

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(Unaudited)

(In millions, except per share amounts)

	Three months ended		
	July 31, 2019	April 30, 2019	July 31, 2018
Net revenue ^(a)	\$ 7,217	\$ 7,150	\$ 7,764
Costs and expenses:			
Cost of sales	4,768	4,845	5,399
Research and development	481	457	435
Selling, general and administrative	1,253	1,214	1,221
Amortization of intangible assets	58	69	72
Restructuring charges	—	—	(1)
Transformation costs	170	54	126
Disaster charges	—	(7)	—
Acquisition, disposition and other related charges ^(b)	563	84	24
Separation costs	—	—	(2)
Total costs and expenses	7,293	6,716	7,274
(Loss) earnings from continuing operations	(76)	434	490
Interest and other, net	(70)	(18)	(64)
Tax indemnification adjustments ^(c)	(134)	4	2
Non-service net periodic benefit credit ^(d)	12	17	26
Earnings from equity interests	3	3	11
(Loss) earnings from continuing operations before taxes	(265)	440	465
Benefit (provision) for taxes ^(e)	238	(21)	(13)
Net (loss) earnings from continuing operations	(27)	419	452
Net loss from discontinued operations	—	—	(1)
Net (loss) earnings	\$ (27)	\$ 419	\$ 451
Net (loss) earnings per share:			
Basic			
Continuing operations	\$ (0.02)	\$ 0.31	\$ 0.30
Discontinued operations	—	—	—
Total basic net (loss) earnings per share	\$ (0.02)	\$ 0.31	\$ 0.30
Diluted			
Continuing operations	\$ (0.02)	\$ 0.30	\$ 0.29
Discontinued operations	—	—	—
Total diluted net (loss) earnings per share	\$ (0.02)	\$ 0.30	\$ 0.29
Cash dividends declared per share	\$ 0.1125	\$ 0.1125	\$ 0.1125
Weighted-average shares used to compute net earnings per share:			
Basic	1,334	1,367	1,513
Diluted	1,334	1,382	1,531

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

	Nine months ended July 31,	
	2019	2018
Net revenue ^(a)	\$ 21,920	\$ 22,906
Costs and expenses:		
Cost of sales	14,820	16,114
Research and development	1,404	1,227
Selling, general and administrative	3,678	3,684
Amortization of intangible assets	199	222
Restructuring charges	—	14
Transformation costs	302	491
Disaster charges	(7)	—
Acquisition, disposition and other related charges ^(b)	710	70
Total costs and expenses	<u>21,106</u>	<u>21,822</u>
Earnings from continuing operations	814	1,084
Interest and other, net	(139)	(163)
Tax indemnification adjustments ^(c)	89	(1,342)
Non-service net periodic benefit credit ^(d)	45	90
Earnings from equity interests	21	23
Earnings (loss) from continuing operations before taxes	830	(308)
(Provision) benefit for taxes ^(e)	(261)	3,092
Net earnings from continuing operations	569	2,784
Net loss from discontinued operations	—	(119)
Net earnings	<u>\$ 569</u>	<u>\$ 2,665</u>
Net earnings (loss) per share:		
Basic		
Continuing operations	\$ 0.42	\$ 1.79
Discontinued operations	—	(0.07)
Total basic net earnings per share	<u>\$ 0.42</u>	<u>\$ 1.72</u>
Diluted		
Continuing operations	\$ 0.41	\$ 1.76
Discontinued operations	—	(0.07)
Total diluted net earnings per share	<u>\$ 0.41</u>	<u>\$ 1.69</u>
Cash dividends declared per share	\$ 0.3375	\$ 0.3750
Weighted-average shares used to compute net earnings per share:		
Basic	1,367	1,552
Diluted	1,380	1,578

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
ADJUSTMENTS TO GAAP NET EARNINGS, EARNINGS FROM OPERATIONS,
OPERATING MARGIN AND DILUTED NET EARNINGS PER SHARE
(Unaudited)
(In millions, except percentages and per share amounts)

	Three months ended July 31, 2019	Diluted net earnings per share	Three months ended April 30, 2019	Diluted net earnings per share	Three months ended July 31, 2018	Diluted net earnings per share
GAAP net (loss) earnings from continuing operations	\$ (27)	\$ (0.02)	\$ 419	\$ 0.30	\$ 452	\$ 0.29
Non-GAAP adjustments:						
Amortization of intangible assets	58	0.04	69	0.05	72	0.05
Restructuring charges ^(d)	—	—	—	—	(1)	—
Transformation costs ^(d)	170	0.13	54	0.04	126	0.08
Disaster charges	—	—	(7)	(0.01)	—	—
Acquisition, disposition and other related charges ^(b)	563	0.42	84	0.06	24	0.02
Separation costs ^(d)	—	—	—	—	(2)	—
Tax indemnification adjustments ^(c)	134	0.10	(4)	—	(2)	—
Non-service net periodic benefit credit ^(d)	(12)	(0.01)	(17)	(0.01)	(26)	(0.02)
Loss from equity interests ^(f)	38	0.03	38	0.03	38	0.02
Adjustments for taxes ^{(e)(g)}	(321)	(0.24)	(57)	(0.04)	(42)	(0.02)
Non-GAAP net earnings from continuing operations	<u>\$ 603</u>	<u>\$ 0.45</u>	<u>\$ 579</u>	<u>\$ 0.42</u>	<u>\$ 639</u>	<u>\$ 0.42</u>
GAAP (loss) earnings from continuing operations	\$ (76)		\$ 434		\$ 490	
Non-GAAP adjustments related to continuing operations:						
Amortization of intangible assets	58		69		72	
Restructuring charges ^(d)	—		—		(1)	
Transformation costs ^(d)	170		54		126	
Disaster charges	—		(7)		—	
Acquisition, disposition and other related charges ^(b)	563		84		24	
Separation costs ^(d)	—		—		(2)	
Non-GAAP earnings from continuing operations	<u>\$ 715</u>		<u>\$ 634</u>		<u>\$ 709</u>	
GAAP operating margin from continuing operations	(1)%		6 %		6 %	
Non-GAAP adjustments from continuing operations	11 %		3 %		3 %	
Non-GAAP operating margin from continuing operations	<u>10 %</u>		<u>9 %</u>		<u>9 %</u>	
GAAP net loss from discontinued operations	\$ —	\$ —	\$ —	\$ —	\$ (1)	\$ —
Non-GAAP adjustments related to discontinued operations:						
Adjustments for taxes	—	—	—	—	1	—

