

EMC CORP
Form 10-Q
August 02, 2013
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the quarterly period ended June 30, 2013

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the transition period from _____ to _____

Commission File Number 1-9853

EMC CORPORATION

(Exact name of registrant as specified in its charter)

Massachusetts

(State or other jurisdiction of
incorporation or organization)

04-2680009

(I.R.S. Employer
Identification Number)

176 South Street

Hopkinton, Massachusetts

(Address of principal executive offices)

(508) 435-1000

(Registrant's telephone number, including area code)

01748

(Zip 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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of common stock, par value \$.01 per share, of the registrant outstanding as of June 30, 2013 was 2,080,853,985.

Table of Contents

EMC CORPORATION

| | Page No. |
|--|-----------|
| <u>PART I — FINANCIAL INFORMATION</u> | |
| <u>Item 1. Financial Statements (unaudited)</u> | |
| <u>Consolidated Balance Sheets at June 30, 2013 and December 31, 2012</u> | <u>3</u> |
| <u>Consolidated Income Statements for the Three and Six Months Ended June 30, 2013 and 2012</u> | <u>4</u> |
| <u>Consolidated Statements of Comprehensive Income for the Three and Six Months Ended June 30, 2013 and 2012</u> | <u>5</u> |
| <u>Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2013 and 2012</u> | <u>6</u> |
| <u>Consolidated Statements of Shareholders' Equity for the Six Months Ended June 30, 2013 and 2012</u> | <u>7</u> |
| <u>Notes to Consolidated Financial Statements</u> | <u>8</u> |
| <u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | <u>33</u> |
| <u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u> | <u>47</u> |
| <u>Item 4. Controls and Procedures</u> | <u>47</u> |
| <u>PART II — OTHER INFORMATION</u> | |
| <u>Item 1. Legal Proceedings</u> | <u>48</u> |
| <u>Item 1A. Risk Factors</u> | <u>48</u> |
| <u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u> | <u>57</u> |
| <u>Item 3. Defaults Upon Senior Securities</u> | <u>57</u> |
| <u>Item 4. Mine Safety Disclosures</u> | <u>58</u> |
| <u>Item 5. Other Information</u> | <u>58</u> |
| <u>Item 6. Exhibits</u> | <u>58</u> |
| <u>SIGNATURES</u> | <u>59</u> |
| <u>EXHIBIT INDEX</u> | <u>60</u> |

FACTORS THAT MAY AFFECT FUTURE RESULTS

This Quarterly Report on Form 10-Q contains forward-looking statements, within the meaning of the Federal securities laws, about our business and prospects. The forward-looking statements do not include the potential impact of any mergers, acquisitions, divestitures, securities offerings or business combinations that may be announced or closed after the date hereof. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, the words "believes," "plans," "intends," "expects," "goals" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these words. Our future results may differ materially from our past results and from those projected in the forward-looking statements due to various uncertainties and risks, including those described in Item 1A of Part II (Risk Factors). The forward-looking statements speak only as of the date of this Quarterly Report and undue reliance should not be placed on these statements. We disclaim any obligation to update any forward-looking statements contained herein after the date of this Quarterly Report.

Table of ContentsPART I
FINANCIAL INFORMATIONItem 1. FINANCIAL STATEMENTS
EMC CORPORATION
CONSOLIDATED BALANCE SHEETS
(in millions, except per share amounts)

| | June 30, 2013 (unaudited) | December 31, 2012 |
|--|---------------------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$7,526 | \$ 4,714 |
| Short-term investments | 3,620 | 1,422 |
| Accounts and notes receivable, less allowance for doubtful accounts of \$64 and \$68 | 3,204 | 3,433 |
| Inventories | 1,233 | 1,201 |
| Deferred income taxes | 940 | 942 |
| Other current assets | 651 | 465 |
| Total current assets | 17,174 | 12,177 |
| Long-term investments | 6,430 | 5,260 |
| Property, plant and equipment, net | 3,291 | 3,145 |
| Intangible assets, net | 1,833 | 2,035 |
| Goodwill | 13,994 | 13,840 |
| Other assets, net | 1,676 | 1,612 |
| Total assets | \$44,398 | \$ 38,069 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$1,013 | \$ 1,041 |
| Accrued expenses | 2,671 | 2,522 |
| Income taxes payable | 159 | 514 |
| Convertible debt (See Note 4) | 1,669 | 1,652 |
| Deferred revenue | 4,997 | 4,575 |
| Total current liabilities | 10,509 | 10,304 |
| Income taxes payable | 297 | 293 |
| Deferred revenue | 3,276 | 2,976 |
| Deferred income taxes | 516 | 575 |
| Long-term debt (See Note 4) | 5,493 | — |
| Other liabilities | 349 | 339 |
| Total liabilities | 20,440 | 14,487 |
| Convertible debt (See Note 4) | 26 | 58 |
| Commitments and contingencies (See Note 14) | | |
| Shareholders' equity: | | |
| Preferred stock, par value \$0.01; authorized 25 shares; none outstanding | — | — |
| Common stock, par value \$0.01; authorized 6,000 shares; issued and outstanding 2,080 and 2,107 shares | 21 | 21 |
| Additional paid-in capital | 2,946 | 3,691 |
| Retained earnings | 19,922 | 18,853 |
| Accumulated other comprehensive loss, net | (299 |) (208) |

Edgar Filing: EMC CORP - Form 10-Q

| | | |
|--|----------|-----------|
| Total EMC Corporation's shareholders' equity | 22,590 | 22,357 |
| Non-controlling interests | 1,342 | 1,167 |
| Total shareholders' equity | 23,932 | 23,524 |
| Total liabilities and shareholders' equity | \$44,398 | \$ 38,069 |

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

3

Table of ContentsEMC CORPORATION
CONSOLIDATED INCOME STATEMENTS(in millions, except per share amounts)
(unaudited)

| | For the Three Months Ended | | For the Six Months Ended | |
|--|-------------------------------|------------------|--------------------------|------------------|
| | June 30, 2013 | June 30, 2012 | June 30, 2013 | June 30, 2012 |
| Revenues: | | | | |
| Product sales | \$3,258 | \$3,179 | \$6,369 | \$6,248 |
| Services | 2,356 | 2,132 | 4,632 | 4,158 |
| | 5,614 | 5,311 | 11,001 | 10,406 |
| Costs and expenses: | | | | |
| Cost of product sales | 1,340 | 1,254 | 2,696 | 2,556 |
| Cost of services | 765 | 710 | 1,498 | 1,389 |
| Research and development | 695 | 655 | 1,370 | 1,244 |
| Selling, general and administrative | 1,785 | 1,717 | 3,499 | 3,367 |
| Restructuring and acquisition-related charges | 7 | 28 | 155 | 53 |
| Operating income | 1,022 | 947 | 1,783 | 1,797 |
| Non-operating income (expense): | | | | |
| Investment income | 34 | 26 | 67 | 55 |
| Interest expense | (31 |) (18 |) (51 |) (37 |
| Other expense, net | (59 |) (51 |) (142 |) (95 |
| Total non-operating income (expense) | (56 |) (43 |) (126 |) (77 |
| Income before provision for income taxes | 966 | 904 | 1,657 | 1,720 |
| Income tax provision | 216 | 214 | 292 | 405 |
| Net income | 750 | 690 | 1,365 | 1,315 |
| Less: Net income attributable to the non-controlling interest in VMware, Inc. | (49 |) (40 |) (84 |) (79 |
| Net income attributable to EMC Corporation | \$701 | \$650 | \$1,281 | \$1,236 |
| Net income per weighted average share, basic attributable to EMC Corporation common shareholders | \$0.34 | \$0.31 | \$0.61 | \$0.59 |
| Net income per weighted average share, diluted attributable to EMC Corporation common shareholders | \$0.32 | \$0.29 | \$0.59 | \$0.56 |
| Weighted average shares, basic | 2,092 | 2,096 | 2,097 | 2,082 |
| Weighted average shares, diluted | 2,174 | 2,208 | 2,181 | 2,205 |
| Cash dividends declared per common share | \$0.10 | \$— | \$0.10 | \$— |

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

Table of Contents

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

| | For the Three Months Ended | | For the Six Months Ended | |
|---|----------------------------|---------------|--------------------------|---------------|
| | June 30, 2013 | June 30, 2012 | June 30, 2013 | June 30, 2012 |
| Net income | \$750 | \$690 | \$1,365 | \$1,315 |
| Other comprehensive income (loss), net of taxes (benefits): | | | | |
| Foreign currency translation adjustments | (25) | (23) | (56) | (8) |
| Changes in market value of investments: | | | | |
| Changes in unrealized gains (losses), net of taxes (benefits) of \$(17), \$11, \$(15) and \$27 | (30) | 18 | (29) | 44 |
| Reclassification adjustment for net losses (gains) realized in net income, net of benefits (taxes) of \$(2), \$0, \$(5) and \$(1) | (4) | 1 | (8) | (1) |
| Net change in market value of investments | (34) | 19 | (37) | 43 |
| Changes in market value of derivatives: | | | | |
| Changes in market value of derivatives, net of taxes (benefits) of \$1, \$(21), \$2 and \$(15) | 2 | (33) | 8 | (23) |
| Reclassification adjustment for net losses (gains) included in net income, net of benefits (taxes) of \$0, \$14, \$(1) and \$14 | (3) | 19 | (8) | 19 |
| Net change in the market value of derivatives | (1) | (14) | — | (4) |
| Other comprehensive income (loss) | (60) | (18) | (93) | 31 |
| Comprehensive income | 690 | 672 | 1,272 | 1,346 |
| Less: Net income attributable to the non-controlling interest in VMware, Inc. | (49) | (40) | (84) | (79) |
| Less: Other comprehensive income attributable to the non-controlling interest in VMware, Inc. | 2 | — | 2 | — |
| Comprehensive income attributable to EMC Corporation | \$643 | \$632 | \$1,190 | \$1,267 |

