
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

**QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For The Quarter Ended: March 31, 2001

Commission File Number 1-9853

EMC CORPORATION

(Exact name of registrant as specified in its charter)

Massachusetts

(State or other jurisdiction of
organization or incorporation)

04-2680009

(I.R.S. Employer
Identification Number)

35 Parkwood Drive

Hopkinton, Massachusetts 01748-9103

(Address of principal executive offices, including zip code)

(508) 435-1000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X

NO _____

The number of shares of common stock, par value \$.01 per share, of the registrant outstanding as of March 31, 2001 was 2,206,848,917.

EMC CORPORATION

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EMC CORPORATION

**PART I.
FINANCIAL INFORMATION**

**CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)**

| ASSETS | March 31, 2001 (unaudited) | December 31, 2000 |
|---|---|------------------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 1,969,605 | \$ 1,983,221 |
| Short-term investments | 439,215 | 673,731 |
| Accounts and notes receivable, less allowance for doubtful accounts of \$40,557 and \$38,560 | 1,915,406 | 2,114,368 |
| Inventories | 1,067,336 | 1,024,964 |
| Deferred income taxes | 185,369 | 188,074 |
| Other assets | 208,719 | 115,693 |
| Total current assets | 5,785,650 | 6,100,051 |
| Long-term investments | 2,240,827 | 2,088,379 |
| Notes receivable, net | 195,466 | 241,234 |
| Property, plant and equipment, net | 1,640,606 | 1,510,088 |
| Intangible and other assets, net | 592,980 | 598,047 |
| Total assets | \$ 10,455,529 | \$ 10,537,799 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Current portion of long-term obligations | \$ 4,268 | \$ 11,816 |
| Accounts payable | 464,769 | 516,469 |
| Accrued expenses | 781,773 | 823,079 |
| Income taxes payable | 353,263 | 477,318 |
| Deferred revenue | 315,224 | 284,965 |
| Total current liabilities | 1,919,297 | 2,113,647 |
| Deferred income taxes | 101,278 | 100,913 |
| Notes payable | 9,949 | 14,457 |
| Other liabilities | 46,702 | 20,538 |
| Minority interest | — | 111,035 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Series preferred stock, par value \$.01; authorized 25,000 shares, none outstanding | — | — |
| Common stock, par value \$.01; authorized 3,000,000 shares; issued 2,206,849 and 2,195,489 | 22,068 | 21,955 |
| Additional paid-in capital | 3,312,150 | 3,138,061 |
| Deferred compensation | (49,231) | (49,525) |
| Retained earnings | 5,095,262 | 5,072,600 |
| Accumulated other comprehensive loss | (1,946) | (5,882) |
| Total stockholders' equity | 8,378,303 | 8,177,209 |
| Total liabilities and stockholders' equity | \$ 10,455,529 | \$ 10,537,799 |

The accompanying notes are an integral part of the consolidated financial statements.

EMC CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share amounts)
(unaudited)

| | For the | |
|--|---------------------------|-------------------|
| | Three Months Ended | |
| | March 31, | March 31, |
| | 2001 | 2000 |
| Revenues: | | |
| Net sales | \$ 2,056,926 | \$ 1,625,447 |
| Services | 287,869 | 197,151 |
| | <u>2,344,795</u> | <u>1,822,598</u> |
| Costs and expenses: | | |
| Cost of sales | 876,611 | 650,880 |
| Cost of services | 175,673 | 140,179 |
| Research and development | 224,040 | 161,780 |
| Selling, general and administrative | 593,036 | 448,119 |
| Operating income | <u>475,435</u> | <u>421,640</u> |
| Investment income | 71,609 | 40,643 |
| Interest expense | (3,258) | (6,871) |
| Other income/(expense), net | <u>2,506</u> | <u>(636)</u> |
| Income before taxes | 546,292 | 454,776 |
| Income tax provision | <u>147,497</u> | <u>122,789</u> |
| Net income | <u>\$ 398,795</u> | <u>\$ 331,987</u> |
| Net income per weighted average share, basic | <u>\$ 0.18</u> | <u>\$ 0.16</u> |
| Net income per weighted average share, diluted | <u>\$ 0.18</u> | <u>\$ 0.15</u> |
| Weighted average shares, basic | <u>2,203,865</u> | <u>2,105,673</u> |
| Weighted average shares, diluted | <u>2,248,773</u> | <u>2,236,181</u> |

The accompanying notes are an integral part of the consolidated financial statements.