Non-GAAP net earnings from discontinued operations	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Total GAAP net (loss) earnings	\$ (27)	\$ (0.02)	\$ 419	\$ 0.30	\$ 451	\$ 0.29
Total Non-GAAP net earnings	\$ 603	\$ 0.45	\$ 579	\$ 0.42	\$ 639	\$ 0.42

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
ADJUSTMENTS TO GAAP NET EARNINGS, EARNINGS FROM OPERATIONS,
OPERATING MARGIN AND DILUTED NET EARNINGS PER SHARE
(Unaudited)
(In millions, except percentages and per share amounts)

	Nine months ended July 31, 2019	Diluted net earnings per share	Nine months ended July 31, 2018	Diluted net earnings per share
GAAP net earnings from continuing operations	\$ 569	\$ 0.41	\$ 2,784	\$ 1.76
Non-GAAP adjustments:				
Amortization of intangible assets	199	0.14	222	0.14
Restructuring charges ^(d)	—	—	14	0.01
Transformation costs ^(d)	302	0.22	491	0.31
Disaster charges	(7)	(0.01)	—	—
Acquisition, disposition and other related charges ^(b)	710	0.51	70	0.04
Tax indemnification adjustments ^(c)	(89)	(0.06)	1,342	0.86
Non-service net periodic benefit credit ^(d)	(45)	(0.03)	(90)	(0.06)
Loss from equity interests ^(f)	114	0.08	113	0.07
Adjustments for taxes ^{(e)(g)}	19	0.02	(3,281)	(2.07)
Non-GAAP net earnings from continuing operations	<u>\$ 1,772</u>	<u>\$ 1.28</u>	<u>\$ 1,665</u>	<u>\$ 1.06</u>
GAAP earnings from continuing operations	\$ 814		\$ 1,084	
Non-GAAP adjustments related to continuing operations:				
Amortization of intangible assets	199		222	
Restructuring charges ^(d)	—		14	
Transformation costs ^(d)	302		491	
Disaster charges	(7)		—	
Acquisition, disposition and other related charges ^(b)	710		70	
Non-GAAP earnings from continuing operations	<u>\$ 2,018</u>		<u>\$ 1,881</u>	
GAAP operating margin from continuing operations	4 %		5 %	
Non-GAAP adjustments from continuing operations	5 %		3 %	
Non-GAAP operating margin from continuing operations	<u>9 %</u>		<u>8 %</u>	
GAAP net loss from discontinued operations	\$ —	\$ —	\$ (119)	\$ (0.07)
Non-GAAP adjustments related to discontinued operations:				
Separation costs	—	—	51	0.03
Tax indemnification adjustments ^(c)	—	—	68	0.04
Non-GAAP net earnings from discontinued operations	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Total GAAP net earnings	<u>\$ 569</u>	<u>\$ 0.41</u>	<u>\$ 2,665</u>	<u>\$ 1.69</u>
Total Non-GAAP net earnings	<u>\$ 1,772</u>	<u>\$ 1.28</u>	<u>\$ 1,665</u>	<u>\$ 1.06</u>

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

	As of	
	July 31, 2019	October 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,693	\$ 4,880
Accounts receivable	2,965	3,263
Financing receivables	3,567	3,396
Inventory	2,216	2,447
Assets held for sale	52	6
Other current assets ^(h)	2,624	3,280
Total current assets	15,117	17,272
Property, plant and equipment	6,000	6,138
Long-term financing receivables and other assets	9,092	11,359
Investments in equity interests	2,346	2,398
Goodwill and intangible assets	18,205	18,326
Total assets	\$ 50,760	\$ 55,493
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and short-term borrowings	\$ 2,207	\$ 2,005
Accounts payable	5,203	6,092
Employee compensation and benefits	1,454	1,412
Taxes on earnings	160	378
Deferred revenue	3,225	3,177
Accrued restructuring	223	294
Other accrued liabilities	4,686	3,840
Total current liabilities	17,158	17,198
Long-term debt	10,453	10,136
Other non-current liabilities	5,569	6,885
Stockholders' equity		
HPE stockholders' equity:		
Preferred stock, \$0.01 par value (300 shares authorized; none issued and outstanding at July 31, 2019)	—	—
Common stock, \$0.01 par value (9,600 shares authorized; 1,310 and 1,423 shares issued and outstanding at July 31, 2019 and October 31, 2018, respectively)	13	14
Additional paid-in capital	28,629	30,342
Accumulated deficit ⁽ⁱ⁾	(7,959)	(5,899)
Accumulated other comprehensive loss	(3,150)	(3,218)
Total HPE stockholders' equity	17,533	21,239
Non-controlling interests	47	35
Total stockholders' equity	17,580	21,274
Total liabilities and stockholders' equity	\$ 50,760	\$ 55,493

