

EMC CORPORATION
Consolidated Statements of Operations
Three Months Ended December 31, 2002
(in thousands, except per share amounts)
(Unaudited)

	GAAP	Adjustments	Adjusted
Revenues:			
Net sales	\$ 1,148,807		\$ 1,148,807
Services	340,591		340,591
	1,489,398		1,489,398
Costs and expenses:			
Cost of sales	721,599	(823) (1)	722,422
Cost of services	180,032		180,032
Research and development	186,796		186,796
Selling, general and administrative	393,054		393,054
Restructuring and special charges	150,402	150,402 (2)	-
Operating income (loss)	(142,485)	(149,579)	7,094
Investment income	69,734		69,734
Interest expense	(3,071)		(3,071)
Other expense, net	(16,436)	(8,920) (2)	(7,516)
Income (loss) before taxes	(92,258)	(158,499)	66,241
Income tax (benefit) provision	(28,342)	(41,844) (3)	13,502
Net income (loss)	\$ (63,916)	\$ (116,655)	\$ 52,739
Net income (loss) per weighted average share, basic	\$ (0.03)	\$ (0.05)	\$ 0.02
Net income (loss) per weighted average share, diluted	\$ (0.03)	\$ (0.05)	\$ 0.02
Weighted average shares, basic	2,193,269		2,193,269
Weighted average shares, diluted	2,193,269		2,197,485
As a % of total revenue:			
Gross margin	39.5%		39.4%
Selling, general and administrative	26.4%		26.4%
Research and development	12.5%		12.5%
Operating income (loss)	-9.6%		0.5%
Net income (loss)	-4.3%		3.5%

(1) Reversal of \$823 of restructuring inventory provision taken in the third quarter of 2001.

(2) Represents \$159,322 Q4 '02 restructure and other special charges.

(3) Represents the tax impact of adjustments (1) and (2).

EMC CORPORATION
Consolidated Statements of Operations
(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended		Twelve Months Ended	
	December 31, 2002	December 31, 2001 (1)	December 31, 2002	December 31, 2001 (2)
Revenues:				
Net sales	\$ 1,148,807	\$ 1,196,548	\$ 4,219,156	\$ 5,915,695
Services	340,591	316,162	1,219,196	1,174,938
	<u>1,489,398</u>	<u>1,512,710</u>	<u>5,438,352</u>	<u>7,090,633</u>
Cost and expenses:				
Cost of sales	721,599	771,837	2,614,482	3,525,145
Cost of services	180,032	182,933	705,028	721,897
Research and development	186,796	216,885	781,457	928,701
Selling, general and administrative	393,054	492,963	1,680,814	2,214,223
Restructuring and other special charges	150,402	-	150,402	398,508
Operating loss	(142,485)	(151,908)	(493,831)	(697,841)
Investment income	69,734	64,810	256,153	265,285
Interest expense	(3,071)	(810)	(11,415)	(11,338)
Other expense, net	(16,436)	(16,611)	(47,394)	(133,141)
Loss before taxes	(92,258)	(104,519)	(296,487)	(577,035)
Benefit for income taxes	(28,342)	(34,357)	(177,781)	(69,323)
Net loss	<u>\$ (63,916)</u>	<u>\$ (70,162)</u>	<u>\$ (118,706)</u>	<u>\$ (507,712)</u>
Net loss per weighted average share, basic	<u>\$ (0.03)</u>	<u>\$ (0.03)</u>	<u>\$ (0.05)</u>	<u>\$ (0.23)</u>
Net loss per weighted average share, diluted	<u>\$ (0.03)</u>	<u>\$ (0.03)</u>	<u>\$ (0.05)</u>	<u>\$ (0.23)</u>
Weighted average shares, basic	2,193,269	2,220,054	2,206,294	2,211,273
Weighted average shares, diluted	2,193,269	2,220,054	2,206,294	2,211,273
As a % of total revenue:				
Gross margin	39.5%	36.9%	39.0%	40.1%
Selling, general and administrative	26.4%	32.6%	30.9%	31.2%
Research and development	12.5%	14.3%	14.4%	13.1%
Operating loss	-9.6%	-10.0%	-9.1%	-9.8%
Net loss	-4.3%	-4.6%	-2.2%	-7.2%

(1) Includes \$8,746 of goodwill amortization classified in cost of sales, \$100 of goodwill amortization classified in cost of services and \$3,648 of goodwill amortization classified in research and development that would have been excluded if Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets" was in effect in 2001. Excluding the goodwill amortization would have resulted in an after-tax net loss of \$58,708 or \$(0.03) per diluted share.