EMC CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

| | For the Three Months Ended | |
|--|-----------------------------------|---------------------------|
| | March 31, 2001 | March 31, 2000 |
| Cash flows from operating activities: | | |
| Net income | \$ 398,795 | \$ 331,987 |
| Adjustments to reconcile net income to net cash provided/(used) by operating activities: | | |
| Depreciation and amortization | 144,931 | 116,166 |
| Amortization of deferred compensation | 5,256 | 3,589 |
| Provision for doubtful accounts | 8,989 | 4,943 |
| Deferred income taxes | (7,743) | 19,829 |
| Net loss on disposal of property and equipment | 1,324 | 7,514 |
| Tax benefit from stock options exercised | 90,315 | 64,939 |
| Minority interest | 29 | 951 |
| Changes in assets and liabilities, net of acquired assets and liabilities: | | |
| Accounts and notes receivable | 188,603 | 16,748 |
| Inventories | (75,507) | (59,813) |
| Other assets | (85,361) | (42,310) |
| Accounts payable | (43,002) | 90,995 |
| Accrued expenses | (37,429) | (25,517) |
| Income taxes payable | (113,949) | (6,838) |
| Deferred revenue | 32,920 | 13,472 |
| Other liabilities | 3,130 | (5) |
| Net cash provided by operating activities | <u>511,301</u> | <u>536,650</u> |
| Cash flows from investing activities: | | |
| Additions to property, plant and equipment | (281,121) | (183,047) |
| Proceeds from sales of property, plant and equipment | 17,128 | — |
| Capitalized software development costs | (29,737) | (28,084) |
| Purchase of short-term and long-term available for sale securities | (1,133,922) | (286,454) |
| Sale of short-term and long-term available for sale securities | 927,925 | 189,967 |
| Maturity of short-term and long-term available for sale securities | 74,175 | 238,831 |
| Business acquisitions, net of cash acquired | — | (198,251) |
| Net cash used for investing activities | <u>(425,552)</u> | <u>(267,038)</u> |
| Cash flows from financing activities: | | |
| Issuance of common stock | 54,835 | 64,256 |
| Payment of long-term and short-term obligations | (8,484) | (7,225) |
| Issuance of long-term and short-term obligations | — | 6,935 |
| Cash portion of McDATA Corporation dividend | (141,981) | — |
| Net cash provided/(used) by financing activities | <u>(95,630)</u> | <u>63,966</u> |
| Effect of exchange rate changes on cash | (3,735) | (3,486) |
| Net increase/(decrease) in cash and cash equivalents | (9,881) | 333,578 |
| Cash and cash equivalents at beginning of period | 1,983,221 | 1,109,409 |
| Cash and cash equivalents at end of period | <u>\$ 1,969,605</u> | <u>\$ 1,439,501</u> |
| Non-cash activity: | | |
| — Conversion of convertible subordinated notes, net of debt issuance costs | \$ — | \$ 460,677 |
| — Options issued in business acquisitions | — | 11,372 |
| — Distribution of net assets in McDATA Corporation dividend | 234,152 | — |

The accompanying notes are an integral part of the consolidated financial statements.

EMC CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)
(unaudited)

| | For the Three Months Ended | |
|--|-------------------------------|-------------------|
| | March 31, 2001 | March 31, 2000 |
| Net income | \$ 398,795 | \$ 331,987 |
| Other comprehensive income/(loss), net of tax: | | |
| Foreign currency translation adjustments, net of tax of \$(2,090) and \$374 | (5,647) | (3,327) |
| Equity adjustment for minimum pension liability, net of tax of \$(7,616) and \$0 | (20,592) | — |
| Unrealized gain/(loss) on investments and derivatives, net of tax of \$11,160 and \$(824) | 30,175 | (2,473) |
| Other comprehensive income/(loss)..... | 3,936 | (5,800) |
| Comprehensive income..... | <u>\$ 402,731</u> | <u>\$ 326,187</u> |

The accompanying notes are an integral part of the consolidated financial statements.

