



Safeguarding information is our mission.
Solving customers' problems is our life.
Leading the way is our commitment.

www.EMC.com/2001overview



Joe Tucci

Mike Ruetters

To Our Stockholders

For EMC and the entire technology industry, 2001 was a painful year. Deteriorating economic conditions led to our disappointing financial results. Still, we seized the opportunity to extend EMC's market leadership in the most rapidly growing segments of the information storage industry. We lengthened our technology lead, lowered our cost structure, and tightened execution to make us a stronger company, one better positioned to shape the future.

We entered 2001 with a robust first quarter and high expectations for the year. We soon found ourselves in the first worldwide recession since 1975 and the worst annual decline in U.S. spending on information technology since 1958. We finished the year with total consolidated revenues of \$7.09 billion, down 20 percent from the previous year.

The steep economic downturn was the most precipitous we have ever seen. Companies responded by hoarding cash. Our competitors responded by waging a price war. Lower sales volume and a cost structure initially sized for considerably higher revenues resulted in a net loss for the year of \$508 million, or \$.23 per diluted share (including a third-quarter after-tax restructuring charge of \$675 million or \$.31 per share). We are very unhappy with last year's results. We know we can do better. The rest of this letter will explain how.

If economic cycles are the ebb and flow in the river of human history, then consider the fundamental shift in the underlying riverbed: the inexorable

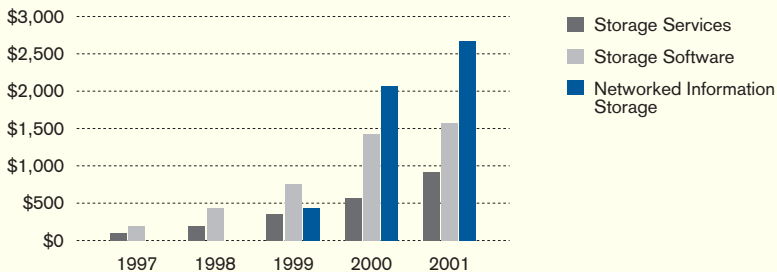
growth of information, more than 90 percent of it now created in digital form. EMC is setting the industry standard for how that information is stored and managed to create new value for our customers.

Positioned to Grow and Shape the Future. EMC understands information storage management and protection better than any other company in the world. Our strategy is to extend our leadership of the industry in markets where we compete. To accelerate growth, we are devoting more attention to networked information storage, software, and services. These are the fastest growing markets in our industry. They will be major drivers of EMC's business this year, along with channel partner sales and renewed customer focus on business continuity solutions.

Here, we are building on momentum. Networked information storage revenues grew 26 percent year-over-year to \$2.68 billion. According to analysts, we captured a greater share of the \$8 billion market for networked information storage than our next three competitors combined. Revenues from information storage software (another strategic market that EMC leads) grew 9 percent year-over-year to \$1.56 billion. Revenues from information storage services grew 59 percent year-over-year to \$972 million.

EMC Growth in Strategic Markets

(\$ millions)



Our performance in these growing markets reflects an important fact: EMC is at the vanguard of a fundamental shift in technology deployment. EMC is displacing servers (large enterprise computers) as the center of gravity in enterprise IT environments. In the past, storage systems were simply attached to servers and categorized as “peripherals.” Now, with EMC as the trend-setter, information storage systems are being consolidated or networked together as storage area networks (SANs) and network attached storage (NAS). Storage is the one technology in an information infrastructure that touches information directly. For applications and databases to function properly, all require reliable, nonstop access to information. That is the mission-critical function that EMC infrastructures provide better than any other.

The consolidation of servers and storage is the most influential trend in our industry today. For customers, it lowers costs and raises productivity. It also enables organizations to leverage EMC’s rich software functionality to manage and protect more information with fewer resources. In case studies conducted by the research firm IDC in 2001, customers reported up to 9:1 gains in staff efficiency by deploying EMC networked storage and software.

Our combination of systems, software, and services allows us to offer customers the deepest expertise, the most value, and the best information storage solutions available. To deliver the highest growth in revenues and earnings, we set the following target model for our business: close to 50 percent of revenues should come from information storage systems, slightly more than 30 percent from storage software, and approximately 20 percent from storage services. We aim to reach these targets within six to eight quarters after overall economic growth resumes.

Sharper Focus, Tighter Execution. In light of the worldwide pullback in capital spending on technology, we have taken action to bring expenses in line with economic realities. Without sacrificing product quality or core research and development activity, we lowered our cost structure by a \$628 million

annualized run rate by the end of the fourth quarter. Our cost cutting plan will strengthen EMC's competitive advantage and improve our bottom line.

