

EMC CORPORATION
Consolidated Statements of Operations
Three Months Ended September 30, 2002
(in thousands, except per share amounts)
(unaudited)

	<u>As Reported</u>	<u>Adjustments</u>	<u>Adjusted</u>
Revenues:			
Net sales	\$ 946,055		\$ 946,055
Services	313,383		313,383
	<u>1,259,438</u>		<u>1,259,438</u>
Costs and expenses:			
Cost of sales	605,021	\$ 7,895 (1)	612,916
Cost of services	180,788		180,788
Research and development	191,683		191,683
Selling, general and administrative	412,313		412,313
Operating loss	(130,367)	(7,895)	(138,262)
Investment income	73,071		73,071
Interest expense	(2,763)		(2,763)
Other expense, net	(17,418)		(17,418)
Loss before taxes	(77,477)	(7,895)	(85,372)
Income tax (benefit) provision	(98,738)	64,591 (2)	(34,147)
Net income (loss)	<u>\$ 21,261</u>	<u>\$ (72,486)</u>	<u>\$ (51,225)</u>
Net income (loss) per weighted average share, basic	<u>\$ 0.01</u>	<u>\$ (0.03)</u>	<u>\$ (0.02)</u>
Net income (loss) per weighted average share, diluted	<u>\$ 0.01</u>	<u>\$ (0.03)</u>	<u>\$ (0.02)</u>
Weighted average shares, basic	2,203,063		2,203,063
Weighted average shares, diluted	2,207,989		2,203,063
As a % of total revenue:			
Gross margin	37.6%		37.0%
Selling, general and administrative	32.7%		32.7%
Research and development	15.2%		15.2%
Operating loss	-10.4%		-11.0%
Net income (loss)	1.7%		-4.1%

(1) Represents the reversal of \$7,895 of restructuring inventory provision taken in the third quarter of 2001.

(2) Includes \$67,749 pertaining to international tax matters, net of \$3,158 related to the reversal of the restructuring provision described in footnote 1.

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

	Three Months Ended		Nine Months Ended	
	September 30, 2002	September 30, 2001 (1)	September 30, 2002	September 30, 2001 (2)
Revenues:				
Net sales	\$ 946,055	\$ 925,736	\$ 3,070,349	\$ 4,719,147
Services	313,383	286,537	878,605	858,776
	<u>1,259,438</u>	<u>1,212,273</u>	<u>3,948,954</u>	<u>5,577,923</u>
Cost and expenses:				
Cost of sales	605,021	984,476	1,892,883	2,753,308
Cost of services	180,788	183,969	524,996	538,964
Research and development	191,683	242,149	594,661	711,816
Selling, general and administrative	412,313	510,888	1,287,760	1,721,260
Restructuring and other special charges	-	398,508	-	398,508
	<u>(130,367)</u>	<u>(1,107,717)</u>	<u>(351,346)</u>	<u>(545,933)</u>
Operating loss				
Investment income	73,071	64,627	186,419	200,475
Interest expense	(2,763)	(3,673)	(8,344)	(10,528)
Other expense, net	(17,418)	(121,172)	(30,958)	(116,530)
	<u>(77,477)</u>	<u>(1,167,935)</u>	<u>(204,229)</u>	<u>(472,516)</u>
Loss before taxes	(77,477)	(1,167,935)	(204,229)	(472,516)
Benefit for income taxes	(98,738)	(222,728)	(149,439)	(34,966)
	<u>(98,738)</u>	<u>(222,728)</u>	<u>(149,439)</u>	<u>(34,966)</u>
Net income (loss)	<u>\$ 21,261</u>	<u>\$ (945,207)</u>	<u>\$ (54,790)</u>	<u>\$ (437,550)</u>
Net income (loss) per weighted average share, basic	<u>\$ 0.01</u>	<u>\$ (0.43)</u>	<u>\$ (0.02)</u>	<u>\$ (0.20)</u>
Net income (loss) per weighted average share, diluted	<u>\$ 0.01</u>	<u>\$ (0.43)</u>	<u>\$ (0.02)</u>	<u>\$ (0.20)</u>
Weighted average shares, basic	2,203,063	2,213,328	2,210,956	2,208,302
Weighted average shares, diluted	2,207,989	2,213,328	2,210,956	2,208,302
As a % of total revenue:				
Gross margin	37.6%	3.6%	38.8%	41.0%
Selling, general and administrative	32.7%	42.1%	32.6%	30.9%
Research and development	15.2%	20.0%	15.1%	12.8%
Operating loss	-10.4%	-91.4%	-8.9%	-9.8%
Net income (loss)	1.7%	-78.0%	-1.4%	-7.8%

(1) Includes \$11,121 of goodwill amortization classified in cost of sales, \$89 of goodwill amortization classified in cost of services and \$2,977 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 \$932,482 or \$(0.42) per diluted share.

(2) Includes \$33,363 of goodwill amortization classified in cost of sales, \$89 of goodwill amortization classified in cost of services and \$6,443 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 \$401,083 or \$(0.18) per diluted share.