EMC CORPORATION
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share amounts)

1. Basis of Presentation

Company

EMC Corporation and its subsidiaries ("EMC") design, manufacture, market and support a wide range of hardware and software products and provide services for the storage, management, protection and sharing of electronic information. These integrated solutions enable organizations to create an enterprise information infrastructure, or what EMC calls an E-Infostructure. EMC is the leading supplier of these solutions, which are comprised of information storage systems, software and services. Its products are sold to customers utilizing a variety of the world's most popular computing platforms for key applications, including electronic commerce, data warehousing and transaction processing.

Accounting

The accompanying interim consolidated financial statements are unaudited and have been prepared in accordance with generally accepted accounting principles. These statements include the accounts of EMC and its subsidiaries. Certain information and footnote disclosures normally included in EMC's annual consolidated financial statements have been condensed or omitted. The interim consolidated financial statements, in the opinion of management, reflect all adjustments (consisting only of normal recurring accruals) necessary to fairly present the results as of and for the periods ended March 31, 2001 and 2000.

The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for the entire fiscal year. These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2000, which are contained in EMC's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 12, 2001.

Certain prior year amounts have been restated to conform with the 2001 presentation.

2. Inventories

Inventories consist of:

| | March 31, 2001 | December 31, 2000 |
|-----------------------|---------------------------|------------------------------|
| Purchased parts | \$ 60,696 | \$ 62,636 |
| Work-in-process..... | 707,778 | 701,907 |
| Finished goods..... | 298,862 | 260,421 |
| | <u>\$ 1,067,336</u> | <u>\$ 1,024,964</u> |

3. Property, Plant and Equipment

Property, plant and equipment consists of:

| | March 31, 2001 | December 31, 2000 |
|---------------------------------|---------------------------|------------------------------|
| Furniture and fixtures | \$ 122,517 | \$ 129,721 |
| Equipment | 1,566,338 | 1,539,510 |
| Buildings and improvements..... | 530,916 | 499,823 |
| Land | 71,522 | 69,522 |
| Construction in progress..... | 390,366 | 321,587 |
| | <u>2,681,659</u> | <u>2,560,163</u> |
| Accumulated depreciation..... | <u>(1,041,053)</u> | <u>(1,050,075)</u> |
| | <u>\$ 1,640,606</u> | <u>\$ 1,510,088</u> |

EMC CORPORATION
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(in thousands, except per share amounts)

4. Net Income Per Share

Calculation of diluted earnings per share is as follows:

| | For the Three Months Ended | |
|--|-----------------------------------|---------------------------|
| | March 31, 2001 | March 31, 2000 |
| Net income | \$ 398,795 | \$ 331,987 |
| Add back of interest expense on 3¼% convertible notes, net of tax of \$1,195..... | — | 1,792 |
| Net income for calculating diluted earnings per share | <u>\$ 398,795</u> | <u>\$ 333,779</u> |
| Weighted average shares, basic | 2,203,865 | 2,105,673 |
| Common stock equivalents | 44,908 | 130,508 |
| Weighted average shares, diluted..... | <u>2,248,773</u> | <u>2,236,181</u> |
| Net income per weighted average share, diluted..... | <u>\$ 0.18</u> | <u>\$ 0.15</u> |

5. Equity Transactions

On February 7, 2001, EMC distributed to its stockholders of record as of the close of business on January 24, 2001, all of its shares of McDATA Corporation Class A common stock. The distribution was effected by the means of a pro rata dividend of approximately .0368069 of a share of McDATA Class A common stock for each share of EMC common stock. In lieu of fractional shares of McDATA Class A common stock, each stockholder received a cash payment. The distribution, which totaled \$376,133, has been accounted for as a tax-free dividend to EMC stockholders and charged to retained earnings based on the book value as of the date of the distribution. As a result of the distribution, EMC no longer has any equity ownership interest in McDATA.