(2) Includes \$42,109 of goodwill amortization classified in cost of sales, \$189 of goodwill amortization classified in cost of services and \$10,091 of goodwill amortization classified in research and development that would have been excluded if Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets" was in effect in 2001. Excluding the goodwill amortization would have resulted in an after-tax net loss of \$459,791 or \$(0.21) per diluted share.

EMC CORPORATION
Consolidated Balance Sheets
(in thousands, except per share amounts)
(Unaudited)

	December 31, 2002	December 31, 2001
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,686,598	\$ 2,129,019
Short-term investments	864,743	445,428
Accounts and notes receivable, less allowance for doubtful accounts of \$50,551 and \$36,169	881,325	1,348,569
Inventories	437,805	583,985
Deferred income taxes	250,197	287,597
Other current assets	96,580	128,644
Total current assets	<u>4,217,248</u>	<u>4,923,242</u>
Long-term investments	3,134,290	2,509,112
Property, plant and equipment, net	1,624,396	1,827,331
Intangible and other assets, net	570,587	583,110
Deferred income taxes	43,926	46,840
Total assets	<u>\$ 9,590,447</u>	<u>\$ 9,889,635</u>
 LIABILITIES & STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and current portion of long-term obligations	\$ 27,507	\$ 56,677
Accounts payable	429,732	424,132
Accrued expenses	948,357	1,024,211
Income taxes payable	187,695	315,368
Deferred revenue	448,359	359,026
Total current liabilities	<u>2,041,650</u>	<u>2,179,414</u>
Deferred Revenue	156,412	10,237
Other Liabilities	166,383	99,164
Commitments and contingencies		
Stockholders' equity:		
Series preferred stock, par value \$.01; authorized 25,000 shares, none outstanding	-	-
Common stock, par value \$.01; authorized 6,000,000 shares; issued 2,235,930 and 2,221,442 shares	22,359	22,214
Additional paid-in capital	3,580,025	3,470,325
Deferred compensation	(10,762)	(29,209)
Retained earnings	4,070,049	4,188,755
Accumulated other comprehensive loss, net	(53,488)	(33,007)
Treasury stock, at cost; 50,555 and 1,060 shares	(382,181)	(18,258)
Total stockholders' equity	<u>7,226,002</u>	<u>7,600,820</u>
Total liabilities and stockholders' equity	<u>\$ 9,590,447</u>	<u>\$ 9,889,635</u>

EMC CORPORATION
Consolidated Statements of Cash Flows
(in thousands)
(Unaudited)

	<u>For the Twelve Months Ended</u>	
	<u>December 31, 2002</u>	<u>December 31, 2001</u>
Cash flows from operating activities:		
Net loss	\$ (118,706)	\$ (507,712)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	653,686	654,698
Noncash restructuring, inventory and other special charges (reversals)	(26,027)	449,364
Other than temporary declines in equity investments	6,315	106,560
Amortization of deferred compensation	13,077	19,514
Provision for doubtful accounts	35,171	32,711
Deferred income taxes, net	74,088	(227,429)
Net loss on disposal of property, plant, and equipment	26,405	2,282
Tax benefit from stock options exercised	34,291	137,901
Minority interest	-	29
Changes in assets and liabilities:		
Accounts and notes receivable	435,613	806,002
Inventories	240,377	127,581
Other assets	64,918	(19,303)
Accounts payable	4,240	(78,429)
Accrued expenses	(74,886)	201,301
Income taxes payable	(158,308)	(157,007)
Deferred revenue	236,813	69,637
Other liabilities	(1,333)	13,558
Net cash provided by operating activities	<u>1,445,734</u>	<u>1,631,258</u>
Cash flows from investing activities:		
Additions to property, plant and equipment	(391,076)	(889,309)
Proceeds from sales of property, plant and equipment	6	17,310
Capitalized software development costs	(126,678)	(120,724)
Purchases of short and long-term available-for-sale securities	(8,437,486)	(4,981,376)
Sales of short and long-term available-for-sale securities	7,199,476	4,445,271
Maturity of short and long-term available-for-sale securities	226,408	126,683
Purchase of other assets	(25,050)	-
Business acquisition, net of cash acquired	(21,993)	(111,455)
Net cash used by investing activities	<u>(1,576,393)</u>	<u>(1,513,600)</u>
Cash flows from financing activities:		
Issuance of common stock	80,924	170,284
Purchase of treasury stock	(363,923)	(18,258)
Payment of long-term and short-term obligations	(29,694)	(16,859)
Issuance of long-term and short-term obligations	1,516	40,206
Cash portion of McDATA Corporation spin-off dividend	-	(141,981)
Net cash provided (used) by financing activities	<u>(311,177)</u>	<u>33,392</u>
Effect of exchange rate changes on cash	<u>(585)</u>	<u>(5,252)</u>
Net increase (decrease) in cash and cash equivalents	(442,421)	145,798
Cash and cash equivalents at beginning of period	2,129,019	1,983,221
Cash and cash equivalents at end of period	<u>\$ 1,686,598</u>	<u>\$ 2,129,019</u>
Non-cash activity:		
Exchange of net assets for equity investment	\$ 3,560	\$ -
Distribution of net assets in McData Corporation dividend	-	234,152
Issuance of capital lease obligations	-	24,490
Options issued in business acquisitions	-	1,050