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

Table of Contents

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

| | For the Six Months Ended | |
|---|--------------------------|------------------|
| | June 30, 2013 | June 30, 2012 |
| Cash flows from operating activities: | | |
| Cash received from customers | \$12,007 | \$11,286 |
| Cash paid to suppliers and employees | (8,485) | (8,051) |
| Dividends and interest received | 79 | 14 |
| Interest paid | (18) | (16) |
| Income taxes paid | (642) | (308) |
| Net cash provided by operating activities | 2,941 | 2,925 |
| Cash flows from investing activities: | | |
| Additions to property, plant and equipment | (437) | (332) |
| Capitalized software development costs | (219) | (207) |
| Purchases of short- and long-term available-for-sale securities | (6,456) | (3,590) |
| Sales of short- and long-term available-for-sale securities | 2,394 | 2,455 |
| Maturities of short- and long-term available-for-sale securities | 564 | 583 |
| Business acquisitions, net of cash acquired | (207) | (625) |
| Purchases of strategic and other related investments | (46) | (16) |
| Sales of strategic and other related investments | — | 51 |
| Joint venture funding | (158) | (107) |
| Proceeds from divestiture of businesses | 31 | — |
| Net cash used in investing activities | (4,534) | (1,788) |
| Cash flows from financing activities: | | |
| Proceeds from the issuance of EMC's common stock | 175 | 300 |
| Proceeds from the issuance of VMware's common stock | 115 | 144 |
| EMC repurchase of EMC's common stock | (991) | (260) |
| EMC purchase of VMware's common stock | (160) | (95) |
| VMware repurchase of VMware's common stock | (302) | (178) |
| Excess tax benefits from stock-based compensation | 63 | 155 |
| Payment of long-term and short-term obligations | (21) | (1,714) |
| Proceeds from long-term and short-term obligations | 5,463 | 3 |
| Interest rate contract settlement | — | (24) |
| Third party contribution to Pivotal | 105 | — |
| Net cash provided by (used in) financing activities | 4,447 | (1,669) |
| Effect of exchange rate changes on cash and cash equivalents | (42) | (10) |
| Net increase (decrease) in cash and cash equivalents | 2,812 | (542) |
| Cash and cash equivalents at beginning of period | 4,714 | 4,492 |
| Cash and cash equivalents at end of period | \$7,526 | \$3,950 |
| Reconciliation of net income to net cash provided by operating activities: | | |
| Net income | \$1,365 | \$1,315 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 803 | 743 |
| Non-cash interest expense on debt | 24 | 20 |
| Non-cash restructuring and other special charges | 7 | 7 |

Edgar Filing: EMC CORP - Form 10-Q

| | | | |
|---|---------|---------|---|
| Stock-based compensation expense | 441 | 423 | |
| Provision for (recovery of) doubtful accounts | (3 |) 24 | |
| Deferred income taxes, net | (55 |) (117 |) |
| Excess tax benefits from stock-based compensation | (63 |) (155 |) |
| Other, net | 11 | (37 |) |
| Changes in assets and liabilities, net of acquisitions: | | | |
| Accounts and notes receivable | 243 | (24 |) |
| Inventories | (178 |) (172 |) |
| Other assets | 119 | 28 | |
| Accounts payable | (28 |) (69 |) |
| Accrued expenses | (211 |) (162 |) |
| Income taxes payable | (290 |) 214 | |
| Deferred revenue | 766 | 880 | |
| Other liabilities | (10 |) 7 | |
| Net cash provided by operating activities | \$2,941 | \$2,925 | |

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

Table of ContentsEMC CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in millions)

(unaudited)

For the six months ended June 30, 2013:

| | Common Stock | | Additional | Retained | Accumulated | Non-controlling | Shareholders' |
|---|--------------|-----------|-----------------|----------|--------------------------|-----------------|---------------|
| | Shares | Par Value | Paid-in Capital | Earnings | Other Comprehensive Loss | Interests | Equity |
| Balance, January 1, 2013 | 2,107 | \$21 | \$3,691 | \$18,853 | \$ (208) | \$ 1,167 | \$ 23,524 |
| Stock issued through stock option and stock purchase plans | 11 | — | 175 | — | — | — | 175 |
| Tax benefit from stock options exercised | — | — | 46 | — | — | — | 46 |
| Restricted stock grants, cancellations and withholdings, net | 4 | — | (51) | — | — | — | (51) |
| Repurchase of common stock | (42) | — | (1,000) | — | — | — | (1,000) |
| EMC purchase of VMware stock | — | — | (124) | — | — | (26) | (150) |
| Stock-based compensation | — | — | 445 | — | — | — | 445 |
| Cash dividends declared | — | — | — | (212) | — | — | (212) |
| Impact from equity transactions of non-controlling interests | — | — | (269) | — | — | 119 | (150) |
| Change in market value of investments | — | — | — | — | (35) | (2) | (37) |
| Translation adjustment | — | — | — | — | (56) | — | (56) |
| Convertible debt conversions and warrant settlement | — | — | 1 | — | — | — | 1 |
| Reclassification of convertible debt (to)/from mezzanine (Note 4) | — | — | 32 | — | — | — | 32 |
| Net income | — | — | — | 1,281 | — | 84 | 1,365 |
| Balance, June 30, 2013 | 2,080 | \$21 | \$2,946 | \$19,922 | \$ (299) | \$ 1,342 | \$ 23,932 |

For the six months ended June 30, 2012:

| | Common Stock | | Additional | Retained | Accumulated | Non-controlling | Shareholders' |
|--|--------------|-----------|-----------------|----------|--------------------------|-----------------|---------------|
| | Shares | Par Value | Paid-in Capital | Earnings | Other Comprehensive Loss | Interests | Equity |
| Balance, January 1, 2012 | 2,050 | \$21 | \$3,405 | \$16,121 | \$ (235) | \$ 968 | \$ 20,280 |
| Stock issued through stock option and stock purchase plans | 22 | — | 300 | — | — | — | 300 |
| Tax benefit from stock options exercised | — | — | 184 | — | — | — | 184 |
| | 5 | — | (67) | — | — | — | (67) |

| | | | | | | | |
|---|-------|------|---------|----------|----------|----------|-----------|
| Restricted stock grants, cancellations and withholdings, net | | | | | | | |
| Repurchase of common stock | (10) | — | (260) | — | — | — | (260) |
| EMC purchase of VMware stock | — | — | (83) | — | — | (12) | (95) |
| Stock options issued in business acquisitions | — | — | 1 | — | — | — | 1 |
| Stock-based compensation | — | — | 425 | — | — | — | 425 |
| Impact from equity transactions of VMware, Inc. | — | — | (172) | — | — | 67 | (105) |
| Change in market value of investments | — | — | — | — | 43 | — | 43 |
| Change in market value of derivatives | — | — | — | — | (4) | — | (4) |
| Translation adjustment | — | — | — | — | (8) | — | (8) |
| Convertible debt conversions and warrant settlement | 32 | — | (1) | — | — | — | (1) |
| Reclassification of convertible debt (to)/from mezzanine (Note 4) | — | — | 31 | — | — | — | 31 |
| Net income | — | — | — | 1,236 | — | 79 | 1,315 |
| Balance, June 30, 2012 | 2,099 | \$21 | \$3,763 | \$17,357 | \$(204) | \$ 1,102 | \$ 22,039 |

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

Table of Contents

EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

Company

EMC Corporation ("EMC") and its subsidiaries develop, deliver and support the Information Technology ("IT") industry's broadest range of information infrastructure and virtual infrastructure technologies, solutions and services.

EMC's Information Infrastructure business provides a foundation for organizations to store, manage, protect, analyze and secure their vast and ever-increasing quantities of information, improve business agility, lower cost of ownership and enhance their competitive advantage within traditional data centers, virtual data centers and cloud-based IT infrastructures. EMC's Information Infrastructure business comprises three segments – Information Storage, RSA Information Security and Information Intelligence Group.

EMC's GoPivotal, Inc. ("Pivotal") business was formed in the second quarter of 2013. Pivotal unites strategic technology, people and programs from EMC and VMware, Inc. ("VMware"), including Greenplum, Cloud Foundry, Spring, Cetas, Pivotal Labs, GemFire and other products from the VMware vFabric Suite. Pivotal is building a new platform comprising next-generation data fabrics, application fabrics and a cloud-independent platform as a service ("PaaS").

EMC's VMware Virtual Infrastructure business, which is represented by EMC's majority equity stake in VMware, is the leader in virtualization infrastructure solutions utilized by organizations to help them transform the way they build, deliver and consume IT resources. VMware's virtualization infrastructure solutions, which include a suite of products designed to deliver a software-defined data center, run on industry-standard desktop computers and servers and support a wide range of operating system and application environments, as well as networking and storage infrastructures.

General

The accompanying interim consolidated financial statements are unaudited and have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information. These consolidated financial statements include the accounts of EMC, its wholly owned subsidiaries, as well as Pivotal and VMware, companies majority-owned by EMC. All intercompany transactions have been eliminated. Certain information and footnote disclosures normally included in our annual consolidated financial statements have been condensed or omitted. Accordingly, these interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2012 which are contained in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 27, 2013.

The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for any future period or the entire fiscal year. The interim consolidated financial statements, in the opinion of management, reflect all adjustments necessary to fairly state the results as of and for the three- and six-month periods ended June 30, 2013 and 2012.

Net Income Per Share

Basic net income per weighted average share has been computed using the weighted average number of shares of common stock outstanding during the period. Diluted net income per weighted average share is computed using the weighted average number of common and dilutive common equivalent shares outstanding during the period. Common equivalent shares consist of stock options, restricted stock and restricted stock units, our \$1.725 billion 1.75% convertible senior notes due 2013 ("2013 Notes") and associated warrants. Additionally, for purposes of calculating diluted net income per weighted average share, net income is adjusted for the difference between VMware's reported diluted and basic net income per weighted average share, if any, multiplied by the number of shares of VMware held by EMC.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year's presentation. During the second quarter of 2013, EMC and VMware combined certain operations to form Pivotal, with a cash investment from General Electric Company ("GE"). Pivotal is considered a separate reportable segment. We have recast the segment disclosures for the prior financial reporting periods to separately present the operations of the Pivotal segment. None of the segment reclassifications impact EMC's previously reported consolidated financial statements. See Note 15 for further discussion of the segment reclassifications.

Table of Contents

EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Recent Accounting Pronouncements

In March 2013, the Financial Accounting Standards Board ("FASB") issued guidance that requires a parent company to release any related cumulative translation adjustment into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. This new guidance is effective beginning after December 15, 2013. We do not anticipate that the adoption of this new guidance will have a material impact on our consolidated financial position, results of operations or cash flows.

