



EMC reports fourth quarter results

Revenue Up 18% Sequentially On Strong Customer Demand, Market Share Gains For CLARiiON CX Systems, Information Storage Software

EMC Corporation (NYSE:EMC) today reported fourth quarter and full fiscal year results for 2002. The results included an 18% sequential revenue increase in the fourth quarter compared with the third quarter of 2002, led by strong customer demand for the new CLARiiON CX family of mid-tier networked storage systems and for EMC's industry-leading portfolio of information storage software products. Total consolidated revenue for the fourth quarter was \$1.49 billion, 18% higher than the \$1.26 billion reported in the third quarter of 2002, and 2% lower than the \$1.51 billion reported in the fourth quarter of 2001. Net loss for the fourth quarter, including an after-tax restructuring and other special charge of \$117 million, was \$64 million or \$.03 per share, compared with a net loss of \$70 million or \$.03 per share in the fourth quarter of 2001. Net income for the fourth quarter of 2002, excluding the aforementioned \$117 million charge, was \$53 million, or \$.02 per diluted share. Total consolidated revenue for the full 2002 fiscal year was \$5.44 billion, compared with \$7.09 billion for the full 2001 fiscal year. Net loss for the full 2002 fiscal year was \$119 million or \$.05 per share, compared with a net loss of \$508 million or \$.23 per share for the full 2001 fiscal year. Joe Tucci, EMC's President and CEO, said, "We finished 2002 on a very strong note as our automated networked storage strategy began to pay off. Each of our major businesses-information storage systems, software and services-achieved double-digit sequential revenue growth. It's clear we gained market share, particularly in mid-tier storage and storage software. We are now approaching customers with our strongest and most complete product line ever, a lower cost structure, and a significantly improved go-to-market model. We expect to gain market share in all of our strategic segments and grow profitably throughout 2003." EMC's fourth-quarter results were marked by success in several strategic areas. Revenue from EMC's mid-tier CLARiiON products experienced strong double-digit growth in the fourth quarter compared with the third quarter of 2002. Revenue from information storage software grew 22% in the fourth quarter compared with the third quarter of 2002. EMC Centera Content Addressed Storage systems, introduced in April 2002, significantly exceeded fourth-quarter revenue expectations, with well over one petabyte (1,000 terabytes) of Content Addressed Storage shipped during the quarter. Bill Teuber, EMC's Executive Vice President and Chief Financial Officer, said, "The balanced sequential revenue growth we achieved was encouraging. Healthy customer demand for our automated networked storage solutions helped increase our overall product volume, leading to a significant improvement in gross margins. Throughout 2002, we focused on controlling the controllable. Since we intensified our attack on costs six quarters ago, we have achieved an annualized cost savings rate of more than \$1.25 billion, resulting in a quarterly break-even level of about \$1.37 billion. In addition, we continued to strengthen the balance sheet during the year. Absent the \$364 million we spent repurchasing our shares, cash and investments would have increased \$966 million during 2002. We ended the year with cash and investments of \$5.7 billion, or approximately 60% of total assets." During the fourth quarter, EMC continued its most aggressive series of product roll-outs ever by delivering two new members of the powerful CLARiiON CX family of mid-tier networked storage systems; combining the functionality and availability found in EMC's high-end NAS solutions with the cost advantages of CLARiiON into the EMC Celerra NS600; and providing customers with NAS software solutions that enable organizations to centrally manage and automate the movement of files and data across geographically dispersed locations with new EMC OnCourse software. EMC also expanded its alliance with Dell and jointly teamed with Microsoft to develop the largest Microsoft SQL Server(tm) storage area network (SAN) ever built; unveiled major advances in its WideSky Developers Suite; and outlined plans to drive standards-compliant, open storage management solutions into real-world environments. EMC products, services and people were recognized during the fourth quarter for innovation, market leadership, and historic contributions. The readers of Intelligent Enterprise Magazine selected EMC ControlCenter as the world's best family of storage management software in the publication's annual "Intelligent Enterprise Reader's Choice Awards"; EMC Centera was named "Product of the Year" by the content collaboration magazine Transform Magazine, and received "Best of Show" honors at the BioIT World Conference & Expo; EMC won the Software Technical Assistance Recognition (STAR) award for outstanding mission-critical support for the second year in a row; and EMC Executive Chairman Mike Ruetters was inducted into the IT Industry Hall of Fame for transforming and revolutionizing the way businesses access, manage, share and protect digital information. Business Outlook The following statements are based on current expectations. These statements are forward-looking, and actual results may differ materially. These statements do not include the potential impact of any mergers, acquisitions, divestitures or business combinations that may be completed after the date hereof. Revenue in the first quarter of 2003 is expected to be between \$1.35 billion and \$1.4 billion. Excluding any restructuring charges, earnings per share in the first quarter of 2003 is expected to be, at best, \$.01 per diluted share. Additional improvements in the overall cost structure are expected during 2003, resulting in an expected break-even level under \$1.3 billion by the end of Q2 of 2003. Excluding any restructuring charges, EMC expects to report net income for each quarter in 2003. EMC expects continued improvement in gross margins and operating margins during 2003, although quarterly margins may vary during the year based on volume. R&D investment for 2003 is expected to be slightly lower than the \$781 million invested in 2002, as additional efficiencies are gained. Capital spending for 2003 is expected to be approximately the same to slightly down compared with the \$391 million spent in 2002. The tax rate for 2003 is expected to be approximately 30%. About EMC EMC Corporation is the world leader in information storage systems, software, networks and services, providing

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