

**Hewlett Packard
Enterprise**

Software/Micro Focus

**How the spin-merge impacts your
HPE shares and long-term incentives**

Get started >



The information presented herein is for informational purposes only and should not be construed as tax advice. Employees are encouraged to work with their own tax and financial advisors concerning the specifics of their own situations.

This presentation contains several examples and illustrations for informational and educational purposes only and does not reflect any stock price forecasts or recommendations by HPE. In addition, please be advised that past stock performance is no guarantee of future price appreciation.

For those countries that require consultation with works councils or other employee representatives, this is not intended to provide country-specific complete information and in no way reflects that final decisions have been made at a country level. With respect to such countries, final decisions are subject to prior consultation with works councils and other employee representatives, as required, and in compliance with local laws.



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About this guide...

The information contained herein will help you understand the impact of the Software/Micro Focus spin-merge on your HPE shares and Long-term Incentives.

We encourage you to download or print the information and share it with your financial or tax advisor.

Please note that the treatment of LTI upon divestiture may vary in your country.

Use the navigation buttons to advance or return home and select the information you seek from the table of contents.



About the Software/Micro Focus spin-merge...

- Scheduled deal close for Software/Micro Focus is **31 August 2017**.
- Micro Focus is a U.K. company.
- Software/Micro Focus spin-merge is different than ES/CSC.
- Some employees may be subject to tax due to the transaction. We encourage you to seek your own tax advice.
- If you are subject to insider trading windows, it is possible that the only trading opportunity you will have is the upcoming trading window scheduled to open 24 hours after HPE's 2Q earnings release (tentatively scheduled for the end of May)



What you need to know...

Key milestones impacting your HPE shares and LTIs

2Q Tentative open trading windows

May 2017	Jun 2017
1: 25 May – 8 Jun	
2: 25 May – 30 Jun	

3Q Tentative open trading windows

Aug 2017	Sep 2017
1: 24 Aug – 8 Sep	
2: 24 Aug – 29 Sep	



24 May 2016
LTI held on this date will accelerate on deal close

Record Date
(2-3 weeks prior to deal close)
HPE shares held on the Record Date are subject to Micro Focus ADS distribution

1 Sep 2017
Micro Focus ADS distribution

- 31 Aug 2017**
- Deal close
 - Unvested stock options and SARs are forfeited upon termination*
 - RSUs granted 25 May – 1 Sep 2016 are assumed by Micro Focus*
 - RSUs granted on or after 1 Sep 2016 vest pro-rata*

31 Nov 2017
Exercise vested stock options and SARs prior to term expiration (most within 3 months of deal close)*





What happens to HPE shares you own

What happens to the HPE shares you own

For HPE and Software/Micro Focus employees

If you are an HPE shareholder at the close of market on the record date*, here's what happens:

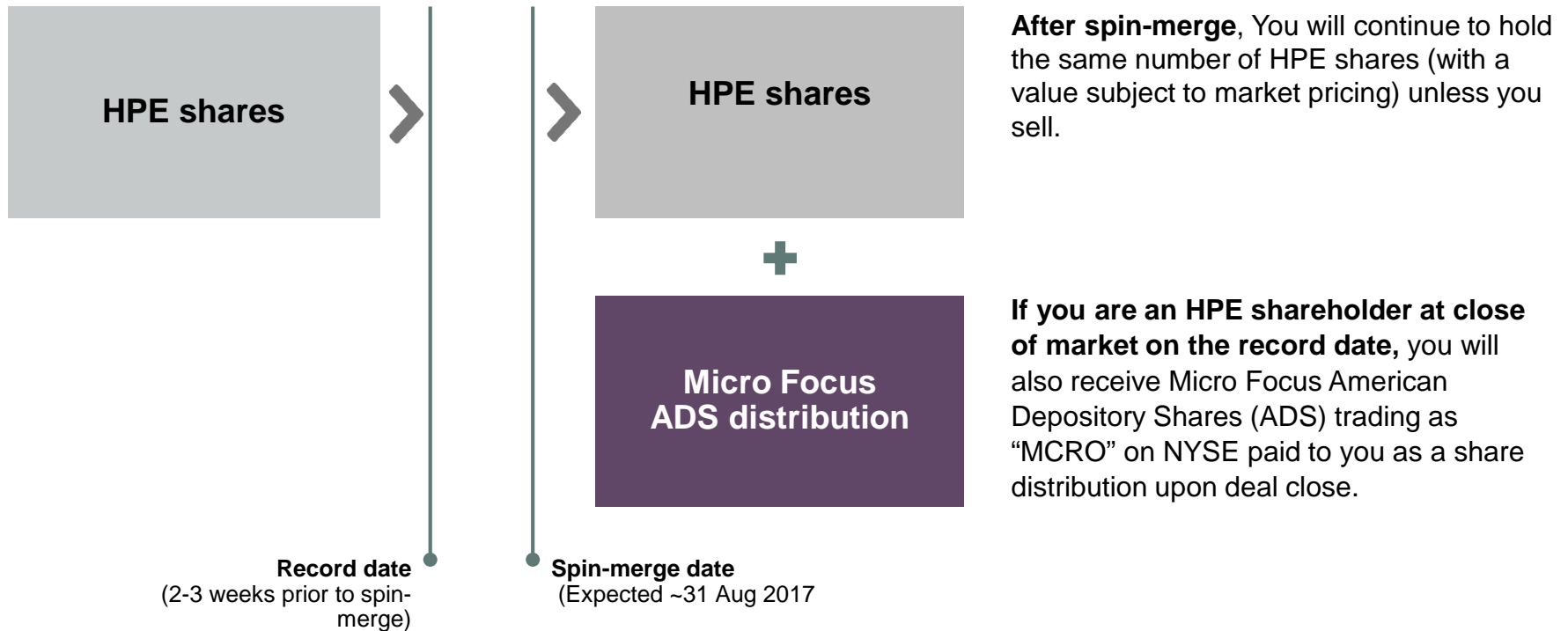
- Upon the close of the spin-merge, which is scheduled for 31 August 2017, HPE shareholders will retain the same number of HPE shares held on the record date, however, on 1 September 2017, the HPE shares are likely to trade at a different value which cannot be predicted or estimated at this time.