EMC CORPORATION
Supplemental Schedule of Earnings Adjusted to Expense Stock Options
(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended		Twelve Months Ended	
	December 31, 2002	December 31, 2001	December 31, 2002	December 31, 2001
Net loss	\$ (63,916)	\$ (70,162)	\$ (118,706)	\$ (507,712)
Stock option expense	(90,168)	(97,820)	(356,415)	(335,703)
Adjusted net loss	<u>\$ (154,084)</u>	<u>\$ (167,982)</u>	<u>\$ (475,121)</u>	<u>\$ (843,415)</u>
Net loss per weighted average share, basic - as reported	<u>\$ (0.03)</u>	<u>\$ (0.03)</u>	<u>\$ (0.05)</u>	<u>\$ (0.23)</u>
Net loss per weighted average share, diluted - as reported	<u>\$ (0.03)</u>	<u>\$ (0.03)</u>	<u>\$ (0.05)</u>	<u>\$ (0.23)</u>
Adjusted net loss per weighted average share, basic	<u>\$ (0.07)</u>	<u>\$ (0.08)</u>	<u>\$ (0.22)</u>	<u>\$ (0.38)</u>
Adjusted net loss per weighted average share, diluted	<u>\$ (0.07)</u>	<u>\$ (0.08)</u>	<u>\$ (0.22)</u>	<u>\$ (0.38)</u>

**EMC Corporation
Supplemental Financial Data
Revenue Analysis
(in thousands)
(Unaudited)**

Revenue Components

	Q1 2001	Q2 2001	Q3 2001	Q4 2001	YTD 2001	Q1 2002	Q2 2002	Q3 2002	Q4 2002	YTD 2002
Storage Revenue										
Information Storage Systems	\$ 1,564,312	\$ 1,225,600	\$ 675,591	\$ 841,741	\$ 4,307,244	\$ 741,578	\$ 779,109	\$ 662,417	\$ 802,196	\$ 2,985,300
Information Storage Software	467,519	497,538	242,521	352,444	1,560,022	282,323	320,568	283,591	346,611	1,233,093
Information Storage Services	231,986	231,995	236,734	271,559	972,274	238,530	251,148	279,217	309,472	1,078,367
Total Information Storage Revenues	2,263,817	1,955,133	1,154,846	1,465,744	6,839,540	1,262,431	1,350,825	1,225,225	1,458,279	5,296,760
Other Businesses	80,978	65,722	57,427	46,966	251,093	39,547	36,713	34,213	31,119	141,592
Total Consolidated Revenues	\$ 2,344,795	\$ 2,020,855	\$ 1,212,273	\$ 1,512,710	\$ 7,090,633	\$ 1,301,978	\$ 1,387,538	\$ 1,259,438	\$ 1,489,398	\$ 5,438,352

Networked Storage Revenue

	Q3 2001	Q4 2001	Q1 2002	Q2 2002	Q3 2002	Q4 2002
Networked Storage Revenue, as previously calculated	\$ 449,193	\$ 682,443	\$ 561,747	\$ 597,323	N/A	N/A
Networked Storage Revenue, revised	\$ 627,706	\$ 847,413	\$ 749,346	\$ 777,263	\$ 689,205	\$ 894,583
Networked Storage Revenue, revised, as a % of Information Storage Systems and Software Revenue	68%	71%	73%	71%	73%	78%

Note: The revised networked storage revenue includes networked information storage systems and software revenue not captured in the previous calculation. The revised calculation includes units sold into an existing networked environment, upgrades and networked information storage systems and software sold through channels to end customers.

Note: Amounts may not foot due to rounding