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

	Three months ended July 31, 2019	Nine months ended July 31, 2019
Cash flows from operating activities:		
Net earnings	\$ (27)	\$ 569
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	632	1,919
Stock-based compensation expense	58	207
Provision for doubtful accounts and inventory	63	181
Restructuring charges	94	146
Deferred taxes on earnings	541	885
Earnings from equity interests	(3)	(21)
Dividends received from equity investees	71	71
Other, net	89	134
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	172	315
Financing receivables	(293)	(325)
Inventory	(87)	66
Accounts payable	(261)	(826)
Taxes on earnings	(936)	(1,121)
Restructuring	(63)	(261)
Other assets and liabilities	1,146	626
Net cash provided by operating activities	<u>1,196</u>	<u>2,565</u>
Cash flows from investing activities:		
Investment in property, plant and equipment	(625)	(2,153)
Proceeds from sale of property, plant and equipment	77	448
Purchases of available-for-sale securities and other investments	(8)	(33)
Maturities and sales of available-for-sale securities and other investments	10	12
Financial collateral posted	(17)	(332)
Financial collateral returned	233	740
Payments made in connection with business acquisitions, net of cash acquired	(5)	(81)
Net cash used in investing activities	<u>(335)</u>	<u>(1,399)</u>
Cash flows from financing activities:		
Short-term borrowings with original maturities less than 90 days, net	—	25
Proceeds from debt, net of issuance costs	385	1,010
Payment of debt	(312)	(872)
Net proceeds related to stock-based award activities	15	24
Repurchase of common stock	(577)	(1,965)
Cash dividends paid	(150)	(461)
Net cash used in financing activities	<u>(639)</u>	<u>(2,239)</u>
Increase (decrease) in cash, cash equivalents and restricted cash	222	(1,073)
Cash, cash equivalents and restricted cash at beginning of period	3,789	5,084
Cash, cash equivalents and restricted cash at end of period ^(h)	<u>\$ 4,011</u>	<u>\$ 4,011</u>

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

	Three months ended		
	July 31, 2019	April 30, 2019	July 31, 2018
Net revenue: ^{(a)(i)}			
Hybrid IT	\$ 5,549	\$ 5,636	\$ 6,109
Intelligent Edge	762	666	785
Financial Services	888	896	928
Corporate Investments	130	125	134
Total segment net revenue	7,329	7,323	7,956
Elimination of intersegment net revenue and other	(112)	(173)	(192)
Total Hewlett Packard Enterprise consolidated net revenue	<u>\$ 7,217</u>	<u>\$ 7,150</u>	<u>\$ 7,764</u>
Earnings from continuing operations before taxes: ^{(d)(i)}			
Hybrid IT	\$ 704	\$ 645	\$ 624
Intelligent Edge	37	20	101
Financial Services	77	77	72
Corporate Investments	(25)	(29)	(25)
Total segment earnings from operations	793	713	772
Unallocated corporate costs and eliminations ^(d)	(65)	(64)	(49)
Unallocated stock-based compensation expense	(13)	(15)	(14)
Amortization of intangible assets	(58)	(69)	(72)
Restructuring charges ^(d)	—	—	1
Transformation costs ^(d)	(170)	(54)	(126)
Disaster charges	—	7	—
Acquisition, disposition and other related charges ^(b)	(563)	(84)	(24)
Separation costs ^(d)	—	—	2
Interest and other, net	(70)	(18)	(64)
Tax indemnification adjustments ^(c)	(134)	4	2
Non-service net periodic benefit credit ^(d)	12	17	26
Earnings from equity interests	3	3	11
Total Hewlett Packard Enterprise consolidated (loss) earnings from continuing operations before taxes	<u>\$ (265)</u>	<u>\$ 440</u>	<u>\$ 465</u>

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

	Nine months ended July 31,	
	2019	2018
Net revenue: ^{(a)(i)}		
Hybrid IT	\$ 17,155	\$ 18,160
Intelligent Edge	2,114	2,147
Financial Services	2,703	2,732
Corporate Investments	373	404
Total segment net revenue	22,345	23,443
Elimination of intersegment net revenue and other	(425)	(537)
Total Hewlett Packard Enterprise consolidated net revenue	<u>\$ 21,920</u>	<u>\$ 22,906</u>
Earnings from continuing operations before taxes: ^{(d)(i)}		
Hybrid IT	\$ 2,024	\$ 1,787
Intelligent Edge	66	191
Financial Services	231	215
Corporate Investments	(82)	(79)
Total segment earnings from operations	2,239	2,114
Unallocated corporate costs and eliminations ^(d)	(179)	(169)
Unallocated stock-based compensation expense	(42)	(64)
Amortization of intangible assets	(199)	(222)
Restructuring charges ^(d)	—	(14)
Transformation costs ^(d)	(302)	(491)
Disaster charges	7	—
Acquisition, disposition and other related charges ^(b)	(710)	(70)
Interest and other, net	(139)	(163)
Tax indemnification adjustments ^(c)	89	(1,342)
Non-service net periodic benefit credit ^(d)	45	90
Earnings from equity interests	21	23
Total Hewlett Packard Enterprise consolidated earnings (loss) from continuing operations before taxes	<u>\$ 830</u>	<u>\$ (308)</u>