PLUS

- Shareholders will receive a distribution of Micro Focus American Depositary Shares (ADS) which will be trading on the NYSE starting 1 September 2017. Each ADS represents one ordinary share of Micro Focus Company. Micro Focus will continue to trade on the London Stock Exchange under the ticker MCRO.

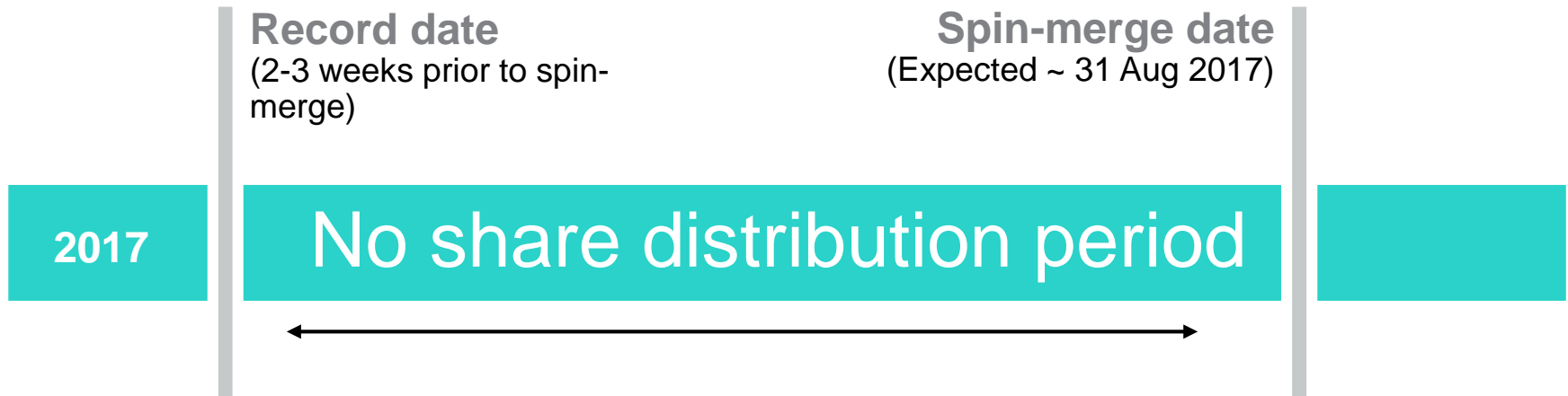
**We do not know the record date at this time, but expect it will be 2-3 weeks prior to the deal close which is scheduled for 31 August 2017.*

Your shares after the spin-merge



The value of HPE shares on the record date or the value of HPE shares and Micro Focus ADS on or after the spin-merge is not known at this time. It will be determined by the stock market. Both HPE and Micro Focus are traded on the NYSE.

The record date and the spin-merge date...



Stockholders who hold HPE shares as of market close on **the record date** will receive an ADS distribution of Micro Focus upon the deal close (unless they sold their rights to the ADS).

