions			
Net Revenue:			
Server ⁽⁴⁾	\$ 7,219	\$ 7,619	(5%)
Hybrid Cloud ⁽⁴⁾	2,504	2,755	(9)
Intelligent Edge ⁽⁴⁾	2,287	2,513	(9)
Financial Services	1,740	1,731	1
Corporate Investments and other ⁽⁴⁾	490	476	3
Total segment net revenue	<u>14,240</u>	<u>15,094</u>	(6)
Elimination of intersegment net revenue	(281)	(312)	(10)
Total consolidated net revenue	<u>\$ 13,959</u>	<u>\$ 14,782</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)	
	April 30, 2024	January 31, 2024	April 30, 2023	Q/Q	Y/Y
Segment Operating Profit Margin⁽⁴⁾:					
Server	11.0 %	11.4 %	14.4 %	(0.4)	(3.4)
Hybrid Cloud	0.8 %	3.8 %	1.9 %	(3.0)	(1.1)
Intelligent Edge	21.8 %	29.4 %	24.7 %	(7.6)	(2.9)
Financial Services	9.3 %	8.5 %	8.9 %	0.8	0.4
Corporate Investments and other	(3.6%)	(4.2%)	(7.9%)	0.6	4.3
Total segment operating profit margin	10.2 %	12.3 %	12.5 %	(2.1)	(2.3)

	For the six months ended		Change in operating profit margin (pts)
	April 30, 2024	April 30, 2023	Y/Y
Segment Operating Profit Margin⁽⁴⁾:			
Server	11.2 %	15.1 %	(3.9)
Hybrid Cloud	2.3 %	3.8 %	(1.5)
Intelligent Edge	25.8 %	22.2 %	3.6
Financial Services	8.9%	8.0%	0.9
Corporate Investments and other	(3.9 %)	(8.6 %)	4.7
Total segment operating profit margin	11.2 %	12.7 %	(1.5)

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

	For the three months ended		
	April 30, 2024	January 31, 2024	April 30, 2023
	In millions, except per share amounts		
Numerator:			
GAAP net earnings	\$ 314	\$ 387	\$ 418
Non-GAAP net earnings	\$ 561	\$ 638	\$ 685
Denominator:			
Weighted-average shares used to compute basic net earnings per share	1,311	1,301	1,304
Dilutive effect of employee stock plans	14	15	14
Weighted-average shares used to compute diluted net earnings per share	<u>1,325</u>	<u>1,316</u>	<u>1,318</u>
GAAP Net Earnings Per Share			
Basic	\$ 0.24	\$ 0.30	\$ 0.32
Diluted	\$ 0.24	\$ 0.29	\$ 0.32
Non-GAAP Net Earnings Per Share			
Basic	\$ 0.43	\$ 0.49	\$ 0.53
Diluted	\$ 0.42	\$ 0.48	\$ 0.52

	For the six months ended	
	April 30, 2024	April 30, 2023
	In millions, except per share amounts	
Numerator:		
GAAP net earnings	\$ 701	\$ 919
Non-GAAP net earnings	\$ 1,199	\$ 1,513
Denominator:		
Weighted-average shares used to compute basic net earnings per share	1,306	1,301
Dilutive effect of employee stock plans	14	16
Weighted-average shares used to compute diluted net earnings per share	<u>1,320</u>	<u>1,317</u>
GAAP Net Earnings Per Share		
Basic	\$ 0.54	\$ 0.71
Diluted	\$ 0.53	\$ 0.70
Non-GAAP Net Earnings Per Share		
Basic	\$ 0.92	\$ 1.16
Diluted	\$ 0.91	\$ 1.15

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- (1) Interest and other, net includes tax indemnification and other adjustments, non-service net periodic benefit cost, and interest and other, net.
 - (2) For the three and six months ended April 30, 2024, includes the equity in earnings from H3C equity method investment and all periods include the amortization of the basis difference in the Company's investment.
 - (3) Other adjustments includes non-service net periodic benefit cost and tax indemnification and other adjustments.
 - (4) As previously disclosed, effective as of the beginning of the first quarter of fiscal 2024, in order to align the segment financial reporting more closely with its business structure, the Company established two new reportable segments, Hybrid Cloud and Server. Hybrid Cloud includes the historical Storage segment, HPE GreenLake Flex Solutions (which provides flexible as-a-service IT infrastructure through the HPE GreenLake edge-to-cloud platform and was previously reported under the Compute and the High Performance Computing & Artificial Intelligence ("HPC & AI") segments), Private Cloud, and Software (previously reported under the Corporate Investments and Other segment). The Server segment combines the previously separately reported Compute and HPC & AI segments, with adjustments for certain product lines that are now reported in Hybrid Cloud. Additionally, certain products and services previously reported in the financial results for the HPC & AI segment were moved to be reported in the Hybrid Cloud segment, and the Athonet business and certain components of the Communications and Media Solutions business, both previously reported in the financial results for Corporate Investments and Other, moved to be reported in the Intelligent Edge segment.