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

	Three months ended			Change (%)	
	July 31, 2019	April 30, 2019	July 31, 2018	Q/Q	Y/Y
Net revenue: ^{(a)(i)}					
Hybrid IT					
Hybrid IT Product					
Compute	\$ 3,151	\$ 3,093	\$ 3,569	2%	(12%)
Storage	844	942	887	(10%)	(5%)
Total Hybrid IT Product	3,995	4,035	4,456	(1%)	(10%)
HPE Pointnext	1,554	1,601	1,653	(3%)	(6%)
Total Hybrid IT	5,549	5,636	6,109	(2%)	(9%)
Intelligent Edge					
HPE Aruba Product	668	577	703	16%	(5%)
HPE Aruba Services	94	89	82	6%	15%
Total Intelligent Edge	762	666	785	14%	(3%)
Financial Services	888	896	928	(1%)	(4%)
Corporate Investments	130	125	134	4%	(3%)
Total segment net revenue	7,329	7,323	7,956	—%	(8%)
Elimination of intersegment net revenue and other	(112)	(173)	(192)	(35%)	(42%)
Total Hewlett Packard Enterprise consolidated net revenue	\$ 7,217	\$ 7,150	\$ 7,764	1%	(7%)

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

	Nine months ended July 31,		
	2019	2018	Y/Y
Net revenue: ^{(a)(i)}			
Hybrid IT			
Hybrid IT Product			
Compute	\$ 9,646	\$ 10,350	(7%)
Storage	2,761	2,747	1%
Total Hybrid IT Product	12,407	13,097	(5%)
HPE Pointnext	4,748	5,063	(6%)
Total Hybrid IT	17,155	18,160	(6%)
Intelligent Edge			
HPE Aruba Product	1,842	1,914	(4%)
HPE Aruba Services	272	233	17%
Total Intelligent Edge	2,114	2,147	(2%)
Financial Services	2,703	2,732	(1%)
Corporate Investments	373	404	(8%)
Total segment net revenue	22,345	23,443	(5%)
Elimination of intersegment net revenue and other	(425)	(537)	(21%)
Total Hewlett Packard Enterprise consolidated net revenue	\$ 21,920	\$ 22,906	(4%)

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

	Three months ended	Change in Operating Margin (pts)	
	July 31, 2019	Q/Q	Y/Y
Segment operating margin: ^{(d)(i)}			
Hybrid IT	12.7 %	1.3 pts	2.5 pts
Intelligent Edge	4.9 %	1.9 pts	(8.0) pts
Financial Services	8.7 %	0.1 pts	0.9 pts
Corporate Investments	(19.2)%	4.0 pts	(0.6) pts
Total segment operating margin	10.8 %	1.1 pts	1.1 pts

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

	Three months ended		
	July 31, 2019	April 30, 2019	July 31, 2018
Numerator:			
GAAP net (loss) earnings from continuing operations	\$ (27)	\$ 419	\$ 452
GAAP net loss from discontinued operations	\$ —	\$ —	\$ (1)
Non-GAAP net earnings from continuing operations	\$ 603	\$ 579	\$ 639
Non-GAAP net earnings from discontinued operations	\$ —	\$ —	\$ —
Denominator:			
Weighted-average shares used to compute basic net earnings per share	1,334	1,367	1,513
Dilutive effect of employee stock plans ^(k)	—	15	18
Weighted-average shares used to compute diluted net earnings per share	1,334	1,382	1,531
GAAP net (loss) earnings per share from continuing operations			
Basic	\$ (0.02)	\$ 0.31	\$ 0.30
Diluted ^(k)	\$ (0.02)	\$ 0.30	\$ 0.29
GAAP net loss per share from discontinued operations			
Basic	\$ —	\$ —	\$ —
Diluted	\$ —	\$ —	\$ —
Non-GAAP net earnings per share from continuing operations			
Basic	\$ 0.45	\$ 0.42	\$ 0.42
Diluted ^(l)	\$ 0.45	\$ 0.42	\$ 0.42
Non-GAAP net earnings per share from discontinued operations			
Basic	\$ —	\$ —	\$ —
Diluted	\$ —	\$ —	\$ —
Total Hewlett Packard Enterprise GAAP basic net (loss) earnings per share			
	\$ (0.02)	\$ 0.31	\$ 0.30
Total Hewlett Packard Enterprise GAAP diluted net (loss) earnings per share			
	\$ (0.02)	\$ 0.30	\$ 0.29
Total Hewlett Packard Enterprise Non-GAAP basic net earnings per share			
	\$ 0.45	\$ 0.42	\$ 0.42
Total Hewlett Packard Enterprise Non-GAAP diluted net earnings per share			
	\$ 0.45	\$ 0.42	\$ 0.42