If you sell HPE shares before the record date, you will not receive the Micro Focus distribution for those shares.

There are ways to sell your HPE shares with or without the rights to the ADS distribution. More information on this is available to all shareholders on the Investor Relations website.

The spin-merge date is when the Micro Focus ADS distribution occurs. It is also the date that conversion ratios for LTI will be determined. The ADS will be deposited by your broker into your brokerage account shortly after the spin-merge date.



What happens to your Long-term Incentives

How LTI is treated upon spin-merge (for HPE employees)

Outstanding HPE Long-term Incentives:

- Unvested RSUs
- Unvested stock options or SARs
- Vested and unexercised stock options or SARs



HPE LTIs are adjusted to maintain intrinsic value before and after deal close

Note:

The conversion ratio used for LTI will be established upon deal close and will be based on HPE's share market value pre and post spin-merge which cannot be predicted at this time.

The LTI conversion ratio differs from that established by the Board of Directors for stockholders who hold HPE shares on the record date and who will receive the Micro Focus ADS distribution upon deal close.

Refer to your Merrill Lynch account to identify which Long-term Incentives you currently hold.

How LTI is treated upon spin-merge

(for Software/Micro Focus employees)

What happens to your RSUs

Type of LTI	If you terminate due to divestiture, MSA (L2 & L3 Director) or WFR
RSUs held on 24 May 2016	Unvested RSUs will vest in full as of 1 Sep 2017 and HPE shares will be delivered to your brokerage account, net of taxes.
RSUs granted between 24 May 2016 & 1 Sep 2016	Unvested RSUs will be assumed by Micro Focus. Details will be available later.
RSUs granted on/after 1 Sep 2016	RSUs vest pro-rata based on the months worked between the grant date and the date of termination: (1) vested RSU shares are delivered to your brokerage account (net of taxes), and (2) unvested RSU shares are forfeited.

What happens to your LTI when you become an employee of Software/Micro Focus

What happens to your stock options

Type of LTI	If you terminate due to divestiture, MSA (L2 & L3 Director) or WFR
Stock Options held on 24 May 2016	Unvested stock options will vest as of 31 Aug 2017. Stock options generally must be exercised within 3 months from the date of termination (or before the expiration, if earlier) unless provided otherwise in a written agreement between you and HPE.
Stock Options and SARs not held as of 24 May 2016	Vested stock options and SARs generally must be exercised within 3 months of termination (or prior to the expiration date if earlier) unless provided otherwise in a written agreement between you and HPE. Unvested stock options and SARs are forfeited on date of termination.



How RSUs are treated upon the spin-merge

(for Retirement eligible employees)

Type of LTI	If you terminate due to divestiture and you are retirement eligible ^{1,2}
RSUs held on 24 May 2016	Unvested RSUs will vest in full and HPE shares will be delivered to your brokerage account, net of taxes.
RSUs granted between 24 May 2016 and 1 Sep 2016	RSUs will be assumed by Micro Focus. Details will be available later.
RSUs granted on/after 1 Sep 2016	<p>Grants prior to 1 Nov 2016: Vesting is accelerated on the date of termination.</p> <p>Grants on/after 1 Nov 2016: Vesting dates occur as scheduled only if retirement after 3 months from grant. If retire within 3 months of grant, only a pro-rata portion of the RSUs will vest (based on months worked), otherwise RSUs are forfeited.</p> <p>All vested grants: HPE shares, net of taxes, are delivered at vesting.</p>

¹In the US, the definition of retirement eligibility for equity is at least 55 years of age and 70 points (age plus service). Internationally, the definition depends on the country policy.

²The retirement treatment described below does not apply to all grants, including but not limited to, grants on 2 November 2015 and/or grants made by a company acquired by HPQ or HPE.

What happens to stock options when you leave HPE (for Retirement eligible employees)

What happens to your stock options

Type of LTI	If you terminate due to divestiture and you are retirement eligible ^{1,2}
Stock Options held on 24 May 2016	Unvested stock options vest as of 31 Aug 2017. Stock options must be exercised within 3 years from date of termination or before the expiration date if earlier.
Stock Options and SARs not held as of 24 May 2016	Grants prior to 1 Nov 2016: Vesting is accelerated on the date of termination. Grants on/after 1 Nov 2016: Vesting dates occur as scheduled only if retirement occurs 3 months after the grant date. If retirement occurs within 3 months of grant date, stock options are forfeited. All grants: stock options must be exercised within 3 years of the date of termination (or prior to the expiration date if earlier).