2. Non-controlling Interests

The non-controlling interests' share of equity in VMware is reflected as non-controlling interests in the accompanying consolidated balance sheets and was \$1,237 million and \$1,167 million as of June 30, 2013 and December 31, 2012, respectively. At June 30, 2013, EMC held approximately 97% of the combined voting power of VMware's outstanding common stock and approximately 80% of the economic interest in VMware.

The effect of changes in our ownership interest in VMware on our equity was as follows (table in millions):

| | For the Six Months Ended | |
|--|--------------------------|------------------|
| | June 30, 2013 | June 30, 2012 |
| Net income attributable to EMC Corporation | \$1,281 | \$1,236 |
| Transfers (to) from the non-controlling interest in VMware, Inc.: | | |
| Increase in EMC Corporation's additional paid-in-capital for VMware's equity issuances | 52 | 78 |
| Decrease in EMC Corporation's additional paid-in-capital for VMware's other equity activity | (321) | (250) |
| Net transfers (to) from non-controlling interest | (269) | (172) |
| Change from net income attributable to EMC Corporation and transfers from the non-controlling interest in VMware, Inc. | \$1,012 | \$1,064 |

The non-controlling interests' share of equity in Pivotal is reflected as a component of the non-controlling interests in the accompanying consolidated balance sheets as \$105 million and \$0 million at June 30, 2013 and December 31, 2012, respectively. At June 30, 2013, EMC consolidated held approximately 84% of the economic interest in Pivotal. GE's interest in Pivotal is in the form of a preferred equity instrument. Consequently, there is no net income attributable to non-controlling interest related to Pivotal on the consolidated income statements. Additionally, due to the terms of the preferred instrument, GE's non-controlling interest on the consolidated balance sheets is generally not impacted by Pivotal's equity related activity. The preferred equity instrument is convertible into common shares at GE's election at any time.

3. Business Combinations, Intangibles and Goodwill

During the three and six months ended June 30, 2013, EMC acquired two companies. We acquired substantially all of the outstanding capital stock of Adaptivity, Inc., a provider of software solutions that automate and accelerate enterprise IT migration to the Cloud which complements and expands our Information Storage segment. We also acquired all of the outstanding capital stock of Sitrof Technologies, a document management consultancy provider which complements and expands our Information Intelligence Group segment. Additionally, during the six months ended June 30, 2013, VMware acquired Virsto Software, a provider of software that optimizes storage performance and utilization in virtual environments.

The aggregate consideration for these three acquisitions was \$207 million, net of cash acquired. The consideration paid was allocated to the fair value of the assets acquired and liabilities assumed based on estimated fair values as of

the respective acquisition dates. The aggregate allocation to goodwill, intangibles and net liabilities was approximately \$172 million, \$43 million and \$8 million, respectively. The intangible assets are being amortized based upon the pattern in which the economic benefits of the intangible assets are being utilized. The results of these acquisitions have been included in the consolidated financial statements from the date of purchase. Pro forma results of operations have not been presented as the results of the acquired companies were not material to our consolidated results of operations for the three and six months ended June 30, 2013 or 2012.

Table of Contents

EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Intangible Assets

Intangible assets, excluding goodwill, as of June 30, 2013 and December 31, 2012 consist of (tables in millions):

| | June 30, 2013 | | |
|---|-----------------------|--------------------------|----------------|
| | Gross Carrying Amount | Accumulated Amortization | Net Book Value |
| Purchased technology | \$2,236 | \$(1,318) |) \$918 |
| Patents | 225 | (94) |) 131 |
| Software licenses | 99 | (90) |) 9 |
| Trademarks and tradenames | 171 | (110) |) 61 |
| Customer relationships and customer lists | 1,359 | (790) |) 569 |
| In-process research and development | 9 | — |) 9 |
| Leasehold interest | 145 | (9) |) 136 |
| Other | 26 | (26) |) — |
| Total intangible assets, excluding goodwill | \$4,270 | \$(2,437) |) \$1,833 |
| | December 31, 2012 | | |
| | Gross Carrying Amount | Accumulated Amortization | Net Book Value |
| Purchased technology | \$2,233 | \$(1,207) |) \$1,026 |
| Patents | 225 | (87) |) 138 |
| Software licenses | 96 | (88) |) 8 |
| Trademarks and tradenames | 173 | (102) |) 71 |
| Customer relationships and customer lists | 1,378 | (724) |) 654 |
| Leasehold interest | 145 | (7) |) 138 |
| Other | 26 | (26) |) — |
| Total intangible assets, excluding goodwill | \$4,276 | \$(2,241) |) \$2,035 |

Goodwill

Changes in the carrying amount of goodwill, net, on a consolidated basis and by segment, for the six months ended June 30, 2013 and the year ended December 31, 2012 consist of (tables in millions):

| | Six Months Ended June 30, 2013 | | | | | |
|---|--------------------------------|--------------------------------|--------------------------|---------|-------------------------------|----------|
| | Information Storage | Information Intelligence Group | RSA Information Security | Pivotal | VMware Virtual Infrastructure | Total |
| Balance, beginning of the period | \$7,442 | \$1,484 | \$2,022 | \$— | \$2,892 | \$13,840 |
| Goodwill resulting from acquisitions | 9 | 1 | — | — | 162 | 172 |
| Finalization of purchase price allocations and other, net | (1) |) — | (1) |) — | (16) |) (18) |
| Goodwill transferred in formation of Pivotal | (112) |) — | — | 140 | (28) |) — |
| Balance, end of the period | \$7,338 | \$1,485 | \$2,021 | \$140 | \$3,010 | \$13,994 |
| | Year Ended December 31, 2012 | | | | | |
| | Information Storage | Information Intelligence Group | RSA Information Security | Pivotal | VMware Virtual Infrastructure | Total |

Edgar Filing: EMC CORP - Form 10-Q

| | | | | | | |
|---|---------|---------|---------|-----|---------|----------|
| Balance, beginning of the year | \$7,034 | \$1,469 | \$1,849 | \$— | \$1,803 | \$12,155 |
| Goodwill resulting from acquisitions | 438 | 15 | 179 | — | 1,092 | 1,724 |
| Finalization of purchase price allocations | (1) | — | (6) | — | (3) | (10) |
| Goodwill de-recognized in divestiture of business | (29) | — | — | — | — | (29) |
| Balance, end of the year | \$7,442 | \$1,484 | \$2,022 | \$— | \$2,892 | \$13,840 |

10

Table of Contents

EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

During the second quarter of 2013, EMC and VMware formed Pivotal, with an investment from GE. As Pivotal is considered a separate reportable segment, the transfer of goodwill from the Information Storage and VMware Virtual Infrastructure segments to the newly formed Pivotal segment is shown in the current period rollforward. The amount of transferred goodwill was determined using the relative fair value method. See Note 15 for further discussion of the segment reclassifications.

4. Debt

Long-Term Debt

In June 2013, we issued \$5.5 billion aggregate principal amount of senior notes (collectively, the "Notes"). The Notes pay a fixed rate of interest semi-annually in arrears with the first interest payment commencing on December 1, 2013. The proceeds from the Notes will be used to satisfy cash payment obligations at the maturity, or upon the conversion, of the outstanding 2013 Notes as well as for general corporate purposes including stock repurchases, working capital needs and other business opportunities. The Notes of each series are senior, unsecured obligations of EMC and are not convertible or exchangeable. Unless previously purchased and canceled, we will repay the Notes of each series at 100% of the principal amount, together with accrued and unpaid interest thereon, at maturity. However, EMC has the right to redeem any or all of the Notes at specified redemption prices. As of June 30, 2013, we were in compliance with all debt covenants, which are customary in nature.

Our long-term debt as of June 30, 2013 was as follows (dollars in millions):

| Senior Notes | Issued at Discount to Par | | Carrying Value |
|-------------------------------------|------------------------------|---|----------------|
| \$2.5 billion 1.875% Notes due 2018 | 99.943 | % | \$2,499 |
| \$2.0 billion 2.650% Notes due 2020 | 99.760 | % | \$1,995 |
| \$1.0 billion 3.375% Notes due 2023 | 99.925 | % | \$999 |
| | | | \$5,493 |

The unamortized discount on the Notes consists of \$7 million, which will be fully amortized by June 1, 2023. The effective interest rate on the Notes was 2.5% for the three and six months ended June 30, 2013.

Convertible Debt

In November 2006, we issued our \$1.725 billion 1.75% convertible senior notes due 2011 (the "2011 Notes") and our 2013 Notes for total gross proceeds of \$3.5 billion. The 2011 Notes and 2013 Notes are senior unsecured obligations and rank equally with all other existing and future senior unsecured debt.

The 2011 Notes matured and a majority of the noteholders exercised their right to convert the outstanding 2011 Notes at the end of 2011. Pursuant to the settlement terms, the majority of the converted 2011 Notes were not settled until January 9, 2012. At that time, we paid the noteholders \$1.7 billion in cash for the outstanding principal and 30 million shares for the \$661 million in excess of the conversion value over the principal amount, as prescribed by the terms of the 2011 Notes.

The holders of the 2013 Notes may convert their 2013 Notes at their option on any day prior to the close of business on the scheduled trading day immediately preceding September 1, 2013 only under the following circumstances:

(1) during the five business-day period after any five consecutive trading-day period (the “measurement period”) in which the price per 2013 Note for each day of that measurement period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate on each such day; (2) during any calendar quarter, if the last reported sale price of our common stock for 20 or more trading days in a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter exceeds 130% of the applicable conversion price in effect on the last trading day of the immediately preceding calendar quarter; or (3) upon the occurrence of certain events specified in the 2013 Notes. Additionally, the 2013 Notes will become convertible during the last three months prior to their maturity.

Upon conversion, we will pay cash up to the principal amount of the debt converted. With respect to any conversion value in excess of the principal amount of the 2013 Notes converted, we have the option to settle the excess with cash, shares of our common stock, or a combination of cash and shares of our common stock based on a daily conversion value, determined in accordance with the indenture, calculated on a proportionate basis for each day of the relevant 20-day observation period. The initial conversion

Table of Contents

EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

rate for the 2013 Notes will be 62.1978 shares of our common stock per one thousand dollars of principal amount of 2013 Notes, which represents a 27.5% conversion premium from the date the 2013 Notes were issued and is equivalent to a conversion price of approximately \$16.08 per share of our common stock. The conversion price is subject to adjustment in some events as set forth in the indenture. In addition, if a “fundamental change” (as defined in the indenture) occurs prior to the maturity date, we will in some cases increase the conversion rate for a holder of 2013 Notes that elects to convert its 2013 Notes in connection with such fundamental change.