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

	Nine months ended July 31,	
	2019	2018
Numerator:		
GAAP net earnings from continuing operations	\$ 569	\$ 2,784
GAAP net loss from discontinued operations	\$ —	\$ (119)
Non-GAAP net earnings from continuing operations	\$ 1,772	\$ 1,665
Non-GAAP net earnings from discontinued operations	\$ —	\$ —
Denominator:		
Weighted-average shares used to compute basic net earnings per share	1,367	1,552
Dilutive effect of employee stock plans ^(k)	13	26
Weighted-average shares used to compute diluted net earnings per share	1,380	1,578
GAAP net earnings per share from continuing operations		
Basic	\$ 0.42	\$ 1.79
Diluted ^(k)	\$ 0.41	\$ 1.76
GAAP net loss per share from discontinued operations		
Basic	\$ —	\$ (0.07)
Diluted ^(m)	\$ —	\$ (0.07)
Non-GAAP net earnings per share from continuing operations		
Basic	\$ 1.30	\$ 1.07
Diluted ^(l)	\$ 1.28	\$ 1.06
Non-GAAP net earnings per share from discontinued operations		
Basic	\$ —	\$ —
Diluted	\$ —	\$ —
Total Hewlett Packard Enterprise GAAP basic net earnings per share	\$ 0.42	\$ 1.72
Total Hewlett Packard Enterprise GAAP diluted net earnings per share	\$ 0.41	\$ 1.69
Total Hewlett Packard Enterprise Non-GAAP basic net earnings per share	\$ 1.30	\$ 1.07
Total Hewlett Packard Enterprise Non-GAAP diluted net earnings per share	\$ 1.28	\$ 1.06

- (a) The Company adopted the new revenue recognition accounting standard (ASC 606) on a modified retrospective basis effective the first quarter of fiscal 2019. Fiscal 2019 results are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported under the prior revenue recognition accounting standard (ASC 605).
- (b) For the three and nine months ended July 31, 2019, this amount primarily included a charge related to a one-time arbitration settlement.
- (c) For the three and nine months ended July 31, 2019, the amount was due primarily from the effective settlement of the U.S. federal income tax audit of fiscal years 2013 through 2015 for HP Inc. The nine month period ended July 31, 2019 also included the effects of U.S. tax reform on tax attributes related to fiscal periods prior to the Separation.

For the nine months ended July 31, 2018 this amount primarily represents the settlement of certain pre-separation Hewlett-Packard Company income tax liabilities indemnified through the Tax Matters Agreement with HP Inc.

- (d) Effective at the beginning of the first quarter of fiscal 2019, subsequent to the adoption of the accounting standards update for retirement benefits (Topic 715), the Company reclassified its non-service net periodic benefit credit from operating expense to other income and expense in its Condensed Consolidated Statements of Earnings. The Company reflected these changes retrospectively, by transferring the non-service net periodic benefit credit, a portion of which was previously allocated to the segments, and the remainder of which was reported within Unallocated corporate costs and eliminations, Transformation costs, Restructuring charges and Separation costs, to Non-service net periodic benefit credit as other income and expense for periods in fiscal 2018.

These changes had no impact on Hewlett Packard Enterprise's previously reported condensed consolidated GAAP net earnings, non-GAAP net earnings, GAAP net earnings per share, or non-GAAP net earnings per share.

- (e) For the three and nine months ended July 31, 2019, the amounts included \$308 million and \$264 million, respectively, of income tax benefits related to the change in pre- Separation tax liabilities for which the Company shares joint and several liability with HP Inc. and for which the Company is partially indemnified by HP Inc. under the Tax Matters Agreement. The nine month period also included \$365 million of income tax charges, related to changes in U.S. federal and state valuation allowances as a result of impacts of the Tax Act and \$75 million of income tax benefits on transformation costs and acquisition, disposition and other related charges.

For the nine months ended July 31, 2018, this amount includes a \$2.0 billion benefit in connection with the settlement of certain pre-separation Hewlett-Packard Company income tax liabilities indemnified through the Tax Matters Agreement with HP Inc., a \$228 million benefit primarily from foreign tax credits and from the release of non U.S. valuation allowances on deferred taxes established in connection with the Everett Transaction, a \$203 million benefit as a result of the liquidation of an insolvent non U.S. subsidiary, and an estimated tax benefit of \$1.8 billion from the provisional application of the new tax rules including a lower federal tax rate to deferred tax assets and liabilities, partially offset by a provisional estimate of \$1.1 billion of transition tax expense on accumulated non U.S. earnings.

- (f) Represents the amortization of basis difference adjustments related to the H3C divestiture.
- (g) Effective the first quarter of fiscal 2019, the Company uses a structural tax rate based on long-term non-GAAP financial projections.
- (h) The Company adopted the guidance for the classification and presentation of restricted cash in the statement of cash flows in the first quarter of fiscal 2019, beginning November 1, 2018, using the retrospective method. As a result of the adoption of this accounting standard update, as of July 31, 2019, the restricted cash balance included in cash, cash equivalents and restricted cash as disclosed in the Statements of Cash Flows above was \$318 million, which was included in Other current assets in the Condensed Consolidated Balance Sheets.
- (i) Effective at the beginning of the first quarter of fiscal 2019, the Company implemented organizational changes to align its segment financial reporting more closely with its current business structure. These organizational changes primarily include: (i) the transfer of the data center networking ("DC Networking") business, which was previously reported within the Hybrid IT Product business unit in the Hybrid IT segment, to the HPE Aruba Product and HPE Aruba Services business units within the Intelligent Edge segment; (ii) the transfer of the edge compute business, which was previously reported within the HPE Aruba Product business unit in the Intelligent Edge segment, to the Hybrid IT Product business unit within the Hybrid IT segment; and (iii) the transfer of the Communications and Media Solutions

("CMS") business, which was previously reported within the HPE Pointnext business unit in the Hybrid IT segment, to the Corporate Investments 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 Hewlett Packard Enterprise's previously reported consolidated net revenue, earnings from operations, net earnings or net earnings per share.