To sharpen EMC's focus and execution, we aligned organizations under three operating units. Storage Platforms Operations produces the highest



- Symmetrix, the world's most widely used high-end storage system, extended its technology lead in 2001
- CLARiiON was chosen by Dell in 2001 as its preferred offering for network storage installations
- Celerra served as the cornerstone of EMC's rise to #1 in the NAS market in 2001

quality platform hardware and functionality in the industry. Open Software Operations ensures that EMC systems work with other technology in our customers' environments and allow them to manage their information from one single point of control. Customer Operations surrounds our customers with the best experience and ongoing support through the world's largest storage dedicated sales and service organization. In the fourth quarter, EMC Customer Service achieved a record high for customer satisfaction, a good indication that we sustained customer relationships while removing costs.

To reach new customers as well as improve margins, we are evolving our go-to-market model from a primary focus on direct sales to a more balanced direct-plus-partners model. In October, we signed a major reseller agreement with Dell Computer Corporation that positions EMC to reap more revenue from enterprise users of Microsoft Windows 2000 and small to medium-sized customers.

In spite of the downturn, our balance sheet remains strong and we continue to invest in the future. Last year, we grew cash and investments to more than \$5 billion, our highest level ever. Debt remained negligible. We invested \$929 million in storage-focused R&D. We also acquired two software companies, FilePool and Luminata, our sixth and seventh software acquisitions since the beginning of 2000.

Extending Our Lead. To extend EMC's technology lead, we launched the most aggressive new product delivery schedule in EMC history.

In August 2001, we announced our open storage management software initiative, AutoIS (Automated Information Storage). Two months later, we introduced the first set of AutoIS products. By year's end, AutoIS was hailed as the year's most significant development in information storage management. Until now, complex and growing information infrastructures have been difficult and expensive to manage. Just as information technologies like spreadsheets have automated time-consuming work, AutoIS automates the management of information technology. It enables customers to manage more information in less time at lower costs. By managing competitors' systems as well as our own, AutoIS opens up a whole new market for EMC.

This dramatic breakthrough in productivity is the latest chapter in the EMC innovation story. The modern story began with EMC's introduction of RAID and integrated cached disk arrays more than a decade ago. The story continued throughout the 1990s with EMC's introduction of open enterprise storage, storage-dedicated software, and enterprise storage networks.

EMC launched those industry-altering innovations in the face of economic downturns in 1991 and 1995. Now, as then, we believe the pullback in technology spending will reverse itself as companies invest in newer technologies to gain competitive advantage. As IT budgets expand, we expect customers will seek high-value solutions, because how enterprises use and manage information determines competitiveness in a highly competitive economy.

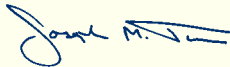
Reliable and Responsive. Data replication, disaster recovery, and business continuity became higher priorities for companies everywhere in 2001. EMC invented disk-based, real-time data-mirroring to remote sites back in 1994 with the release of Symmetrix Remote Data Facility, still the world's most functional and widely installed software of its kind. When disaster struck on September 11, 2001, EMC technology worked as designed, helping companies at Ground Zero resume operations before financial markets reopened.

Strategic business partners prove themselves in times of crisis. We were humbled by customers who lost colleagues and loved ones in the attack who later went out of their way to thank our employees for EMC's product reliability and responsiveness in the midst of their tragedy. Providing the most reliable products and service are EMC hallmarks. Never in our careers have we seen such emotional reminders of the value and importance of a company's work.

As veterans of the rapidly changing technology industry, we know it's what we do next that counts. EMC is charging into 2002 as a stronger, leaner and more formidable competitor than it was a year ago. We believe in the long-term promise and excitement of the storage sector. EMC, the world's leading information storage solutions company, is the sector's marquee player. We are confident EMC will continue to be the storage industry's unmatched innovator with an unrivaled passion to win.



Michael C. Ruettgers
Executive Chairman of the Board



Joseph M. Tucci
President and Chief Executive Officer

Stored Information Defines Our Present and Shapes Our Future

For more than a decade EMC has focused on one thing — helping organizations manage and protect their mushrooming volumes of information to create decisive competitive advantage. As information technology environments have become more complex and millions of gigabytes of new information — most of it “born” in digital form — arrive each day, EMC has responded with wave after wave of information management innovation to lower costs, reduce complexity, and raise productivity.



- 35,000 B.C. First cave paintings
- 3,000 B.C. Sumerian clay tablets
- 1045 Chinese movable type
- 1087 William the Conqueror catalogues all possessions of the English people

The instinct to collect, preserve, and build on information has been around forever. For millennia, people have been devising ingenious ways to store and manage more and more information so others could easily find it, learn from it, and add to it. Stored knowledge not only defines our present but shapes our future. We invite you to explore the comprehensive EMC Map of Information Preservation at www.EMC.com/2001overview.