At June 30, 2013, the contingent conversion thresholds on the 2013 Notes were exceeded. As a result, the 2013 Notes continue to be convertible at the option of the holder through September 1, 2013, at which time they are fully convertible until maturity. Accordingly, since the terms of the 2013 Notes require the principal to be settled in cash, we reclassified to the mezzanine from shareholders’ equity the portion of the 2013 Notes attributable to the conversion feature which had not yet been accreted to its face value, and the 2013 Notes are classified as a current liability. Approximately \$30 million of the 2013 Notes have been converted as of June 30, 2013.

The carrying amount of the 2013 Notes reported in the consolidated balance sheets as of June 30, 2013 was \$1,669 million and the fair value was \$2,519 million. The carrying amount of the equity component of the 2013 Notes was \$299 million at June 30, 2013. As of June 30, 2013, the unamortized discount on the 2013 Notes consists of \$26 million, which will be fully amortized by December 1, 2013.

The 2013 Notes pay interest in cash at a rate of 1.75% semi-annually in arrears on December 1 and June 1 of each year. The effective interest rate on the 2011 Notes and 2013 Notes was 5.6% for both the three and six months ended June 30, 2013 and 2012.

The following tables represent the key components of our interest expense on convertible debt (tables in millions):

| | For the Three Months Ended | |
|---|----------------------------|------------------|
| | June 30, 2013 | June 30, 2012 |
| Contractual interest expense on the coupon | \$7 | \$7 |
| Amortization of the discount component recognized as interest expense | 16 | 15 |
| Total interest expense on the convertible debt | \$23 | \$22 |
| | For the Six Months Ended | |
| | June 30, 2013 | June 30, 2012 |
| Contractual interest expense on the coupon | \$15 | \$15 |
| Amortization of the discount component recognized as interest expense | 31 | 30 |
| Total interest expense on the convertible debt | \$46 | \$45 |

In connection with the issuance of the 2011 Notes and 2013 Notes, we entered into separate convertible note hedge transactions with respect to our common stock (the “Purchased Options”). The Purchased Options allow us to receive shares of our common stock and/or cash related to the excess conversion value that we would pay to the holders of the 2011 Notes and 2013 Notes upon conversion. The Purchased Options will cover, subject to customary anti-dilution adjustments, approximately 215 million shares of our common stock. We paid an aggregate amount of \$669 million of the proceeds from the sale of the 2011 Notes and 2013 Notes for the Purchased Options that was recorded as additional paid-in-capital in shareholders’ equity. In the fourth quarter of 2011, we exercised 108 million of the Purchased Options in conjunction with the planned settlements of the 2011 Notes, and we received 30 million shares of net settlement on January 9, 2012, representing the excess conversion value of the options. The remaining 108 million of the Purchased Options expire on December 1, 2013.

We also entered into separate transactions in which we sold warrants to acquire, subject to customary anti-dilution adjustments, approximately 215 million shares of our common stock at an exercise price of approximately \$19.55 per share of our common stock. We received aggregate proceeds of \$391 million from the sale of the associated warrants. Upon exercise, the value of the warrants is required to be settled in shares. Half of the associated warrants were exercised between February 15, 2012 and March 14, 2012 and the remaining half of the associated warrants have expiration dates between February 18, 2014 and March 18, 2014. During the first quarter of 2012, the exercised warrants were settled with 32 million shares of our common stock.

Table of Contents

EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The Purchased Options and associated warrants will generally have the effect of increasing the conversion price of the 2013 Notes to approximately \$19.55 per share of our common stock, representing an approximate 55% conversion premium based on the closing price of \$12.61 per share of our common stock on November 13, 2006, which was the issuance date of the 2013 Notes.

Interest Rate Swap Contracts

In 2010, EMC entered into interest rate swap contracts with an aggregate notional amount of approximately \$900 million. These swaps were designated as cash flow hedges of the semi-annual interest payments of the forecasted issuance of ten year debt in 2011 when our 2011 Notes were scheduled to become due. As such, the unrealized loss on these hedges was recognized in other comprehensive loss. In November 2011, we settled the swaps and replaced them with new interest rate swap contracts for the forecasted issuance of debt in 2012. In April 2012, we settled the swaps and replaced them with new interest rate swap contracts for the forecasted issuance of debt in 2012. Each of these new swaps was deemed as an effective hedge as the notional amounts and other terms matched the underlying hedged item. Losses on the interest rate swap contracts at the time of settlement of \$141 million in November 2011 and \$23 million in April 2012 were deferred as they were expected to be realized over the life of the new debt issued under the related interest rate swap contracts and recognized as a component of interest expense in the consolidated income statements.

In June 2012, management changed its forecast date for the issuance of debt from December 31, 2012 to the first quarter of 2014. Consequently, hedge accounting effectively ceased as the terms of the swaps no longer matched the terms of the underlying hedged item resulting in changes in the fair value of the swaps being recorded in the consolidated income statement. The swaps were subsequently re-designated as cash flow hedges and achieved hedge accounting. The change in the forecasted timeframe for the issuance of debt resulted in certain previously-anticipated hedge interest payments no longer being expected to occur within the window covered by the hedge designation. As a result, \$40 million of accumulated realized losses in other comprehensive income related to these previously-anticipated interest payments were reclassified from other comprehensive income and recognized in the 2012 consolidated income statements.

In July 2012, we settled the interest rate swap contracts and did not replace them. Losses on the interest rate swap contracts at the time of settlement of \$46 million were deferred as they are expected to be realized over the life of the new debt issued under the related interest rate swap contracts and recognized as a component of interest expense in the consolidated income statements.

At June 30, 2013, we had \$177 million of accumulated realized losses related to the settled swaps in accumulated other comprehensive income which will be realized during the life of our ten year Notes. These losses will be reclassified from other comprehensive income and recognized on a straight-line basis in the consolidated income statements as interest expense beginning in the third quarter of 2014.

5. Fair Value of Financial Assets and Liabilities

Our fixed income and equity investments are classified as available for sale and recorded at their fair market values. We determine fair value using the following hierarchy:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Most of our fixed income securities are classified as Level 2, with the exception of some of our U.S. government and agency obligations and our investments in publicly traded equity securities, which are classified as Level 1, and all of our auction rate securities, which are classified as Level 3. In addition, our strategic investments held at cost are classified as Level 3. At June 30, 2013, the vast majority of our Level 2 securities were priced by pricing vendors. These pricing vendors utilize the most recent observable market information in pricing these securities or, if specific prices are not available for these securities, use other observable inputs like market transactions involving identical or comparable securities. In the event observable inputs are not available, we assess other factors to determine the security's market value, including broker quotes or model valuations. Each month, we perform independent price verifications of all of our fixed income holdings. In the event a price fails a pre-established tolerance check, it is researched so that we can assess the cause of the variance to determine what we believe is the appropriate fair market value.

Table of Contents

EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

In general, investments with remaining effective maturities of 12 months or less from the balance sheet date are classified as short-term investments. Investments with remaining effective maturities of more than 12 months from the balance sheet date are classified as long-term investments. Our publicly traded equity securities are classified as long-term investments and our strategic investments held at cost are classified as other assets. As a result of the lack of liquidity for auction rate securities, we have classified these as long-term investments as of June 30, 2013 and December 31, 2012. At June 30, 2013 and December 31, 2012, all of our short- and long-term investments, excluding auction rate securities, were recognized at fair value, which was determined based upon observable inputs from our pricing vendors for identical or similar assets. At June 30, 2013 and December 31, 2012, auction rate securities were valued using a discounted cash flow model.

The following tables summarize the composition of our short- and long-term investments at June 30, 2013 and December 31, 2012 (tables in millions):

| | June 30, 2013 | | | Aggregate Fair Value |
|--|-------------------|---------------------|------------------------|-------------------------|
| | Amortized Cost | Unrealized Gains | Unrealized (Losses) | |
| U.S. government and agency obligations | \$4,570 | \$5 | \$(5) | \$4,570 |
| U.S. corporate debt securities | 1,991 | 5 | (7) | 1,989 |
| High yield corporate debt securities | 499 | 15 | (8) | 506 |
| Asset-backed securities | 5 | — | — | 5 |
| Municipal obligations | 957 | 2 | (2) | 957 |
| Auction rate securities | 72 | — | (4) | 68 |
| Foreign debt securities | 1,842 | 5 | (6) | 1,841 |
| Total fixed income securities | 9,936 | 32 | (32) | 9,936 |
| Publicly traded equity securities | 70 | 44 | — | 114 |
| Total | \$10,006 | \$76 | \$(32) | \$10,050 |

We held approximately \$1.8 billion in foreign debt securities at June 30, 2013. These securities have an average credit rating of A+, and approximately 5% of these securities are deemed sovereign debt with an average credit rating of AA+. None of the securities deemed sovereign debt are from Greece, Italy, Ireland, Portugal, Spain or Cyprus.

| | December 31, 2012 | | | Aggregate Fair Value |
|--|-------------------|---------------------|------------------------|-------------------------|
| | Amortized Cost | Unrealized Gains | Unrealized (Losses) | |
| U.S. government and agency obligations | \$2,191 | \$10 | \$(1) | \$2,200 |
| U.S. corporate debt securities | 1,480 | 10 | — | 1,490 |
| High yield corporate debt securities | 486 | 34 | (1) | 519 |
| Asset-backed securities | 2 | — | — | 2 |
| Municipal obligations | 1,032 | 3 | — | 1,035 |
| Auction rate securities | 74 | — | (4) | 70 |
| Foreign debt securities | 1,270 | 9 | — | 1,279 |
| Total fixed income securities | 6,535 | 66 | (6) | 6,595 |
| Publicly traded equity securities | 47 | 41 | (1) | 87 |
| Total | \$6,582 | \$107 | \$(7) | \$6,682 |