6. Litigation

EMC is a party to certain litigation, which it considers routine and incidental to its business. Management does not expect the results of any of these actions to have a material adverse effect on EMC's business, results of operations or financial condition.

7. Derivatives

EMC uses derivatives to hedge foreign currency cash flows on a continuing basis consistent with its net asset and forecasted revenue and expense exposures. Since EMC is using foreign exchange derivative contracts to hedge foreign exchange exposures, the changes in the value of the derivatives are highly effective in offsetting changes in the fair value or cash flows of the hedged item. Any ineffective portion of the derivatives is recognized in current earnings, which represented immaterial amounts for all periods presented. The ineffective portion of the derivatives is primarily related to option premiums and to discounts or premiums on forward contracts. EMC's derivative contracts generally mature within twelve months.

EMC hedges its net asset position with forward exchange contracts. Since these derivatives hedge existing net assets that are denominated in foreign currencies, the contracts do not qualify for hedge accounting under SFAS 133. The changes in fair value from these contracts as well as the underlying exposures are generally offsetting, and are recorded in other income/(expense) on the income statement. These derivative contracts generally mature within twelve months.

EMC CORPORATION
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(in thousands, except per share amounts)

EMC uses foreign currency forward and option contracts to hedge a portion of its forecasted transactions. These derivatives are designated as cash flow hedges, and changes in their fair value are carried in accumulated other comprehensive income/(loss) until the underlying forecasted transaction occurs. Once the underlying forecasted transaction is realized, the appropriate gain or loss from the derivative designated as a hedge of the transaction is reclassified from accumulated other comprehensive income/(loss) to the income statement, in revenue and expense, as appropriate. In the event the underlying forecasted transaction does not occur, the amount recorded in accumulated other comprehensive income/(loss) will be reclassified to the other income/(expense) line of the income statement in the then-current period.

EMC recorded in revenues and expenses, \$22,794 in net gains from cash flow hedges related to items forecasted for the first quarter of 2001. The amount that will be reclassified from accumulated other comprehensive income/(loss) to earnings over the next twelve months is a gain of \$9,867, net of tax.

8. Segment Information

EMC operates in the following segments: information storage products, information storage services and other businesses. The following table presents the revenue components for information storage products.

| | For the Three Months Ended | |
|------------------------------------|-----------------------------------|---------------------------|
| | March 31, 2001 | March 31, 2000 |
| Information storage systems | \$ 1,564,312 | \$ 1,267,164 |
| Information storage software | 467,519 | 269,988 |
| | \$ 2,031,831 | \$ 1,537,152 |

EMC's management makes financial decisions and allocates resources based on revenues and gross profit achieved at the segment level. EMC does not allocate marketing, engineering or administrative expenses to each segment, as management does not use this information to measure the performance of the operating segments. The revenues and gross margins attributable to these segments are included in the following table:

| For the Three Months Ended | Information Storage Products | Information Storage Services | Other Businesses | Consolidated |
|-----------------------------------|---|---|-----------------------------|---------------------|
| March 31, 2001 | | | | |
| Revenues | \$ 2,031,831 | \$ 231,986 | \$ 80,978 | \$ 2,344,795 |
| Gross profit | 1,173,904 | 91,517 | 27,090 | 1,292,511 |
| March 31, 2000 | | | | |
| Revenues | \$ 1,537,152 | \$ 116,405 | \$ 169,041 | \$ 1,822,598 |
| Gross profit | 941,303 | 33,138 | 57,098 | 1,031,539 |

EMC CORPORATION
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(in thousands, except per share amounts)