- (j) The Company adopted the accounting standard update for income taxes related to intra-entity transfers of assets other than inventory, using the modified retrospective method. As a result, the Company recognized \$2.3 billion of income taxes as an adjustment to accumulated deficit in the first quarter of fiscal 2019.
- (k) GAAP diluted net earnings per share reflects any dilutive effect of restricted stock awards, stock options and performance-based awards, but the effect is excluded when calculating GAAP diluted net loss per share when it would be anti-dilutive.
- (l) Non-GAAP diluted net earnings per share reflects any dilutive effect of restricted stock awards, stock options and performance-based awards.
- (m) Earnings/loss per share for discontinued operations was calculated by deducting the earnings per share from continuing operations from the total earnings per share.

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 revenue on a constant currency basis, non-GAAP operating expenses, non-GAAP operating profit, non-GAAP operating margin, non-GAAP income tax rate, non-GAAP net earnings from continuing operations, non-GAAP net earnings from discontinued operations, non-GAAP diluted net earnings per share from continuing operations, non-GAAP diluted net earnings per share from discontinued operations, gross cash, free cash flow, net capital expenditures, net debt, net cash, operating company net debt and operating company net cash financial measures. Hewlett Packard Enterprise also provides forecasts of non-GAAP diluted net earnings per share and free cash flow.

These non-GAAP financial measures are not computed in accordance with, or as an alternative to, generally accepted accounting principles in the United States. The GAAP measure most directly comparable to revenue on a constant currency basis is revenue. The GAAP measure most directly comparable to non-GAAP operating expense is total costs and expenses. The GAAP measure most directly comparable to non-GAAP operating profit is earnings from operations. The GAAP measure most directly comparable to non-GAAP operating margin is operating margin. The GAAP measure most directly comparable to non-GAAP income tax rate is income tax rate. The GAAP measure most directly comparable to non-GAAP net earnings from continuing operations is net earnings from continuing operations. The GAAP measure most directly comparable to non-GAAP net earnings from discontinued operations is net earnings from discontinued operations. The GAAP measure most directly comparable to non-GAAP diluted net earnings per share from continuing operations is diluted net earnings per share from continuing operations. The GAAP measure most directly comparable to non-GAAP diluted net earnings per share from discontinued operations is diluted net earnings per share from discontinued operations. The GAAP measure most directly comparable to gross cash is cash and cash equivalents. The GAAP measure most directly comparable to free cash flow is cash flow from operations. The GAAP measure most directly comparable to net capital expenditures is investment in property, plant and equipment. The GAAP measure most directly comparable to net debt and operating company net debt is total company debt. The GAAP measure most directly comparable to each of net cash and operating company net cash is cash and cash equivalents. Reconciliations of each of these non-GAAP financial measures to GAAP information are included in the tables above or elsewhere in the materials accompanying this news release.

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

Revenue on a constant currency basis assumes no change in the foreign exchange rate from the prior-year period. Non-GAAP operating expenses, non-GAAP operating profit, and non-GAAP operating margin are defined to exclude any charges relating to the amortization of intangible assets, restructuring charges, charges relating to the separation transactions, transformation costs, disaster charges and acquisition, disposition and other related charges. Non-GAAP net earnings from continuing operations and non-GAAP diluted net earnings per share from continuing operations consist of net earnings or diluted net earnings per share excluding those same charges, as well as an adjustment to earnings in equity interests, non-service net periodic benefit credit, tax indemnification adjustments, income tax valuation allowances and separation taxes, the impact of U.S. tax reform and excess tax benefit from stock-based compensation. Non-GAAP net earnings from discontinued operations and non-GAAP diluted net earnings per share from discontinued operations consist of net earnings from discontinued operations or diluted net earnings per share from discontinued operations excluding those same charges, as applicable to discontinued operations. In addition, non-GAAP net earnings from continuing operations, non-GAAP net earnings from discontinued operations, non-GAAP diluted net earnings per share from continuing operations and non-GAAP diluted net earnings per share from discontinued operations are adjusted by the amount of additional taxes or tax benefits associated with each non-GAAP item.