Table of Contents

EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The following tables represent our fair value hierarchy for our financial assets and liabilities measured at fair value as of June 30, 2013 and December 31, 2012 (tables in millions):

| | June 30, 2013 | | | Total |
|---|-------------------|---------|---------|----------|
| | Level 1 | Level 2 | Level 3 | |
| Cash | \$1,687 | \$— | \$— | \$1,687 |
| Cash equivalents | 4,633 | 1,206 | — | 5,839 |
| U.S. government and agency obligations | 2,358 | 2,212 | — | 4,570 |
| U.S. corporate debt securities | — | 1,989 | — | 1,989 |
| High yield corporate debt securities | — | 506 | — | 506 |
| Asset-backed securities | — | 5 | — | 5 |
| Municipal obligations | — | 957 | — | 957 |
| Auction rate securities | — | — | 68 | 68 |
| Foreign debt securities | — | 1,841 | — | 1,841 |
| Publicly traded equity securities | 114 | — | — | 114 |
| Total cash and investments | \$8,792 | \$8,716 | \$68 | \$17,576 |
| Other items: | | | | |
| Strategic investments held at cost | \$— | \$— | \$313 | \$313 |
| Investment in joint venture | — | — | 34 | 34 |
| Convertible debt | — | (2,519) | — | (2,519) |
| Long-term debt | — | (5,440) | — | (5,440) |
| Foreign exchange derivative assets | — | 40 | — | 40 |
| Foreign exchange derivative liabilities | — | (32) | — | (32) |
| Commodity derivative liabilities | — | (1) | — | (1) |
| | December 31, 2012 | | | Total |
| | Level 1 | Level 2 | Level 3 | |
| Cash | \$1,454 | \$— | \$— | \$1,454 |
| Cash equivalents | 2,898 | 362 | — | 3,260 |
| U.S. government and agency obligations | 1,327 | 873 | — | 2,200 |
| U.S. corporate debt securities | — | 1,490 | — | 1,490 |
| High yield corporate debt securities | — | 519 | — | 519 |
| Asset-backed securities | — | 2 | — | 2 |
| Municipal obligations | — | 1,035 | — | 1,035 |
| Auction rate securities | — | — | 70 | 70 |
| Foreign debt securities | — | 1,279 | — | 1,279 |
| Publicly traded equity securities | 87 | — | — | 87 |
| Total cash and investments | \$5,766 | \$5,560 | \$70 | \$11,396 |
| Other items: | | | | |
| Strategic investments held at cost | \$— | \$— | \$352 | \$352 |
| Investment in joint venture | — | — | 33 | 33 |
| Convertible debt | — | (2,666) | — | (2,666) |
| Foreign exchange derivative assets | — | 30 | — | 30 |
| Foreign exchange derivative liabilities | — | (35) | — | (35) |
| Commodity derivative liabilities | — | (1) | — | (1) |

Our auction rate securities are predominantly rated investment grade and are primarily collateralized by student loans. The underlying loans of all but two of our auction rate securities, with a market value of \$16 million, have partial

guarantees by the U.S. government as part of the Federal Family Education Loan Program (“FFELP”) through the U.S. Department of Education. FFELP guarantees at least 95% of the loans which collateralize the auction rate securities. We believe the quality of the collateral underlying most of our auction rate securities will enable us to recover our principal balance.

15

Table of Contents

EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

To determine the estimated fair value of our investment in auction rate securities, we used a discounted cash flow model using a five year time horizon. As of June 30, 2013, the coupon rates used ranged from 0% to 4% and the discount rate was 1%, which rate represents the rate at which similar FFELP backed securities with a five year time horizon outside of the auction rate securities market were trading at June 30, 2013. The assumptions used in preparing the discounted cash flow model include an incremental discount rate for the lack of liquidity in the market (“liquidity discount margin”) for an estimated period of time. The discount rate we selected was based on AA-rated banks as the majority of our portfolio is invested in student loans where EMC acts as a financier to these lenders. The liquidity discount margin represents an estimate of the additional return an investor would require for the lack of liquidity of these securities over an estimated five year holding period. The rate used for the discount margin was 1% at June 30, 2013 and December 31, 2012 due to the narrowing of credit spreads on AA-rated banks during 2012 and into 2013. The following table provides a summary of changes in fair value of our Level 3 auction rate securities for the three and six months ended June 30, 2013 and 2012 (table in millions):

| | For the Three Months Ended | | For the Six Months Ended | |
|---|----------------------------|---------------|--------------------------|---------------|
| | June 30, 2013 | June 30, 2012 | June 30, 2013 | June 30, 2012 |
| Balance, beginning of the period | \$68 | \$79 | \$70 | \$75 |
| Calls at par value | — | — | (1 |) — |
| Other-than-temporary impairment loss | — | (2 |) (1 |) (2 |
| (Increase) decrease in previously recognized unrealized losses included in other comprehensive income | — | (3 |) — | 1 |
| Balance, end of the period | \$68 | \$74 | \$68 | \$74 |

Significant changes in the unobservable inputs discussed above could result in a significantly lower or higher fair value measurement. Generally, an increase in the discount rate, liquidity discount margin or coupon rate results in a decrease in our fair value measurement and a decrease in the discount rate, liquidity discount margin or coupon rate results in an increase in our fair value measurement.

In the fourth quarter of 2012, EMC and Lenovo formed a joint venture, LenovoEMC Limited, to provide NAS systems to small- and medium-sized businesses and distributed enterprise sites. EMC has a 49% ownership percentage of the joint venture. We account for our LenovoEMC joint venture using the fair value method of accounting. To determine the estimated fair value of our investment, we use a discounted cash flow model using a three year time horizon. The discount rate used was 6%, which represents the incremental borrowing rate for a market participant. The assumptions used in preparing the discounted cash flow model include an analysis of estimated Lenovo NAS revenue against a prescribed target as well as consideration of the purchase price put and call features included in the joint venture agreement. The put and call features create a floor and a cap on the fair value of the investment. As such, there is a limit to the impact on the fair value that would result from significant changes in the unobservable inputs.

The following table provides a summary of changes in fair value of our LenovoEMC joint venture for the three and six months ended June 30, 2013 (table in millions):

| | June 30, 2013 | |
|--|--------------------|------------------|
| | Three Months Ended | Six Months Ended |
| Balance, beginning of the period | \$33 | \$33 |
| Realized gain included in other income (expense) | 1 | 1 |
| Balance, end of period | \$34 | \$34 |

The carrying value of the strategic investments held at cost were accounted for under the cost method. As part of our impairment review, we perform a fair value calculation of our strategic investments held at cost on a quarterly basis using the most currently available information. To determine the estimated fair value of private strategic investments held at cost, we use a combination of several valuation techniques including discounted cash flow models, acquisition comparables and trading comparables. In addition, we evaluate the impact of pre- and post-money valuations of recent financing events and the impact of those on our fully diluted ownership percentages, and we consider any available information regarding the issuer's historical and forecasted performance as well as market comparables and conditions. The fair value of these investments is considered in our review for impairment if any events and changes in circumstances occur that might have a significant adverse effect on their value.

Table of Contents

EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Investment Losses

Unrealized losses on investments at June 30, 2013 by investment category and length of time the investment has been in a continuous unrealized loss position are as follows (table in millions):

| | Less Than 12 Months | | 12 Months or Greater | | Total | |
|--|---------------------|-------------------------|----------------------|-------------------------|------------|-------------------------|
| | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses |
| U.S. government and agency obligations | \$2,181 | \$(5) | \$8 | \$— | \$2,189 | \$(5) |
| U.S. corporate debt securities | 1,100 | (7) | — | — | 1,100 | (7) |
| High yield corporate debt securities | 200 | (8) | — | — | 200 | (8) |
| Asset-backed securities | 4 | — | — | — | 4 | — |
| Municipal obligations | 342 | (2) | 10 | — | 352 | (2) |
| Auction rate securities | — | — | 68 | (4) | 68 | (4) |
| Foreign debt securities | 879 | (6) | — | — | 879 | (6) |
| Total | \$4,706 | \$(28) | \$86 | \$(4) | \$4,792 | \$(32) |

For all of our securities for which the amortized cost basis was greater than the fair value at June 30, 2013, we have concluded that currently we neither plan to sell the security nor is it more likely than not that we would be required to sell the security before its anticipated recovery. In making the determination as to whether the unrealized loss is other-than-temporary, we considered the length of time and extent the investment has been in an unrealized loss position, the financial condition and near-term prospects of the issuers, the issuers' credit rating, third party guarantees and the time to maturity.

Contractual Maturities

The contractual maturities of fixed income securities held at June 30, 2013 are as follows (table in millions):

| | June 30, 2013 | |
|------------------------------------|----------------------|----------------------|
| | Amortized Cost Basis | Aggregate Fair Value |
| Due within one year | \$3,617 | \$3,620 |
| Due after 1 year through 5 years | 5,341 | 5,339 |
| Due after 5 years through 10 years | 490 | 494 |
| Due after 10 years | 488 | 483 |
| Total | \$9,936 | \$9,936 |

6. Inventories

Inventories consist of (table in millions):

| | June 30, 2013 | December 31, 2012 |
|-----------------|---------------|-------------------|
| Work-in-process | \$757 | \$606 |
| Finished goods | 476 | 595 |
| | \$1,233 | \$1,201 |

7. Accounts and Notes Receivable and Allowance for Credit Losses

Accounts and notes receivable are recorded at cost. The portion of our notes receivable due in one year or less are included in accounts and notes receivable and the long-term portion is included in other assets, net on the consolidated balance sheets. Lease receivables arise from sales-type leases of products. We typically sell, without recourse, the contractual right to the lease payment stream and assets under lease to third parties. For certain customers, we retain

the lease.

17

Table of Contents

EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The contractual amounts due under the leases we retained as of June 30, 2013 were as follows (table in millions):

| Year | Contractual Amounts Due Under Leases |
|---|---|
| Due within one year | \$103 |
| Due within two years | 69 |
| Due within three years | 58 |
| Thereafter | 1 |
| Total | 231 |
| Less amounts representing interest | (5) |
| Present value | 226 |
| Current portion (included in accounts and notes receivable) | 100 |
| Long-term portion (included in other assets, net) | \$126 |

Subsequent to June 30, 2013, we sold \$5 million of these notes to third parties without recourse.

We maintain an allowance for credit losses on our accounts and notes receivable. The allowance is based on the credit worthiness of our customers, including an assessment of the customer's financial position, operating performance and their ability to meet their contractual obligation. We assess the credit scores for our customers each quarter. In addition, we consider our historical experience, the age of the receivable and current market and economic conditions. Uncollectible amounts are charged against the allowance account.