As a result, the Company's new organizational structure consists of the following segments: (i) Server; (ii) Hybrid Cloud; (iii) Intelligent Edge; (iv) Financial Services; and (v) Corporate Investments and Other. The Company began reporting under this re-aligned segment structure beginning with the results of the first quarter of fiscal 2024.

The Company has reflected these changes to its segment information retrospectively to the earliest period presented, which primarily resulted in the realignment of net revenue and operating profit for each of the segments as described above. These changes had no impact on Hewlett Packard Enterprise's previously reported consolidated net revenue, net earnings, net earnings per share or total assets.

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 non-GAAP financial measures including revenue on a constant currency basis (including at the business segment level), 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 earnings from operations as a percentage of net revenue), non-GAAP income tax rate, non-GAAP net earnings, non-GAAP diluted net earnings per share, and FCF. Hewlett Packard Enterprise also provides forecasts of revenue growth on a constant currency basis, non-GAAP diluted net earnings per share, non-GAAP operating profit growth, and FCF.

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 net revenue on a constant currency basis is net 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 earnings from operations. The GAAP measure most directly comparable to non-GAAP operating profit margin (non-GAAP earnings from operations as a percentage of net revenue) is operating profit margin (earnings from operations as a percentage of net revenue). 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 FCF is cash flow from operations. Reconciliations of each of these non-GAAP financial measures to their most directly comparable GAAP measures for this quarter and prior periods are included in the tables above or elsewhere in the materials accompanying this news release.

Usefulness of non-GAAP financial measures to investors

Hewlett Packard Enterprise believes that providing the non-GAAP financial measures stated above, 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 provides Hewlett Packard Enterprise's investors with a supplemental view to understand the Company's historical and prospective 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 the comparisons of Hewlett Packard Enterprise's operating performance with the performance of other companies in the same industry that supplement their GAAP results with non-GAAP financial measures that may be calculated in a similar manner.

Economic substance of and material limitations associated with non-GAAP financial measures used by Hewlett Packard Enterprise

Net revenue on a constant currency basis assumes no change to the foreign exchange rate utilized in the comparable prior-year period. This measure assists investors with evaluating the Company's past and future performance, without the impact of foreign exchange rates, as more than half of our revenue is generated outside of the U.S. Non-GAAP gross profit and non-GAAP gross profit margin are defined to exclude charges related to the stock-based compensation expense, and disaster (recovery) charges. Non-GAAP operating profit (non-GAAP earnings from operations) and non-GAAP operating profit margin (non-GAAP earnings from operations as a percentage of net revenue) consist of earnings from operations or earnings from operations as a percentage of net revenue excluding the items mentioned above and charges relating to the amortization of intangible assets, transformation costs, and acquisition, disposition and other related charges. Non-GAAP net earnings and non-GAAP diluted net earnings per share consist of net earnings or diluted net earnings per share excluding the charges previously stated, as well as earnings from equity interests, gain or loss on equity investments, other adjustments, and adjustments for taxes. The Adjustments for taxes line item includes certain income tax valuation allowances and separation taxes, the impact of tax reform, structural rate adjustment, excess tax benefit from stock-based compensation, and adjustments for additional taxes or tax benefits associated with each non-GAAP item.

Hewlett Packard Enterprise believes that excluding the items mentioned above from the non-GAAP financial measures provides a supplemental view to management and investors of its consolidated financial performance and presents the financial results of the business without costs that Hewlett Packard Enterprise's management does not believe to be reflective of ongoing operating results. Exclusion of these items can have a material impact on the equivalent GAAP measure and cash flows thus limiting their use as analytical tools. These limitations are discussed below or elsewhere in the materials accompanying this news release. More specifically, Hewlett Packard Enterprise's management excludes each of those items mentioned above for the following reasons:

