

EMC CORPORATION
Consolidated Statement of Income
Three Months Ended March 31, 2003
(in thousands, except per share amounts)
Unaudited

	<u>GAAP</u>	<u>Adjustments</u>	<u>Adjusted (1)</u>
Revenues:			
Net sales	\$ 1,050,978		\$ 1,050,978
Services	333,173		333,173
	<u>1,384,151</u>		<u>1,384,151</u>
Costs and expenses:			
Cost of sales	613,344		613,344
Cost of services	172,986		172,986
Research and development	180,414		180,414
Selling, general and administrative	384,551		384,551
Restructuring and other special charges	20,523	\$ 20,523 (2)	-
	<u>1,371,818</u>		<u>1,371,818</u>
Operating income (loss)	12,333	(20,523)	32,856
Investment income	53,137		53,137
Interest expense	(864)		(864)
Other expense, net	(5,710)		(5,710)
	<u>48,603</u>		<u>48,603</u>
Income (loss) before taxes	58,896	(20,523)	79,419
Income tax provision (benefit)	23,713	(1,683) (3)	25,396
	<u>82,609</u>		<u>82,609</u>
Net income (loss)	<u>\$ 35,183</u>	<u>\$ (18,840)</u>	<u>\$ 54,023</u>
Net income per weighted average share, basic	<u>\$ 0.02</u>		<u>\$ 0.02</u>
Net income per weighted average share, diluted	<u>\$ 0.02</u>		<u>\$ 0.02</u>
Weighted average shares, basic	2,186,771		2,186,771
Weighted average shares, diluted	2,199,955		2,199,955
As a % of total revenue:			
Gross margin	43.2%		43.2%
Selling, general and administrative	27.8%		27.8%
Research and development	13.0%		13.0%
Operating income	0.9%		2.4%
Net income	2.5%		3.9%

- (1) The adjusted column excludes restructuring and other special charges. The information presented is not prepared in accordance with generally accepted accounting principles ("GAAP"). Management uses these non-GAAP financial measures to gain an understanding of its comparative operating performance. Management believes that these measures provide useful information because they exclude activities that are not necessarily relevant to understand the company's business.
- (2) Represents additional severance and accelerated depreciation related to the Q4 '02 restructure charge.
- (3) Represents the tax benefit of adjustment (2).

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

	Three Months Ended	
	March 31, 2003	March 31, 2002
Revenues:		
Net sales	\$ 1,050,978	\$ 1,024,623
Services	333,173	277,355
	1,384,151	1,301,978
Cost and expenses:		
Cost of sales	613,344	634,599
Cost of services	172,986	166,334
Research and development	180,414	200,951
Selling, general and administrative	384,551	454,668
Restructuring and other special charges	20,523	-
Operating income (loss)	12,333	(154,574)
Investment income	53,137	55,525
Interest expense	(864)	(2,861)
Other expense, net	(5,710)	(7,890)
Income (loss) before taxes	58,896	(109,800)
Income tax provision (benefit)	23,713	(32,941)
Net income (loss)	\$ 35,183	\$ (76,859)
Net income (loss) per weighted average share, basic	\$ 0.02	\$ (0.03)
Net income (loss) per weighted average share, diluted	\$ 0.02	\$ (0.03)
Weighted average shares, basic	2,186,771	2,221,685
Weighted average shares, diluted	2,199,955	2,221,685
As a % of total revenue:		
Gross margin	43.2%	38.5%
Selling, general and administrative	27.8%	34.9%
Research and development	13.0%	15.4%
Operating income (loss)	0.9%	-11.9%
Net income (loss)	2.5%	-5.9%

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

	March 31, 2003	December 31, 2002
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,494,285	\$ 1,686,598
Short-term investments	1,010,818	864,743
Accounts and notes receivable, less allowance for doubtful accounts of \$47,913 and \$50,551	789,858	881,325
Inventories	572,327	437,805
Deferred income taxes	255,978	250,197
Other current assets	79,531	96,580
Total current assets	4,202,797	4,217,248
Long-term investments	3,171,409	3,134,290
Property, plant and equipment, net	1,578,927	1,624,396
Intangible and other assets, net	382,444	365,557
Goodwill, net	205,030	205,030
Deferred income taxes	39,025	43,926
Total assets	\$ 9,579,632	\$ 9,590,447
 LIABILITIES & STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and current portion of long-term obligations	\$ 21,950	\$ 27,507
Accounts payable	443,528	429,732
Accrued expenses	913,874	948,357
Income taxes payable	207,420	187,695
Deferred revenue	468,451	448,359
Total current liabilities	2,055,223	2,041,650
Deferred Revenue	203,198	156,412
Other Liabilities	58,023	166,383
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 2,237,652 and 2,235,930 shares	22,377	22,359
Additional paid-in capital	3,586,365	3,580,025
Deferred compensation	(8,750)	(10,762)
Retained earnings	4,105,232	4,070,049
Accumulated other comprehensive loss, net	(59,125)	(53,488)
Treasury stock, at cost; 50,655 and 50,555 shares	(382,911)	(382,181)
Total stockholders' equity	7,263,188	7,226,002
Total liabilities and stockholders' equity	\$ 9,579,632	\$ 9,590,447