In the event we determine that a lease may not be paid, we include in our allowance an amount for the outstanding balance related to the lease receivable. As of June 30, 2013, amounts from lease receivables past due for more than 90 days were not significant.

The following table presents the activity of our allowance for credit losses related to lease receivables for the six months ended June 30, 2013 and 2012 (table in millions):

| | For the Six Months Ended | |
|----------------------------------|--------------------------|------------------|
| | June 30, 2013 | June 30, 2012 |
| Balance, beginning of the period | \$17 | \$24 |
| Recoveries | (9) | (13) |
| Provisions | 3 | 6 |
| Balance, end of the period | \$11 | \$17 |

Gross lease receivables totaled \$231 million and \$329 million as of June 30, 2013 and December 31, 2012, respectively, before the allowance. The components of these balances were individually evaluated for impairment.

8. Property, Plant and Equipment

Property, plant and equipment consist of (table in millions):

| | June 30, 2013 | December 31, 2012 |
|-----------------------------------|------------------|----------------------|
| Furniture and fixtures | \$209 | \$197 |
| Equipment and software | 5,636 | 5,345 |
| Buildings and improvements | 1,955 | 1,873 |
| Land | 121 | 121 |
| Building construction in progress | 250 | 197 |
| | 8,171 | 7,733 |
| Accumulated depreciation | (4,880) | (4,588) |
| | \$3,291 | \$3,145 |

Table of Contents

EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Building construction in progress at June 30, 2013 includes \$74 million for facilities not yet placed in service that we are holding for future use.

9. Joint Ventures

We make investments in joint ventures. For each joint venture investment, we consider the facts and circumstances in order to determine whether it qualifies for cost accounting, equity accounting, fair value method accounting or whether it should be consolidated.

In 2009, Cisco and EMC formed VCE Company LLC (“VCE”), with investments from VMware and Intel. VCE, through Vblock infrastructure platforms, delivers an integrated IT offering that combines network, computing, storage, management, security and virtualization technologies for converged infrastructures and cloud based computing models. As of June 30, 2013, we have contributed \$854 million in funding and \$15 million in stock-based compensation to VCE since inception and own approximately 58% of VCE’s outstanding equity.

We consider VCE a variable interest entity. Authoritative guidance related to variable interest entities states that the primary beneficiary of a variable interest entity must have both of the following characteristics: (a) the power to direct the activities of a variable interest entity that most significantly will impact the entity’s economic performance; and (b) the obligation to absorb losses that could be potentially significant to the variable interest entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity. Since the power to direct the activities of VCE which most significantly impact its economic performance are determined by its board of directors, which is comprised of equal representation of EMC and Cisco, and all significant decisions require the approval of the minority shareholders, we have determined we are not the primary beneficiary, and as such we account for the investment under the equity method.

Our portion of VCE’s gains and losses is recognized in other expense, net, in the consolidated income statements. Our consolidated share of VCE’s losses, based upon our portion of the overall funding, was approximately 63% for the three and six months ended June 30, 2013 and 2012. As of June 30, 2013, we have recorded net accumulated losses from VCE of \$638 million since inception, of which \$71 million and \$140 million were recorded in the three and six months ending June 30, 2013, respectively, and \$60 million and \$115 million were recorded in the three and six months ended June 30, 2012, respectively.

We recognized \$102 million and \$176 million in revenue from sales of product and services to VCE during the three and six months ended June 30, 2013, respectively, and \$75 million and \$146 million for the three and six months ended June 30, 2012, respectively. We perform certain administrative services, pursuant to an administrative services agreement, on behalf of VCE and we pay certain operating expenses on behalf of VCE. Accordingly, we had a receivable from VCE related to the administrative services agreement of \$39 million and \$44 million as of June 30, 2013 and December 31, 2012, respectively, included in other current assets in the consolidated balance sheets.

Table of Contents

EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

10. Accrued Expenses

Accrued expenses consist of (table in millions):

| | June 30, 2013 | December 31, 2012 |
|--------------------------------------|------------------|----------------------|
| Salaries and benefits | \$932 | \$1,018 |
| Product warranties | 291 | 278 |
| Dividends payable (see Note 12) | 212 | — |
| Partner rebates | 179 | 187 |
| Restructuring, current (See Note 13) | 88 | 76 |
| Derivatives | 32 | 40 |
| Other | 937 | 923 |
| | \$2,671 | \$2,522 |

Product Warranties

Systems sales include a standard product warranty. At the time of the sale, we accrue for systems' warranty costs. The initial systems' warranty accrual is based upon our historical experience, expected future costs and specific identification of systems' requirements. Upon sale or expiration of the initial warranty, we may sell additional maintenance contracts to our customers. Revenue from these additional maintenance contracts is included in deferred revenue and recognized ratably over the service period. The following represents the activity in our warranty accrual for the three and six months ended June 30, 2013 and 2012 (table in millions):

| | For the Three Months Ended | | For the Six Months Ended | |
|----------------------------------|-------------------------------|------------------|-----------------------------|------------------|
| | June 30, 2013 | June 30, 2012 | June 30, 2013 | June 30, 2012 |
| Balance, beginning of the period | \$283 | \$263 | \$278 | \$255 |
| Provision | 51 | 40 | 96 | 88 |
| Amounts charged to the accrual | (43 |) (41 |) (83 |) (81 |
| Balance, end of the period | \$291 | \$262 | \$291 | \$262 |

The provision includes amounts accrued for systems at the time of shipment, adjustments for changes in estimated costs for warranties on systems shipped in the period and changes in estimated costs for warranties on systems shipped in prior periods. It is not practicable to determine the amounts applicable to each of the components.

11. Income Taxes

Our effective income tax rates were 22.4% and 17.7% for the three and six months ended June 30, 2013, respectively. Our effective income tax rates were 23.7% and 23.5% for the three and six months ended June 30, 2012, respectively. Our effective income tax rate is based upon estimated income before provision for income taxes for the year, composition of the income in different countries, and adjustments, if any, in the applicable periods for potential tax consequences, benefits and/or resolutions of tax audits or other tax contingencies. For the three and six months ended June 30, 2013, the effective income tax rate varied from the statutory income tax rate principally as a result of the mix of income attributable to foreign versus domestic jurisdictions, state taxes and federal tax credit for increasing research activities. Our aggregate income tax rate in foreign jurisdictions is lower than our income tax rate in the United States; substantially all of our income before provision for income taxes from foreign operations has been earned by our Irish subsidiaries. We do not believe that any recent or currently expected developments in non-U.S. tax jurisdictions are reasonably likely to have a material impact on our effective income rate. On January 2, 2013, the American Taxpayer Relief Act of 2012 was signed into law. Some of the provisions were retroactive to January 1, 2012 including an extension of the U.S. federal tax credit for increasing research activities through December 31, 2013. Because the extension was enacted after December 31, 2012, our income tax provision for the six months ended

June 30, 2013 included the estimated federal tax credit for increasing research activities for the full year 2012 as well as the six months ended June 30, 2013, which reduced our effective tax rate for the six month period. For the three and six months ended June 30, 2012, the effective income tax rate varied from the statutory income tax rate principally as a result of the mix of income attributable to foreign versus domestic jurisdictions.

Table of Contents

EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Our effective income tax rate decreased in the three and six months ended June 30, 2013 from the three and six months ended June 30, 2012 primarily due to the retroactive renewal of the U.S. federal tax credit for increasing research activities on January 2, 2013 as discussed above. The U.S. federal tax credit for increasing research activities reduced our effective income tax rate by approximately 1.0% and 5.1% for the three and six months ended June 30, 2013, respectively. There were also differences in the mix of income attributable to foreign versus domestic jurisdictions, state taxes, change in tax contingency reserves and discrete items, the net impact of which is immaterial. We are routinely under audit by the Internal Revenue Service (the "IRS"). We have concluded all U.S. federal income tax matters for years through 2008. The IRS commenced a federal income tax audit for the tax years 2009 and 2010 in the third quarter of 2012. The current federal income tax audit is in the early stage for information gathering and it is not expected to be completed until 2015. We also have income tax audits in process in numerous state, local and international jurisdictions. In our international jurisdictions that comprise a significant portion of our operations, the years that may be examined vary, with the earliest year being 2003. Based on the timing and outcome of examinations of EMC, the result of the expiration of statutes of limitations for specific jurisdictions or the timing and result of ruling requests from taxing authorities, it is reasonably possible that the related unrecognized tax benefits could change from those recorded in our statement of financial position. We anticipate that several of these audits may be finalized within the next 12 months. While we expect the amount of unrecognized tax benefits to change in the next twelve months, we do not expect the change to have a significant impact on our results of operations or financial position.

12. Shareholders' Equity

The reconciliation from basic to diluted earnings per share for both the numerators and denominators is as follows (table in millions):

| | For the Three Months Ended | | For the Six Months Ended | |
|--|-------------------------------|------------------|-----------------------------|------------------|
| | June 30, 2013 | June 30, 2012 | June 30, 2013 | June 30, 2012 |
| Numerator: | | | | |
| Net income attributable to EMC Corporation | \$701 | \$650 | \$1,281 | \$1,236 |
| Incremental dilution from VMware | (2 |) (3 |) (3 |) (5 |
| Net income – dilution attributable to EMC Corporation | \$699 | \$647 | \$1,278 | \$1,231 |
| Denominator: | | | | |
| Weighted average shares, basic | 2,092 | 2,096 | 2,097 | 2,082 |
| Weighted common stock equivalents | 29 | 42 | 30 | 44 |
| Assumed conversion of the 2013 Notes and associated warrants | 53 | 70 | 54 | 79 |
| Weighted average shares, diluted | 2,174 | 2,208 | 2,181 | 2,205 |

Due to the cash settlement feature of the principal amount of the 2013 Notes, we only include the impact of the premium feature in our diluted earnings per share calculation when the 2013 Notes are convertible due to maturity or when the average stock price exceeds the conversion price of the 2013 Notes.

Concurrent with the issuance of the 2011 Notes and 2013 Notes, we also entered into separate transactions in which we sold warrants to acquire, subject to customary anti-dilution adjustments, approximately 215 million shares of our common stock at an exercise price of approximately \$19.55 per share of our common stock. Half of the associated warrants were exercised during the six months ended June 30, 2013. We include the impact of the remaining outstanding sold warrants in our diluted earnings per share calculation when the average stock price exceeds the exercise price.