EMC's revenues are attributed to the geographic areas according to the location of customers. Intercompany transfers between geographic areas are accounted for at prices which are designed to be representative of unaffiliated party transactions. Revenues and identifiable assets by geographic area are included in the following table:

| | For the Three Months Ended | |
|--------------------------------------|-----------------------------------|---------------------------|
| | March 31, 2001 | March 31, 2000 |
| Sales: | | |
| North America (primarily U.S.) | \$ 1,414,707 | \$ 1,151,064 |
| Europe, Middle East, Africa | 596,694 | 494,002 |
| Asia Pacific | 279,226 | 139,011 |
| Latin America | 54,168 | 38,521 |
| Total | \$ 2,344,795 | \$ 1,822,598 |

| | March 31, 2001 | December 31, 2000 |
|--------------------------------------|---------------------------|------------------------------|
| Identifiable assets: | | |
| North America (primarily U.S.) | \$ 7,915,382 | \$ 8,130,018 |
| Europe, Middle East, Africa | 3,613,013 | 3,274,841 |
| Asia Pacific | 492,040 | 352,279 |
| Latin America..... | 111,909 | 116,300 |
| Intercompany eliminations..... | (1,676,815) | (1,335,639) |
| Total | \$ 10,455,529 | \$ 10,537,799 |

9. Subsequent Events

At EMC's Annual Meeting of Stockholders held on May 9, 2001, EMC's stockholders elected John R. Egan, Joseph F. Oliveri and Michael C. Ruettgers to the Board of Directors for a three-year term, approved an amendment to EMC's Restated Articles of Organization to increase the authorized shares of common stock, par value \$.01 per share, to 6 billion shares from 3 billion shares and approved the EMC 2001 Stock Option Plan. 80 million shares of common stock have been reserved for issuance pursuant to the exercise of stock options under the 2001 Stock Option Plan. The full text of the 2001 Stock Option Plan appears in Exhibit 10.1 hereto.

On May 9, 2001, EMC's Board of Directors authorized the purchase of up to 50 million shares of its common stock from time to time. The purchased shares will be available for various corporate purposes, including for use in connection with employee stock option and employee stock purchase plans.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with "Factors That May Affect Future Results" set forth on page 14 and in EMC's other filings with the U.S. Securities and Exchange Commission.

All dollar amounts in this Management's Discussion and Analysis are in millions.

Results of Operations — First Quarter of 2001 compared to First Quarter of 2000

Revenues

Total revenues for the first quarter of 2001 were \$2,344.8, compared to \$1,822.6 for the first quarter of 2000, representing an increase of \$522.2, or 29%.

Information storage systems revenues were \$1,564.3 in the first quarter of 2001, compared to \$1,267.2 in the first quarter of 2000, representing an increase of \$297.1, or 23%. The increase was primarily due to increased sales volume resulting from the continued strong demand for EMC's Symmetrix and CLARiiON series of products and the successful introduction of new products within those existing product lines.

Information storage software revenues were \$467.5 in the first quarter of 2001, compared to \$270.0 in the first quarter of 2000, representing an increase of \$197.5, or 73%. The increase was primarily due to increased licenses of information storage software on both newly shipped and already installed systems and the successful introduction of new and enhanced software products.

Information storage services revenues were \$232.0 in the first quarter of 2001, compared to \$116.4 in the first quarter of 2000, representing an increase of \$115.6, or 99%. The increase was primarily related to increased volume from professional services engagements and increased maintenance revenues on information storage systems and information storage software products.

Total information storage revenues were \$2,263.8 in the first quarter of 2001, compared to \$1,653.6 in the first quarter of 2000, representing an increase of \$610.2, or 37%. While EMC anticipates revenues will continue to grow for the remainder of 2001, as a result of slower economic growth, both in the United States and internationally, EMC believes that its revenue growth rate will be lower than that experienced in the first quarter of 2001.

Other businesses revenues were \$81.0 in the first quarter of 2001, compared to \$169.0 in the first quarter of 2000, representing a decrease of \$88.0, or 52%. Other businesses revenues consist of revenues from AViiON server products and related services. The decrease in other businesses revenues was due to refocusing efforts on more profitable lines of business within the storage segments. EMC anticipates further declines in revenues from AViiON server products and related services throughout 2001.