- 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. Hewlett Packard Enterprise excludes these charges for the purpose of calculating these non-GAAP measures, primarily because they are non-cash expenses and the Company's internal benchmarking analyses evidence that many industry participants and peers present non-GAAP financial measures excluding intangible asset amortization. Although this does not directly affect Hewlett Packard Enterprise's cash position, the loss in value of intangible assets over time can have a material impact on the equivalent GAAP earnings measure.
- Transformation costs represent net costs related to the (i) HPE Next Plan and (ii) Cost Optimization and Prioritization Plan and include restructuring charges, program design and execution costs, costs incurred to transform the Company's IT infrastructure, net gains from the sale of real estate and any impairment charges on real estate identified as part of the initiatives. Hewlett Packard Enterprise excludes these costs as they are discrete costs related to two specific transformation programs that were announced in 2017 and 2020, respectively, as multi-year programs necessary to transform the business and IT infrastructure following material divestiture transactions in 2017 and in response to COVID-19 and an evolving product portfolio in fiscal 2020. The HPE Next Plan and the Cost Optimization and Prioritization Plan are substantially complete. The exclusion of the transformation program costs from the non-GAAP financial measures, as stated above, is to provide a supplemental measure of the Company's operating results that do not include material HPE Next Plan and the Cost Optimization and Prioritization Plan costs as the Company's management does not believe such costs to be reflective of its ongoing operating cost structure. Further, the transformation costs for these plans have materially fluctuated since 2017, have been materially declining since 2021 and the Company does not expect these costs to be material. Hewlett Packard Enterprises management believes non-GAAP measures excluding these costs are useful to management and investors for comparing operating performance across multiple periods.
- Disaster (recovery) charges are primarily related to the exit of the Company's businesses in Russia and Belarus, and include credit losses of financing and trade receivables, employee severance and abandoned assets. Disaster charges also include direct costs or recovery of these costs related to COVID-19 as a result of Hewlett Packard Enterprise-hosted, co-hosted, or sponsored event cancellations and subsequent shift to a virtual format. Hewlett Packard Enterprise excludes Disaster (recovery) charges from these non-GAAP measures as the specific charges are non-recurring charges and not indicative of the operational performance of the Company's business.
- 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 employees, Hewlett Packard Enterprise excludes these charges for the purpose of calculating these non-GAAP measures, primarily because they are non-cash expenses, and the Company's internal benchmarking analyses evidence that many industry participants and peers present non-GAAP financial measures excluding stock-based compensation expense.
- Hewlett Packard Enterprise incurs costs related to its acquisition, disposition and other related charges. The charges are direct expenses, such as professional fees and retention costs, most of which are treated as non-cash or non-capitalized expenses. For the three and six months ended April 30, 2024, these charges were driven by costs associated with the pending acquisition of Juniper Networks, in addition to prior acquisitions of Axis and Athonet. For the three and six months ended April 30, 2023, these charges were driven by acquisitions of Axis, Zerto and Athonet. Charges may also include expenses associated with disposal activities including legal and arbitration settlements in connection with certain dispositions. Hewlett Packard Enterprise's management considers these acquisitions and divestitures to be discrete events. The Company excludes these costs as these expenses are inconsistent in amount and frequency and are significantly impacted by the timing and nature of its acquisitions and divestitures. In addition, the Company's internal benchmarking analyses evidence that many industry participants and peers present non-GAAP financial measures excluding these charges.
- For the three and six months ended April 30, 2024 and prospectively, the adjustment to earnings from equity interests includes the equity in earnings from the H3C investment. In connection with the planned divestiture of the H3C investment, the Company stopped reporting H3C earnings in the non-GAAP results as the Company no longer receives dividends from this investment due to the Put Share Purchase Agreement described in Note 20 "Equity Method Investments" to the Consolidated Financial Statements in Item 8 of Part II of the Company Annual Report on Form 10-K for the fiscal year ended October 31, 2023. All periods presented include the amortization of the basis difference in this investment. For the six months ended April 30, 2023, this adjustment also included the Company's portion of intangible asset impairment charges from H3C. The Company believes that eliminating these amounts for purposes of calculating non-GAAP financial measures facilitates the evaluation of the current operating performance.
- Hewlett Packard Enterprise excludes gains and losses (including impairments) on its non-marketable equity investments because the Company does not believe they are reflective of normal continuing business operations.

These adjustments are reflected in Interest and other, net in the Condensed Consolidated Statements of Earnings. The Company believes eliminating these adjustments for the purposes of calculating non-GAAP measures facilitates the evaluation of its current operating performance.

- Hewlett Packard Enterprise utilizes a structural long-term projected non-GAAP income tax rate in order to provide 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 2024, the Company will use a projected non-GAAP income tax rate of 15%, 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 2023, the Company had a non-GAAP tax rate of 14%. Hewlett Packard Enterprise's management believes that making these adjustments for purposes of calculating non-GAAP measures, facilitates a supplemental evaluation of the Company's current operating performance and comparisons to past operating results.
- FCF 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. FCF does not represent the total increase or decrease in cash for the period. Hewlett Packard Enterprise's management and investors can use FCF for the purpose of determining the amount of cash available for investment in the Company's businesses, repurchasing stock and other purposes as well as evaluating its historical and prospective liquidity.

Compensation for material limitations 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 that they can have a material impact on the equivalent GAAP earnings measures and cash flows, they may be calculated differently by other companies (limiting the usefulness of those measures for comparative purposes) and may not reflect the full economic effect of the loss in value of certain assets. Hewlett Packard Enterprise compensates for these limitations on the 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 financial measure for this quarter and prior periods 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.