Restricted stock awards, restricted stock units and options to acquire shares of our common stock in the amount of 4 million for both the three and six months ended June 30, 2013 and 3 million and 4 million for the three and six months ended June 30, 2012, respectively, were excluded from the calculation of diluted earnings per share because

they were antidilutive. The incremental dilution from VMware represents the impact of VMware's dilutive securities on EMC's consolidated diluted net income per share and is calculated by multiplying the difference between VMware's basic and diluted earnings per share by the number of VMware shares owned by EMC.

Table of Contents

EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Repurchase of Common Stock

We utilize both authorized and unissued shares (including repurchased shares) for all issuances under our equity plans. Our Board of Directors authorized the repurchase of 250 million shares of our common stock in April 2008 and an additional 250 million shares of our common stock in February 2013. For the six months ended June 30, 2013, we spent \$1.0 billion to repurchase 42 million shares of our common stock. Of the 500 million shares authorized for repurchase, we have repurchased 264 million shares at a total cost of \$5.4 billion, leaving a remaining balance of 236 million shares authorized for future repurchases. We plan to spend up to \$3.5 billion by the end of the second quarter of 2014 and up to \$6.0 billion by the end of 2015 on common stock repurchases.

Cash Dividend on Common Stock

On May 30, 2013, our Board of Directors declared a cash dividend of \$0.10 per share of common stock. On July 23, 2013, EMC paid a cash dividend of \$208 million to shareholders of record as of the close of business on July 1, 2013.

Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss), which is presented net of tax, consist of the following (table in millions):

| | Foreign Currency Translation Adjustments | Unrealized Net Gains on Investments | Unrealized Net Losses on Derivatives | Recognition of Actuarial Net Loss from Pension and Other Postretirement Plans | Accumulated Other Comprehensive Income Attributable to the Non-controlling Interest in VMware, Inc. | Total |
|---|---|--|---|---|---|-----------|
| Balance as of December 31, 2012 ^(a) | \$ (9) | \$ 64 | \$ (109) | \$ (153) | \$ (1) | \$ (208) |
| Other comprehensive income (loss) before reclassifications | (56) | (29) | 8 | — | 2 | (75) |
| Net losses (gains) reclassified from accumulated other comprehensive income | — | (8) | (8) | — | — | (16) |
| Net current period other comprehensive income (loss) | (56) | (37) | — | — | 2 | (91) |
| Balance at June 30, 2013 ^(b) | \$ (65) | \$ 27 | \$ (109) | \$ (153) | \$ 1 | \$ (299) |

(a) Net of taxes (benefits) of \$37 million for unrealized net gains on investments, \$(67) million for unrealized net losses on derivatives and \$(87) million for actuarial net loss on pension plans.

(b) Net of taxes (benefits) of \$17 million for unrealized net gains on investments, \$(66) million for unrealized net losses on derivatives and \$(87) million for actuarial net loss on pension plans.

Table of Contents

EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The amounts reclassified out of accumulated other comprehensive income (loss) for the three and six months ended June 30, 2013 are as follows (tables in millions):

| Accumulated Other Comprehensive Income Components | Amount Reclassified from Accumulated Other Comprehensive Income | Impacted Line Item on Consolidated Income Statements |
|---|---|--|
| For the three months ended June 30, 2013: | | |
| Net gain on investments: | \$6 | Investment income |
| | (2 |) Provision for income tax |
| Net of tax | \$4 | |
| Net gain on derivatives: | | |
| Foreign exchange contracts | \$6 | Product sales revenue |
| Foreign exchange contracts | (3 |) Cost of product sales |
| Total net gain on derivatives before tax | 3 | |
| | — | Provision for income tax |
| Net of tax | \$3 | |
| Accumulated Other Comprehensive Income Components | Amount Reclassified from Accumulated Other Comprehensive Income | Impacted Line Item on Consolidated Income Statements |
| For the six months ended June 30, 2013: | | |
| Net gain on investments: | \$13 | Investment income |
| | (5 |) Provision for income tax |
| Net of tax | \$8 | |
| Net gain on derivatives: | | |
| Foreign exchange contracts | \$16 | Product sales revenue |
| Foreign exchange contracts | (6 |) Cost of product sales |
| Total net gain on derivatives before tax | 10 | |
| | (2 |) Provision for income tax |
| Net of tax | \$8 | |

13. Restructuring and Acquisition-Related Charges

For the three and six months ended June 30, 2013, we incurred restructuring and acquisition-related charges of \$7 million and \$155 million, respectively. For the three and six months ended June 30, 2012, we incurred restructuring and acquisition-related charges of \$28 million and \$53 million, respectively. For the three and six months ended June 30, 2013, EMC incurred \$4 million and \$85 million, respectively, of restructuring charges, primarily related to our current year restructuring programs and \$0 million and \$3 million, respectively, of charges in connection with acquisitions for financial advisory, legal and accounting services. For the three and six months ended June 30, 2013, VMware incurred \$2 million and \$56 million, respectively, of restructuring charges related to workforce reductions as part of its current year restructuring program, \$1 million and \$10 million, respectively, of impairment charges related to its business realignment and \$0 million and \$1 million, respectively, of charges in connection with acquisitions for financial advisory, legal and accounting services. For the three and six months ended June 30, 2012, we incurred \$24 million and \$48 million, respectively, of restructuring charges, primarily related to our 2012 restructuring programs

and \$4 million and \$5 million, respectively, of costs in connection with acquisitions for financial advisory, legal and accounting services.

In the first quarter of 2013, EMC implemented a restructuring program to create further operational efficiencies which will result in a workforce reduction of approximately 1,000 positions. The actions will impact positions around the globe covering our Information Storage, RSA Information Security and Information Intelligence Group segments. The first quarter restructuring program is expected to result in a total charge of approximately \$80 million, with total cash payments associated with the plan expected to be approximately \$73 million. All of these actions are expected to be completed within a year of the start of each program.

Table of Contents

EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

In the first quarter of 2013, VMware approved a business realignment plan to streamline its operations. The plan includes the elimination of approximately 750 positions across all major functional groups and geographies, and is expected to result in a charge in the range of \$55 million to \$60 million, of which \$2 million and \$56 million was recognized during the three and six months ended June 30, 2013, respectively. Additionally, VMware exited and is planning to exit certain lines of business and consolidated and is planning to consolidate facilities, which is expected to result in a total charge, including asset impairments recorded in the prior quarters, in the range of \$20 million to \$25 million, of which \$1 million and \$10 million was recognized during the three and six months ended June 30, 2013, respectively. All of these actions are expected to be completed by the end of 2013. The total cash expenditures associated with the plan are expected to be in the range of \$50 million to \$60 million. The associated cash payments are expected to be paid out primarily through the end of 2013.

During 2012, we implemented separate restructuring programs to create further operational efficiencies which resulted in a workforce reduction of 1,163 positions, of which 298 and 279 positions were identified in the first and second quarters of 2012, respectively. The actions impacted positions around the globe covering our Information Storage, RSA Information Security and Information Intelligence Group segments. All of these actions are expected to be completed by the end of 2013.

For the three and six months ended June 30, 2013, we recognized \$5 million and \$12 million, respectively, of lease termination costs for facilities vacated in the period in accordance with our plan as part of all of our restructuring programs and for costs associated with terminating other contractual obligations. For the three and six months ended June 30, 2012, we recognized \$4 million and \$8 million, respectively, of lease termination costs for facilities vacated in the period in accordance with our plan as part of all of our restructuring programs. These costs are expected to be utilized by the end of 2015.

The activity for the restructuring programs is presented below (tables in millions):

Three Months Ended June 30, 2013:

2013 EMC Programs

| Category | Balance as of March 31, 2013 | 2013 Charges | Utilization | Balance as of June 30, 2013 |
|--|------------------------------------|-----------------|-------------|--------------------------------|
| Workforce reductions | \$66 | \$2 | \$(23) | \$45 |
| Consolidation of excess facilities and other contractual obligations | — | 3 | (1) | 2 |
| Total | \$66 | \$5 | \$(24) | \$47 |

2013 VMware Programs

| Category | Balance as of March 31, 2013 | 2013 Charges | Utilization | Balance as of June 30, 2013 |
|--|------------------------------------|-----------------|-------------|--------------------------------|
| Workforce reductions | \$26 | \$2 | \$(26) | \$2 |
| Consolidation of excess facilities and other contractual obligations | — | — | — | — |
| Total | \$26 | \$2 | \$(26) | \$2 |

Other EMC Programs

| Category | Balance as of March 31, 2013 | Adjustments to the Provision | Utilization | Balance as of June 30, 2013 |
|----------|------------------------------------|------------------------------------|-------------|--------------------------------|
|----------|------------------------------------|------------------------------------|-------------|--------------------------------|

Edgar Filing: EMC CORP - Form 10-Q

| | | | | | | |
|--|------|-------|---|--------|---|------|
| Workforce reductions | \$46 | \$ (3 |) | \$ (14 |) | \$29 |
| Consolidation of excess facilities and other contractual obligations | 30 | 2 | | (5 |) | 27 |
| Total | \$76 | \$ (1 |) | \$ (19 |) | \$56 |

24

Table of Contents

EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Six Months Ended June 30, 2013:

2013 EMC Programs

| Category | Balance as of December 31, 2012 | 2013 Charges | Utilization | Balance as of June 30, 2013 |
|--|---------------------------------------|-----------------|-------------|--------------------------------|
| Workforce reductions | \$— | \$81 | \$(36) | \$45 |
| Consolidation of excess facilities and other contractual obligations | — | 3 | (1) | 2 |
| Total | \$— | \$84 | \$(37) | \$47 |

2013 VMware Programs

| Category | Balance as of December 31, 2012 | 2013 Charges | Utilization | Balance as of June 30, 2013 |
|--|---------------------------------------|-----------------|-------------|--------------------------------|
| Workforce reductions | \$— | \$56 | \$(54) | \$2 |
| Consolidation of excess facilities and other contractual obligations | — | — | — | — |
| Total | \$— | \$56 | \$(54) | \$2 |

Other EMC Programs

| Category | Balance as of December 31, 2012 | Adjustments to the Provision | Utilization | Balance as of June 30, 2013 |
|--|---------------------------------------|------------------------------------|-------------|--------------------------------|
| Workforce reductions | \$63 | \$(8) | \$(26) | \$29 |
| Consolidation of excess facilities and other contractual obligations | 28 | 9 | (10) | 27 |
| Total | \$91 | \$1 | \$(36) | \$56 |