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

- a Hewlett Packard Enterprise incurs charges relating to the amortization of intangible assets. Those charges are included in Hewlett Packard Enterprise's GAAP earnings from operations, operating margin, net earnings and diluted net earnings per share. Such charges are significantly impacted by the timing and magnitude of Hewlett Packard Enterprise's acquisitions and any related impairment charges. Consequently, Hewlett Packard Enterprise excludes these charges for purposes of calculating these non-GAAP measures to facilitate a more meaningful evaluation of Hewlett Packard Enterprise's current operating performance and comparisons to Hewlett Packard Enterprise's operating performance in other periods.
- b Restructuring charges are costs associated with a formal restructuring plan and are primarily related to (i) employee termination costs and benefits (ii) costs to vacate duplicative facilities and (iii) an accelerated employee stock compensation program. Hewlett Packard Enterprise excludes these restructuring costs (and any reversals of charges recorded in prior periods) for purposes of calculating these non-GAAP measures because it believes that these historical costs do not reflect expected future operating expenses and do not contribute to a meaningful evaluation of Hewlett Packard Enterprise's current operating performance or comparisons to Hewlett Packard Enterprise's operating performance in other periods.
- c Separation costs are expenses associated with HP Inc.'s (formerly known as "Hewlett-Packard Company" or "HP Co.") separation into two independent publicly-traded companies and the spin-off and merger transactions of the Enterprise Services business with CSC ("Everett Transaction") and the Software business with Micro Focus ("Seattle Transaction"). The charges are primarily related to third-party consulting, contractor fees and other incremental costs incurred to complete the transactions. Hewlett Packard Enterprise excludes these separation costs for purposes of calculating these non-GAAP measures to facilitate a more meaningful evaluation of Hewlett Packard Enterprise's current operating performance and comparisons to Hewlett Packard Enterprise's operating performance in other periods.
- d Transformation costs represent net costs related to the HPE Next initiative and include restructuring charges, program design and execution costs, costs incurred to transform Hewlett Packard Enterprise's IT infrastructure and gains from the sale of real-estate identified as part of the initiative as well as any impairment charges on real- estate assets identified as part of the initiative. Hewlett Packard Enterprise believes that eliminating such expenses and gains for purposes of calculating these non-GAAP measures facilitates a more meaningful evaluation of Hewlett Packard Enterprise's current operating performance and comparisons to Hewlett Packard Enterprise's past operating performance.
- e Disaster charges represent costs related to the damages sustained as a result of Hurricane Harvey in Houston, Texas, which includes the deductible related to the Company's insurance program as well as an impairment of the Company's facilities. It also includes final insurance settlements received in connection with the damages

sustained. Hewlett Packard Enterprise believes that eliminating these amounts for purposes of calculating non-GAAP operating profit facilitates a more meaningful evaluation of Hewlett Packard Enterprise's current operating performance and comparisons to Hewlett Packard Enterprise's operating performance in other periods.

- f Hewlett Packard Enterprise incurs costs related to its acquisitions, disposition and other related charges, most of which are treated as non-cash or non-capitalized expenses. The charges are direct expenses such as professional fees and retention costs, as well as non-cash adjustments to the fair value of certain acquired assets such as inventory. Charges may also include expenses associated with disposal activities including legal and arbitration settlements in connection with certain dispositions. Because non-cash or non-capitalized acquisition-related expenses are inconsistent in amount and frequency and are significantly impacted by the timing and nature of Hewlett Packard Enterprise's acquisitions and divestitures, Hewlett Packard Enterprise believes that eliminating such expenses for purposes of calculating these non-GAAP measures facilitates a more meaningful evaluation of Hewlett Packard Enterprise's current operating performance and comparisons to Hewlett Packard Enterprise's past operating performance.
- g Adjustment to earnings from equity interests includes the amortization of the basis difference in relation to the H3C divestiture and the resulting equity method investment in H3C. Hewlett Packard Enterprise believes that eliminating this amount for purposes of calculating non-GAAP operating profit facilitates a more meaningful evaluation of Hewlett Packard Enterprise's current operating performance and comparisons to Hewlett Packard Enterprise's operating performance in other periods.
- h Non-service net periodic benefit credit includes certain market-related factors such as (i) interest cost, (ii) expected return on plan assets, (iii) amortization of prior plan amendments, (iv) amortized actuarial gains or losses, (v) the impacts of any plan settlements/curtailments and (vi) impacts from other market-related factors associated with Hewlett Packard Enterprise's defined benefit pension and post-retirement benefit plans. These market-driven retirement-related adjustments are primarily due to the change in pension plan assets and liabilities which are tied to financial market performance. Hewlett Packard Enterprise excludes these adjustments and considers them to be outside the operational performance of the business.
- i Tax indemnification adjustments are related to changes in the indemnification positions between Hewlett Packard Enterprise and HP Inc., DXC and Micro Focus that are recorded by the Company as pre-tax income or expense and not considered tax expense. Hewlett Packard Enterprise excludes these income or charges and the associated tax impact for the purpose of calculating these non-GAAP measures to facilitate a more meaningful evaluation of Hewlett Packard Enterprise's current operating performance and comparisons to Hewlett Packard Enterprise's operating performance in other periods.
- j Beginning the first quarter of fiscal 2019, the company utilizes a structural long-term projected non-GAAP tax rate in order to provide better consistency across the interim reporting periods and eliminates the effects of items such as changes in tax valuation allowance and tax effects of acquisitions and disposition related costs and transformation costs since each of these can vary in size and frequency. When projecting this long-term rate, the company evaluated a three-year financial projection that excludes the direct impact of the following non-cash items: amortization of purchased intangibles and adjustments related to equity method investments. The projected rate is not expected to change with the recently announced acquisition of Cray Inc. in fiscal 2020 and also assumes no incremental acquisitions in the three-year projection period, and considers other factors including the company's expected tax structure, its tax positions in various jurisdictions and current impacts from key legislation implemented in major jurisdictions where the company operates. For fiscal 2019, the company will use a projected non-GAAP tax rate of 12%, which reflects currently available information, including the impact of the Tax Act and interpretations thereof, as well as other factors and assumptions. The non-GAAP tax rate could be subject to change for a variety of reasons, including the rapidly evolving global tax environment, significant changes in the company'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. The company believes that making these adjustments facilitates a better evaluation of our current operating performance and comparisons to past operating results.
- k For periods presented in fiscal 2018, valuation allowances and separation taxes represent tax amounts in connection with the spin-off of the enterprise services business, Everett SpinCo, Inc., and the software business, Seattle SpinCo, Inc. Since these charges do not represent ongoing expenses, Hewlett Packard Enterprise excludes these charges for the purpose of calculating these non-GAAP measures to facilitate a more meaningful evaluation of Hewlett Packard Enterprise's current operating performance and comparisons to Hewlett Packard Enterprise's operating performance in other periods.
- l As a result of the U.S. tax reform, during the first quarter of fiscal 2018, Hewlett Packard Enterprise recorded an estimated tax benefit from the provisional application of the new tax rules including a lower federal tax rate to deferred tax assets and liabilities, partially offset by a provisional estimate for transition tax expense on accumulated non-U.S. undistributed earnings, and a benefit as a result of the liquidation of an insolvent non