¹In the US, the definition of retirement eligibility for equity is at least 55 years of age and 70 points (age plus service). Internationally, the definition depends on the country policy.

²The retirement treatment described below does not apply to all grants, including but not limited to, grants on 2 November 2015 and/or grants made by a company acquired by HPQ or HPE.

What to consider when making investment decisions

The Software/Micro Focus spin-merge transaction and the impact it has on your equity is complex. There are three key issues that you need to consider when making investment decisions, and for which you may need to plan ahead.

- Tax implications
- Insider trading restrictions
- Merrill Lynch blackout

You'll find information about these topics on the following slides



What you need to know about taxes

U.S. employees

Unlike the HPE/HPI separation and ES divestiture, HPE shareholders in the U.S. who own HPE shares on the record date will be subject to taxes upon the Micro Focus distribution.

Please review again the **18 Oct 2016 email** to employees who, based on our records, may be subject to U.S. federal taxes. The adjustments to the LTIs are tax free in the U.S.

Non-U.S. employees

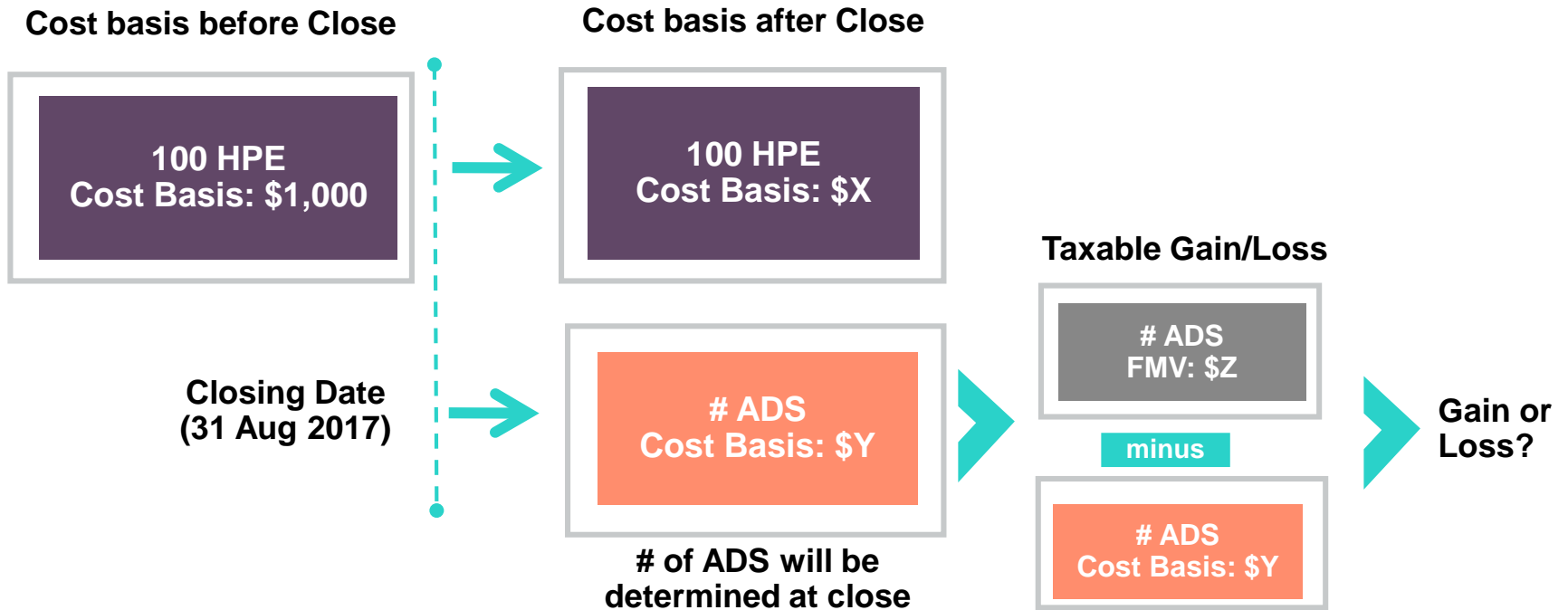
Employees outside the U.S. may be subject to foreign tax on the Micro Focus distribution. And, for employees who have LTIs, the adjustments may be taxable in your country.

Tax rules vary based on your personal facts and circumstances, and vary by country, states, local authorities. Consult a financial or tax advisor to fully understand the impact of the Software/Micro Focus spin-merge on your specific situation.