Revenues on sales into North American markets were \$1,414.7 in the first quarter of 2001, compared to \$1,151.1 in the first quarter of 2000, representing an increase of \$263.6, or 23%. The revenue growth reflects continued strong demand for EMC products and services.

Revenues on sales into Europe, the Middle East and Africa were \$596.7 in the first quarter of 2001, compared to \$494.0 in the first quarter of 2000, representing an increase of \$102.7, or 21%. Revenues on sales into the Asia Pacific markets were \$279.2 in the first quarter of 2001, compared to \$139.0 in the first quarter of 2000, representing an increase of \$140.2, or 101%. Revenues on sales into the Latin America markets were \$54.2 in the first quarter of 2001, compared to \$38.5 in the first quarter of 2000, representing an increase of \$15.7, or 41%.

The increases in international sales were a result of EMC's efforts to expand its sales infrastructure throughout the world to meet increasing demand for information storage. International revenues accounted for 40% of total

revenues during the first quarter of 2001, compared to 37% in the first quarter of 2000. EMC anticipates that international revenues will continue to account for an increasing percentage of its total sales.

Gross Margins

Overall gross margin dollars increased to \$1,292.5 in the first quarter of 2001 from \$1,031.5 in the first quarter of 2000, an increase of \$261.0, or 25%. The increase was attributable to an increase in total revenues.

Overall gross margin percentage decreased to 55.1% in the first quarter of 2001, compared to 56.6% in the first quarter of 2000. Information storage products' gross margin decreased to 57.8% in the first quarter of 2001, compared to 61.2% in the first quarter of 2000. The decrease was primarily attributable to a reduction in sales to Internet-related companies, which generally included large systems with high software content, which positively impacted gross margins in the first quarter of 2000, EMC's continued efforts to reduce customer cost to purchase EMC information storage products, and lower absorption of overhead costs. Partially offsetting these factors was an increase in information storage software revenues, which has a higher gross margin than information storage systems. Information storage software revenues, as a percentage of total revenues, increased to 20% in the first quarter of 2001 from 15% in the first quarter of 2000.

The gross margin for information storage services increased to 39.4% in the first quarter of 2001, compared to 28.5% in the first quarter of 2000. The improvement in the gross margin percentage was attributable to greater productivity of EMC field personnel in EMC's Global Services organization and efforts to refocus business on the most profitable services. The gross margin for other businesses remained relatively constant at 33.5% in the first quarter of 2001, compared to 33.8% in the first quarter of 2000.

Research and Development

Research and development ("R&D") expenses were \$224.0 and \$161.8 in the first quarters of 2001 and 2000, respectively, representing an increase of \$62.2, or 38%. R&D expenses were 9.6% and 8.9% of revenues in the first quarters of 2001 and 2000, respectively. The increase in R&D spending from 2000 to 2001 reflects EMC's ongoing research and development efforts in a variety of areas, including networked information storage products, enhancements to the Symmetrix family of products, new enterprise storage software products and fibre channel connectivity products.

Selling, General and Administrative

Selling, general and administrative ("SG&A") expenses were \$593.0 and \$448.1 in the first quarters of 2001 and 2000, respectively, an increase of \$144.9, or 32%. SG&A expenses were 25.3% and 24.6% of revenues in the first quarters of 2001 and 2000, respectively. The increase in spending included increases in salaries due to additional personnel, travel expenses and marketing costs associated with efforts to expand sales and build an infrastructure to support an increased revenue base.

Investment Income and Interest Expense

Investment income increased to \$71.6 in the first quarter of 2001 from \$40.6 in the first quarter of 2000. Investment income increased in the first quarter of 2001 primarily due to higher cash and investment balances, which were derived from operations and realized gains on investments.

Interest expense decreased to \$3.3 in the first quarter of 2001 from \$6.9 in the first quarter of 2000. The decrease was primarily due to the conversion of EMC's 3¼% convertible subordinated notes due 2002 in March 2000 and EMC's 6% convertible subordinated notes due 2004 in May 2000.

Provision for Income Taxes

The provision for income taxes was \$147.5 and \$122.8 in the first quarters of 2001 and 2000, respectively, which resulted in an effective tax rate of 27.0% for each period.