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

	September 30, 2002	December 31, 2001
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,741,396	\$ 2,129,019
Short-term investments	795,352	445,428
Accounts and notes receivable, less allowance for doubtful accounts of \$49,906 and \$36,169	753,474	1,348,569
Inventories	515,199	583,985
Deferred income taxes	236,583	287,597
Other current assets	106,293	128,644
Total current assets	4,148,297	4,923,242
Long-term investments	3,225,238	2,509,112
Property, plant and equipment, net	1,703,955	1,827,331
Intangible and other assets, net	558,965	583,110
Deferred income taxes	36,951	46,840
Total assets	\$ 9,673,406	\$ 9,889,635
 LIABILITIES & STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and current portion of long-term obligations	\$ 37,866	\$ 56,677
Accounts payable	511,166	424,132
Accrued expenses	875,418	1,024,211
Income taxes payable	238,992	315,368
Deferred revenue	483,233	359,026
Total current liabilities	2,146,675	2,179,414
Other liabilities	92,571	109,401
 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 2,230,716 and 2,221,442 shares	22,307	22,214
Additional paid-in capital	3,546,130	3,470,325
Deferred compensation	(14,264)	(29,209)
Retained earnings	4,133,965	4,188,755
Accumulated other comprehensive income (loss), net	7,343	(33,007)
Treasury stock, at cost; 30,931 and 1,060 shares	(261,321)	(18,258)
Total stockholders' equity	7,434,160	7,600,820
Total liabilities and stockholders' equity	\$ 9,673,406	\$ 9,889,635

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

For the Nine Months Ended

	<u>September 30, 2002</u>	<u>September 30, 2001</u>
Cash flows from operating activities:		
Net loss	\$ (54,790)	\$ (437,550)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	496,476	484,637
Noncash restructuring and other special charges (reversals), including provision for obsolete and excess inventory	(60,735)	407,535
Other than temporary declines in equity investments	6,315	106,560
Amortization of deferred compensation	10,663	16,242
Provision for doubtful accounts	30,441	11,811
Deferred income taxes, net	51,428	(322,013)
Net loss on disposal of property, plant, and equipment	18,920	974
Tax benefit from stock options exercised	25,266	134,389
Minority interest	-	29
Changes in assets and liabilities:		
Accounts and notes receivable	567,940	882,061
Inventories	156,155	(128,983)
Other assets	55,061	(10,430)
Accounts payable	88,910	(65,896)
Accrued expenses	(147,466)	292,305
Income taxes payable	(107,006)	(89,460)
Deferred revenue	118,707	29,220
Other liabilities	(5,537)	3,841
Net cash provided by operating activities	<u>1,250,748</u>	<u>1,315,272</u>
Cash flows from investing activities:		
Additions to property, plant and equipment	(305,351)	(692,739)
Proceeds from sales of property, plant and equipment	6	17,310
Capitalized software development costs	(95,754)	(87,866)
Purchases of short and long-term available-for-sale securities	(6,840,581)	(4,153,019)
Sales of short and long-term available-for-sale securities	5,645,476	3,508,093
Maturity of short and long-term available-for-sale securities	187,397	109,318
Purchase of other assets	(1,700)	-
Equity investment	(1,002)	-
Business acquisition, net of cash acquired	(21,993)	(102,889)
Net cash used by investing activities	<u>(1,433,502)</u>	<u>(1,401,792)</u>
Cash flows from financing activities:		
Issuance of common stock	54,914	125,959
Purchase of treasury stock	(243,063)	(18,258)
Payment of long-term and short-term obligations	(13,952)	(13,353)
Issuance of long-term and short-term obligations	1,512	5
Cash portion of McDATA Corporation spin-off dividend	-	(141,981)
Net cash used by financing activities	<u>(200,589)</u>	<u>(47,628)</u>
Effect of exchange rate changes on cash	<u>(4,280)</u>	<u>1,525</u>
Net decrease in cash and cash equivalents	(387,623)	(132,623)
Cash and cash equivalents at beginning of period	2,129,019	1,983,221
Cash and cash equivalents at end of period	<u>\$ 1,741,396</u>	<u>\$ 1,850,598</u>
Non-cash activity:		
Distribution of net assets in McDATA Corporation dividend	\$ -	\$ 234,152
Issuance of capital lease obligations	-	24,490
Options issued in business acquisitions	-	1,050
Exchange of net assets for equity investment	3,560	-

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

	Three Months Ended		Nine Months Ended	
	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001
Net income (loss)	\$ 21,261	\$ (945,207)	\$ (54,790)	\$ (437,550)
Stock option expense	(74,706)	(87,840)	(266,247)	(237,883)
Adjusted net loss	<u>\$ (53,445)</u>	<u>\$ (1,033,047)</u>	<u>\$ (321,037)</u>	<u>\$ (675,433)</u>
Net income (loss) per weighted average share, basic - as reported	<u>\$ 0.01</u>	<u>\$ (0.43)</u>	<u>\$ (0.02)</u>	<u>\$ (0.20)</u>
Net income (loss) per weighted average share, diluted - as reported	<u>\$ 0.01</u>	<u>\$ (0.43)</u>	<u>\$ (0.02)</u>	<u>\$ (0.20)</u>
Adjusted net loss per weighted average share, basic	<u>\$ (0.02)</u>	<u>\$ (0.47)</u>	<u>\$ (0.15)</u>	<u>\$ (0.31)</u>
Adjusted net loss per weighted average share, diluted	<u>\$ (0.02)</u>	<u>\$ (0.47)</u>	<u>\$ (0.15)</u>	<u>\$ (0.31)</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	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	\$ 2,183,104
Information Storage Software	467,519	497,538	242,521	352,444	1,560,022	282,323	320,568	283,591	886,482
Information Storage Services	231,986	231,995	236,734	271,559	972,274	238,530	251,148	279,217	768,895
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	3,838,481
Other Businesses	80,978	65,722	57,427	46,966	251,093	39,547	36,713	34,213	110,473
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	\$ 3,948,954

Networked Storage Revenue

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

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