If you need general information on the LTI conversion or the ADS distribution, refer to the tax section of this website: **[Spin-Merge: Your HPE shares and Your LTIs.](#)**

Note: The information provided herein is not to be construed as tax advice and you are encouraged to consult with your tax and financial advisors concerning the specifics of your situation.

U.S. Taxes on the ADS distribution — illustration



- You are responsible for allocating your HPE share cost basis between your HPE shares after the spin-merge, and any ADS distribution you receive.
- Your taxes: Difference between the market value of the ADS you receive, minus your cost basis in such ADS (again, an allocable portion of your cost basis in your HPE shares prior to the spin-merge). If your taxable benefit is a loss, you cannot recognize it at this time (it is deferred until the sale of your ADS). HPE gain/loss will be recognized only when you sell your HPE shares, looking at your allocated cost basis. However, if it is a gain, you will be taxed on the gain at this time.
- Please consult with your tax and financial advisor as these rules are complex, and your state or local authorities might tax you differently.

Insider Trading Windows

If you are subject to insider trading restrictions under our Insider Trading Policy, you may have limited opportunity to make transactions in HPE stock, including with respect to your stock options and SARs, prior to 31 August. Please note: the upcoming trading window opens 24 hours after the 2Q earning release (tentatively scheduled for the end of May). Note: Trading windows apply to your HPE shares and your LTIs.

May

After 8K filing

TW1: 25 May to 8 June

TW 2: 25 May to 30 June

Aug

After 8K filing (Between record date & deal close)

TW1: 24 August to 11 September

TW2: 24 August to 29 September

Nov

After 8K filing and deal close

TW1: 24 November to XX December

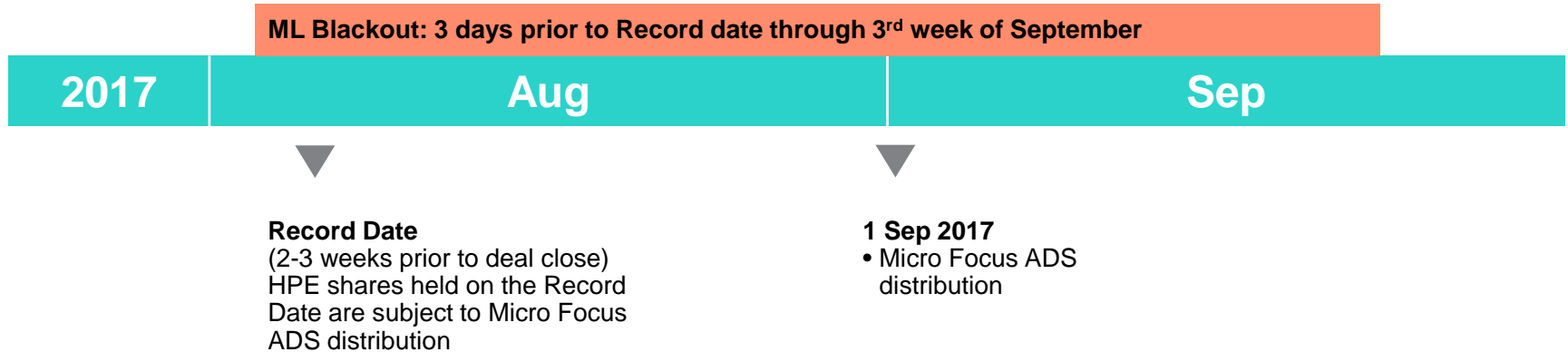
TW2: 24 November to 30 December

Please be aware that trading windows can, and often do, change. Accordingly, please consult the [Insider Trading Compliance website](#) to review the [insider trading calendar](#) before trading. You will also find [information on 10b5-1 plans](#) (including how to establish or terminate a plan). This site is updated regularly.

Merrill Lynch blackout may limit your ability to manage your LTIs

Merrill Lynch blackout does not apply to the sale of HPE shares

Merrill Lynch blackout impacts all LTI transactions



Please refer to the restriction tab of the [spin-merge website](#) for an explanation of the permissible transactions during the blackout period.

Resources

- Review your grant agreement to understand what happens to your long-term incentives. You can find your grant agreement on the [Merrill Lynch website](#)
- Visit the [Spin-Merge: Your HPE shares and Your LTI website](#) for general information about the Micro Focus ADS distribution and tax implications in your country
- Visit the [Insider Trading Compliance website](#) for up-to-date trading calendar and information on establishing a 10b5-1 trading plan
- Review HPE's public filings with the SEC available at www.sec.gov or also on HPE's Investor Relations page: <http://investors.hpe.com/>



Got Questions? AskHR
Your one-stop shop for all things HR

Consult with your tax or financial advisor



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