Financial Condition

Cash and cash equivalents and short and long-term investments were \$4,649.6 and \$4,745.3 at March 31, 2001 and December 31, 2000, respectively, representing a decrease of \$95.7. Included in the first quarter of 2001 was a reduction in cash and cash equivalents and short and long-term investments of \$388.1 resulting from the distribution of EMC's interest in McDATA Corporation.

Cash provided by operating activities in the first quarter of 2001 was \$511.3, compared to \$536.7 in the first quarter of 2000. The reduction was due to a decrease in working capital partially offset by an increase in net income.

Cash used for investing activities was \$425.6 in the first quarter of 2001, compared to \$267.0 in the first quarter of 2000. The increase was principally due to purchases of short and long-term securities and an increase in property, plant and equipment.

Cash used for financing activities was \$95.6 in the first quarter of 2001, compared to cash provided by financing activities of \$64.0 in the first quarter of 2000. The decrease was primarily attributable to the distribution of EMC's interest in McDATA and a decrease in proceeds from stock option exercises.

EMC has available for use a credit line of \$50.0 and may elect to borrow at any time. Based on its current operating and capital expenditure forecasts, EMC believes that the combination of funds currently available, funds generated from operations and its available line of credit will be adequate to finance its ongoing operations throughout 2001.

Factors That May Affect Future Results

This release 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) adverse changes in economic conditions in various geographic markets and fluctuating currency exchange rates; (ii) an unexpected decline in the revenue growth rate without a corresponding decline in costs; (iii) competitive factors, including but not limited to pricing pressures, in the computer storage and server markets; (iv) component quality and availability; (v) rapid technological and market change and the transition to new products; (vi) the relative and varying rates of product price and component cost declines; (vii) the ability to attract and retain highly qualified employees; (viii) the uneven pattern of quarterly sales; (ix) risks associated with strategic investments and acquisitions; (x) EMC's ability to execute on its plans; and (xi) 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.

EMC CORPORATION

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

EMC is a party to certain litigation which it considers routine and incidental to its business. Management does not expect the results of any of these actions to have a material adverse effect on EMC's business, results of operations or financial condition.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

See index to Exhibits on page 16 of this report.

(b) Reports on Form 8-K

On January 12, 2001, the registrant filed a Current Report on Form 8-K, reporting under Item 5 the declaration of a stock dividend of all the shares of Class A common stock of McDATA Corporation, with a record date of January 24, 2001 and a distribution date of February 7, 2001.

On January 25, 2001, the registrant filed a Current Report on Form 8-K, reporting under Item 5 the issuance of an Information Statement describing the proposed distribution to the registrant's stockholders of the shares of Class A common stock of McDATA Corporation held by the registrant.

On February 2, 2001, the registrant filed a Current Report on Form 8-K, reporting under Item 5 the commencement of "when issued" trading in shares of Class A common stock of McDATA Corporation on the Nasdaq National Market on February 5, 2001.

On February 8, 2001, the registrant filed a Current Report on Form 8-K, reporting under Item 5 the distribution of 81,000,000 shares of Class A common stock of McDATA Corporation to the registrant's stockholders of record as of January 24, 2001.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EMC CORPORATION

Date: May 14, 2001

By: /s/ WILLIAM J. TEUBER, JR.
William J. Teuber, Jr.
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT INDEX

- 3.1 Restated Articles of Organization of EMC Corporation. (1)
 - 3.2 Amended and Restated By-laws of EMC Corporation. (1)
 - 4.1 Form of Stock Certificate. (2)
 - 10.1 EMC Corporation 2001 Stock Option Plan. (3)
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- (1) Incorporated by reference to EMC's Annual Report on Form 10-K filed March 17, 2000 (No. 1-9053).
- (2) Incorporated by reference to EMC's Annual Report on Form 10-K filed March 31, 1988 (No. 0-1436).
- (3) Incorporated by reference to Exhibit A of EMC's Proxy Statement filed March 16, 2001, in connection with EMC's 2001 Annual Meeting of Stockholders.