- 1816 First photographic image with camera obscura
- 1852 Boston Public Library, world's first tax-supported library
- 1876 Alexander Graham Bell invents the microphone
- 1950s Punch cards store programming information in early mainframe era

Waves of Innovation in Safeguarding and Managing Information

1991: SMART STORAGE / SPEEDING ACCESS TO INFORMATION

EMC invents smart storage, introducing Symmetrix ICDA and creating the intelligent RAID storage array market

1994: STORAGE SOFTWARE / PROTECTING, MANAGING, SHARING INFORMATION ACROSS THE ORGANIZATION

EMC invents the storage software market



- 1991 EMC introduces Symmetrix, the first intelligent disk storage system to incorporate small drives, large cache memory, and sophisticated software
- 1991 EMC invents proactive and remote storage system maintenance and diagnostics, later developed into EMC customer operations center
- 1993 Personal Digital Assistants commercialized
- 1994 Patent filed for EMC's SRDF, the first storage-based disaster recovery software

1995: OPEN STORAGE / CONSOLIDATING INFORMATION FROM MULTIPLE COMPUTERS, OPERATING SYSTEMS, APPLICATIONS, AND DATABASES WITHIN A SINGLE STORAGE SYSTEM

EMC invents the open storage market

1998: NETWORKED STORAGE / UNIFYING ALL INFORMATION IN A SINGLE NETWORKED, BOUNDLESS INFRASTRUCTURE

EMC brings networked information storage to the mainstream



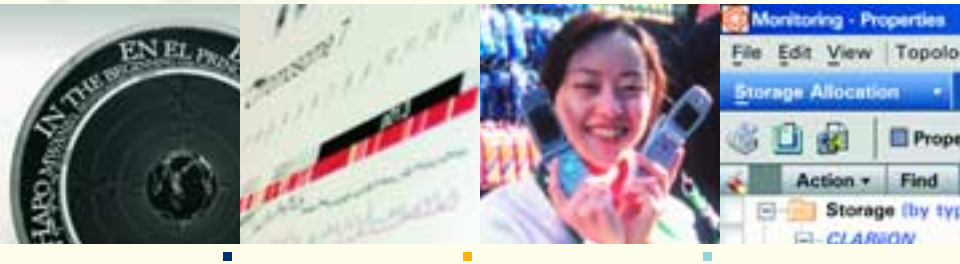
EMC[®]
e lab
Tested™



- Mid-1990s The Web, a shared global repository, becomes a household name
- 1995 EMC establishes interoperability lab, later expanded into a billion-dollar E-Lab testing center
- 1996 The Internet Archive starts building a library of the Web
- 2000 Dead Sea Scrolls are available on CD-ROM

2001: AUTOMATED INFORMATION STORAGE / AUTOMATING AND SIMPLIFYING THE MANAGEMENT OF ALL ASPECTS OF A MULTI-VENDOR STORAGE INFRASTRUCTURE

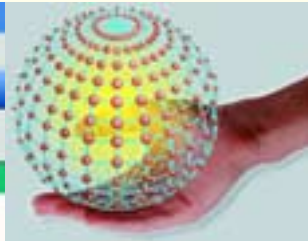
EMC introduces Automated Information Storage (AutoIS), substituting open software for labor-intensive tasks and thereby reducing complexity and costs while raising availability and performance



- 2001 The Rosetta Stone project aims to develop a near-permanent archive of 1,000 languages
- 2001 Drafts of the human genome sequence are published
- 2001 Wireless access to the Web shows rapid adoption globally

NEXT: THE ALWAYS-ON BUSINESS / BUILDING THE CONTINUOUS BUSINESS

EMC's automated platforms, open software, and global services will enable the self-managing, self-correcting, always-on information environment



- 2001 EMC introduces AutoIS, hailed as the year's most significant information management technology
- Next EMC makes possible the always-on business, enabled by a self-managing, self-healing infrastructure that ensures anytime, anywhere, secure access to information

For a more comprehensive 2001 overview of EMC, visit:

www.EMC.com/2001overview



- The EMC Map of Information Preservation
- Letter to Stockholders
- 2001 Highlights
- Customer Relationships
- Offerings
- Social Responsibility

This 2001 Abbreviated Overview contains "forward-looking statements" as defined under the Federal Securities Laws. Actual results could differ materially from those projected in the forward-looking statements as a result of certain risk factors, including but not limited to: (i) further adverse changes in general economic conditions; (ii) further delays or reductions in information technology spending; (iii) the company's ability to effectively manage operating costs and increase operating efficiencies; (iv) further declines in revenues; (v) insufficient, excess or obsolete inventory; (vi) competitive factors, including but not limited to pricing pressures; (vii) component quality and availability; (viii) rapid technological and market change and the transition to new products; (ix) the uncertainty of customer acceptance of new products; (x) the relative and varying rates of product price and component cost declines; (xi) the effects of war or acts of terrorism, including the effect on the economy generally, on particular industry segments, on transportation and communication systems and on the company's ability to manage logistics in such an environment, including receipt of components and distribution of products; (xii) the ability to attract and retain highly qualified employees; (xiii) the uneven pattern of quarterly sales; (xiv) fluctuating currency exchange rates; (xv) risks associated with strategic investments and acquisitions; (xvi) the Company's ability to execute on its plans; and (xvii) other one-time events and other important factors disclosed previously and from time to time in EMC's filings with the U.S. Securities and Exchange Commission.

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