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

	<u>For the Three Months Ended</u>	
	<u>March 31, 2003</u>	<u>March 31, 2002</u>
Cash flows from operating activities:		
Net income (loss)	\$ 35,183	\$ (76,859)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	137,246	158,814
Non-cash restructuring, inventory and other special charges (reversals)	4,785	(28,071)
Amortization of deferred compensation	2,547	4,267
Provision for doubtful accounts	5,225	20,275
Deferred income taxes, net	2,139	18,820
Other	(31)	3,736
Changes in assets and liabilities:		
Accounts and notes receivable	98,431	261,620
Inventories	(127,685)	98,359
Other assets	(19,827)	16,438
Accounts payable	20,813	12,475
Accrued expenses	(34,187)	(96,587)
Income taxes payable	19,725	(48,366)
Deferred revenue	67,143	53,321
Other liabilities	(104,729)	(10,355)
Net cash provided by operating activities	<u>106,778</u>	<u>387,887</u>
Cash flows from investing activities:		
Additions to property, plant and equipment	(77,005)	(115,128)
Capitalized software development costs	(26,649)	(28,752)
Purchases of short and long-term available for sale securities	(1,121,483)	(3,836,705)
Sales of short and long-term available for sale securities	914,300	3,197,647
Maturities of short and long-term available for sale securities	15,952	98,966
Net cash used in investing activities	<u>(294,885)</u>	<u>(683,972)</u>
Cash flows from financing activities:		
Issuance of common stock	5,823	12,841
Purchase of treasury stock	(730)	-
Payment of long-term and short-term obligations	(13,442)	(6,211)
Proceeds from long-term and short-term obligations	4,609	718
Net cash provided by (used in) financing activities	<u>(3,740)</u>	<u>7,348</u>
Effect of exchange rate changes on cash	<u>(466)</u>	<u>(8,251)</u>
Net decrease in cash and cash equivalents	(192,313)	(296,988)
Cash and cash equivalents at beginning of period	1,686,598	2,129,019
Cash and cash equivalents at end of period	<u>\$ 1,494,285</u>	<u>\$ 1,832,031</u>

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

	Three Months Ended	
	March 31, 2003	March 31, 2002
Net income (loss)	\$ 35,183	\$ (76,859)
Stock option expense	(93,633)	(99,490)
Adjusted net loss	\$ (58,450)	\$ (176,349)
Net income (loss) per weighted average share, basic - as reported	\$ 0.02	\$ (0.03)
Net income (loss) per weighted average share, diluted - as reported	\$ 0.02	\$ (0.03)
Adjusted net loss per weighted average share, basic	\$ (0.03)	\$ (0.08)
Adjusted net loss per weighted average share, diluted	\$ (0.03)	\$ (0.08)

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

Revenue Components

	Q1 2002	Q2 2002	Q3 2002	Q4 2002	YTD 2002	Q1 2003
Storage Revenue						
Information Storage Systems	\$ 741,578	\$ 779,109	\$ 662,417	\$ 802,196	\$ 2,985,300	\$ 752,387
Information Storage Software	282,323	320,568	283,591	346,611	1,233,093	298,591
Information Storage Services	238,530	251,148	279,217	309,472	1,078,367	306,025
Total Information Storage Revenues	1,262,431	1,350,825	1,225,225	1,458,279	5,296,760	1,357,003
Other Businesses	39,547	36,713	34,213	31,119	141,592	27,148
Total Consolidated Revenues	\$ 1,301,978	\$ 1,387,538	\$ 1,259,438	\$ 1,489,398	\$ 5,438,352	\$ 1,384,151

Supplemental Revenue Data

Symmetrix Hardware and Software Revenue (a)	\$ 574,944
CLARiiON Hardware and Software Revenue (a)	217,896
Connectivity Revenue (b)	130,290
EMC-only Platform Software Revenue (c)	199,791
Multi-Platform Software Revenue (d)	98,800

(a) Includes hardware, hardware upgrades and platform software.

(b) Includes Connectrix fibre channel switch/director revenues and Celerra file server revenue, exclusive of disk revenue.

(c) Includes software products that only work with EMC arrays.

(d) Includes software products that are designed to manage heterogenous environments including EMC and non-EMC arrays.