U.S. subsidiary. During subsequent quarters, the Company recorded adjustments under SAB118 (which was completed in the first quarter of fiscal 2019) in connection with U.S. tax reform primarily related to transition tax and valuation allowances on certain U.S. tax credits. Since these adjustments represent a one-time charge and do not represent ongoing expenses, Hewlett Packard Enterprise excludes the charge for the purpose of calculating these non-GAAP measures to facilitate a more meaningful evaluation of the Company's current operating performance and comparisons to Hewlett Packard Enterprise's operating performance in other periods.

- m During the first quarter of fiscal 2018, the Company adopted ASU 2016-09 on a prospective basis, except for the statement of cash flows for which the statement was retrospectively adopted for the prior comparative periods. This standard requires excess tax benefits or tax deficiencies associated with stock-based compensation to be recognized as a component of the provision for income taxes in the Statement of Earnings rather than additional paid-in capital in the Balance Sheet. Since the benefit or deficiency is the outcome of Hewlett Packard Enterprise's stock price at the time an award is converted to a share of Hewlett Packard Enterprise's stock, Hewlett Packard Enterprise excludes these benefits or deficiencies for the purpose of calculating these non-GAAP measures to facilitate a more meaningful evaluation of Hewlett Packard Enterprise's current operating performance and comparisons to Hewlett Packard Enterprise's operating performance in other periods.

Material limitations associated with use of non-GAAP financial measures

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

- Amortization of intangible assets, though not directly affecting Hewlett Packard Enterprise's cash position, represent the loss in value of intangible assets over time. The expense associated with this loss in value is not included in non-GAAP operating expenses, non-GAAP operating profit, non-GAAP operating margin, non-GAAP net earnings from continuing operations, non-GAAP net earnings from discontinued operations, non-GAAP diluted net earnings per share from continuing operations and non-GAAP diluted net earnings per share from discontinued operations, and therefore does not reflect the full economic effect of the loss in value of those intangible assets.
- Items such as restructuring charges, separation costs, transformation costs, acquisition, disposition and other related costs, and disaster charges that are excluded from non-GAAP operating expenses, non-GAAP operating profit, non-GAAP operating margin, non-GAAP net earnings from continuing operations, non-GAAP net earnings from discontinued operations, non-GAAP diluted net earnings per share from continuing operations and non-GAAP diluted net earnings per share from discontinued operations can have a material impact on the equivalent GAAP earnings measure and cash flows.
- Items such as adjustment to earnings from equity interests and non-service net periodic benefit credit that are excluded from non-GAAP net earnings from continuing operations, non-GAAP net earnings from discontinued operations, non-GAAP diluted net earnings per share from continuing operations and non-GAAP diluted net earnings per share from discontinued operations can have a material impact on the equivalent GAAP earnings measure and cash flows.
- Items such as tax indemnification adjustments, income tax valuation allowances and separation taxes, the impact of U.S. tax reform, excess tax benefits from stock-based compensation and the related tax impacts from other non-GAAP measures that are excluded from the non-GAAP tax rate, non-GAAP net earnings from continuing operations, non-GAAP earnings from discontinued operations, non-GAAP diluted net earnings per share from continuing operations and non-GAAP diluted net earnings per share from discontinued operations can also have a material impact on the equivalent GAAP earnings measures and cash flows.
- Hewlett Packard Enterprise may not be able to immediately liquidate the short-term and long-term investments included in gross cash, which may limit the usefulness of gross cash as a liquidity measure.
- Other companies may calculate revenue on a constant currency basis, non-GAAP operating profit, non-GAAP operating margin, non-GAAP net earnings from continuing operations, non-GAAP net earnings from discontinued operations, non-GAAP diluted net earnings per share from continuing operations and non-GAAP diluted net earnings per share from discontinued operations differently than Hewlett Packard Enterprise does, limiting the usefulness of those measures for comparative purposes.

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

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

Usefulness of non-GAAP financial measures to investors

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