Three Months Ended June 30, 2012:

2012 EMC Programs

| Category | Balance as of March 31, 2012 | 2012 Charges | Utilization | Balance as of June 30, 2012 |
|--|------------------------------------|-----------------|-------------|--------------------------------|
| Workforce reductions | \$20 | \$23 | \$(9) | \$34 |
| Consolidation of excess facilities and other contractual obligations | 1 | 4 | (2) | 3 |
| Total | \$21 | \$27 | \$(11) | \$37 |

Other EMC Programs

| Category | Balance as of March 31, 2012 | Adjustments to the Provision | Utilization | Balance as of June 30, 2012 |
|--|------------------------------------|------------------------------------|-------------|--------------------------------|
| Workforce reductions | \$31 | \$(3) | \$(8) | \$20 |
| Consolidation of excess facilities and other contractual obligations | 28 | — | (2) | 26 |
| Total | \$59 | \$(3) | \$(10) | \$46 |

Table of Contents

EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Six Months Ended June 30, 2012:

2012 EMC Programs

| Category | Balance as of December 31, 2011 | 2012 Charges | Utilization | Balance as of June 30, 2012 |
|--|---------------------------------------|-----------------|-------------|--------------------------------|
| Workforce reductions | \$— | \$46 | \$(12) | \$34 |
| Consolidation of excess facilities and other contractual obligations | — | 5 | (2) | 3 |
| Total | \$— | \$51 | \$(14) | \$37 |

Other EMC Programs

| Category | Balance as of December 31, 2011 | Adjustments to the Provision | Utilization | Balance as of June 30, 2012 |
|--|---------------------------------------|------------------------------------|-------------|--------------------------------|
| Workforce reductions | \$50 | \$(6) | \$(24) | \$20 |
| Consolidation of excess facilities and other contractual obligations | 30 | 3 | (7) | 26 |
| Total | \$80 | \$(3) | \$(31) | \$46 |

In the three months ended June 30, 2013, VMware recorded a pre-tax gain of \$32 million for the disposition of certain lines of business under its business realignment plan, which were no longer in line with VMware's core business priorities. The gain was recorded to other expense, net on the consolidated statements of income for the three and six months ended June 30, 2013.

As of June 30, 2013, VMware had \$19 million in assets held for sale, primarily related to intangible assets for a business it exited in the third quarter of 2013. Additionally, \$21 million in unearned revenues was reclassified to liabilities held for sale. Assets held for sale are reported in other current assets, while liabilities held for sale are reported in accrued expenses on the consolidated balance sheet as of June 30, 2013.

14. Commitments and Contingencies

Litigation

We are involved in a variety of claims, demands, suits, investigations and proceedings that arise from time to time relating to matters incidental to the ordinary course of our business, including actions with respect to contracts, intellectual property, product liability, employment, benefits and securities matters. As required by authoritative guidance, we have estimated the amount of probable losses that may result from all currently pending matters, and such amounts are reflected in our consolidated financial statements. These recorded amounts are not material to our consolidated financial position or results of operations and no additional material losses related to these pending matters are reasonably possible. While it is not possible to predict the outcome of these matters with certainty, we do not expect the results of any of these actions to have a material adverse effect on our business, results of operations or financial condition. Because litigation is inherently unpredictable, however, the actual amounts of loss may prove to be larger or smaller than the amounts reflected in our consolidated financial statements, and we could incur judgments or enter into settlements of claims that could adversely affect our operating results or cash flows in a particular period.

15. Segment Information

In the quarter ended June 30, 2013, we began managing the Company as three federated businesses: EMC Information Infrastructure, Pivotal and VMware Virtual Infrastructure. EMC Information Infrastructure operates in three segments: Information Storage, Information Intelligence Group and RSA Information Security while Pivotal and VMware Virtual Infrastructure each operate as single segments.

On April 1, 2013, EMC and VMware formed Pivotal to build a new platform comprising next-generation data fabrics, application fabrics and a cloud-independent PaaS. EMC contributed substantially all assets and liabilities, including intellectual property and employees, related to its Greenplum and Pivotal Labs businesses. VMware contributed substantially all assets and liabilities, including intellectual property and employees, related to certain of its Cloud Application Platform products and services, including Cloud Foundry, Spring, Cetas, GemFire and other products from the VMware vFabric Suite. These contributions were recorded at the April 1, 2013 carrying value as this was a transaction with entities under common control.

Table of Contents

EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

On May 8, 2013, General Electric Company ("GE") purchased 10% of Pivotal's outstanding equity for approximately \$105 million. At June 30, 2013, EMC consolidated held approximately 84% of the economic interest in Pivotal. GE's interest in Pivotal is in the form of a preferred equity instrument. Consequently, there is no net income attributable to non-controlling interest related to Pivotal on the consolidated income statements.

Beginning in the second quarter of 2013, EMC began presenting Pivotal as a separate reportable segment. We recast the segment disclosures for the prior financial reporting periods to separately present the operations of the Pivotal segment which has resulted in the transfer of revenue, gross profit, operating expenses and operating income from the Information Storage and VMware Virtual Infrastructure segments to Pivotal. These changes had no impact on the previously reported financial results for the Information Intelligence Group or RSA Information Security segments. In addition, none of these changes impacted our previously reported consolidated financial statements.

Our management measures are designed to assess performance of these reporting segments excluding certain items. As a result, the corporate reconciling items are used to capture the items excluded from the segment operating performance measures, including stock-based compensation expense and acquisition-related intangible asset amortization expense. Additionally, in certain instances, infrequently occurring gains or losses are also excluded from the measures used by management in assessing segment performance. Research and development expenses, selling, general and administrative expenses and restructuring and acquisition-related charges associated with the EMC Information Infrastructure business are not allocated to the segments within the EMC Information Infrastructure business, as they are managed centrally at the EMC Information Infrastructure business level. EMC Information Infrastructure and Pivotal have not been allocated non-operating income (expense), net and income tax expense as these costs are managed centrally at the EMC Corporate level. Accordingly, for the three segments within the EMC Information Infrastructure business, gross profit is the segment operating performance measure, while for Pivotal, operating income is the operating performance measure. The VMware Virtual Infrastructure amounts represent the revenues and expenses of VMware as reflected within EMC's consolidated financial statements.

Table of Contents

EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Our segment information for the three and six months ended June 30, 2013 and 2012 is as follows (tables in millions, except percentages):

| | EMC Information Infrastructure | | | | | EMC Information Infrastructure plus Pivotal |
|---|--------------------------------|--------------------------------|--------------------------|---|--|---|
| | Information Storage | Information Intelligence Group | RSA Information Security | EMC Information Infrastructure | Pivotal | |
| Three Months Ended: | | | | | | |
| June 30, 2013 | | | | | | |
| Revenues: | | | | | | |
| Product revenues | \$2,568 | \$39 | \$98 | \$2,705 | \$24 | \$2,729 |
| Services revenues | 1,358 | 113 | 130 | 1,601 | 46 | 1,647 |
| Total consolidated revenues | 3,926 | 152 | 228 | 4,306 | 70 | 4,376 |
| Gross profit | \$2,230 | \$96 | \$148 | \$2,474 | \$26 | \$2,500 |
| Gross profit percentage | 56.8 | % 63.1 | % 65.1 | % 57.5 | % 37.1 | % 57.1 |
| Research and development | | | | 375 | 28 | 403 |
| Selling, general and administrative | | | | 1,117 | 37 | 1,154 |
| Restructuring and acquisition-related charges | | | | — | — | — |
| Total costs and expenses | | | | 1,492 | 65 | 1,557 |
| Operating income | | | | \$982 | \$(39) | \$943 |
| | | | | EMC Information Infrastructure plus Pivotal | VMware Virtual Infrastructure within EMC | Corp Reconciling Items |
| | | | | | | Consolidated |
| Three Months Ended: | | | | | | |
| June 30, 2013 | | | | | | |
| Revenues: | | | | | | |
| Product revenues | | | \$2,729 | \$529 | \$— | \$3,258 |
| Services revenues | | | 1,647 | 709 | — | 2,356 |
| Total consolidated revenues | | | 4,376 | 1,238 | — | 5,614 |
| Gross profit | | | \$2,500 | \$1,109 | \$(100) | \$3,509 |
| Gross profit percentage | | | 57.1 | % 89.6 | % — | 62.5 |
| Research and development | | | 403 | 207 | 85 | 695 |
| Selling, general and administrative | | | 1,154 | 489 | 142 | 1,785 |
| Restructuring and acquisition-related charges | | | — | — | 7 | 7 |
| Total costs and expenses | | | 1,557 | 696 | 234 | 2,487 |
| Operating income | | | 943 | 413 | (334) | 1,022 |
| Non-operating income (expense), net | | | (77) |) 3 | 18 | (56) |

Edgar Filing: EMC CORP - Form 10-Q

| | | | | | | |
|---|-------|-------|---------|----|-------|---|
| Income tax provision | 214 | 93 | (91 |) | 216 | |
| Net income | 652 | 323 | (225 |) | 750 | |
| Net income attributable to the non-controlling interest in VMware, Inc. | — | (68 |) | 19 | (49 |) |
| Net income attributable to EMC Corporation | \$652 | \$255 | \$ (206 |) | \$701 | |

28

Table of Contents

EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

| | EMC Information Infrastructure | | | | | EMC Information Infrastructure plus Pivotal | |
|---|--------------------------------|--------------------------------|--------------------------|---|--|---|--------------|
| | Information Storage | Information Intelligence Group | RSA Information Security | EMC Information Infrastructure | Pivotal | | |
| Three Months Ended: June 30, 2012 | | | | | | | |
| Revenues: | | | | | | | |
| Product revenues | \$2,500 | \$45 | \$103 | \$2,648 | \$23 | \$2,671 | |
| Services revenues | 1,287 | 108 | 117 | 1,512 | 40 | 1,552 | |
| Total consolidated revenues | 3,787 | 153 | 220 | 4,160 | 63 | 4,223 | |
| Gross profit | \$2,164 | \$102 | \$179 | \$2,445 | \$33 | \$2,478 | |
| Gross profit percentage | 57.1 | % 67.0 | % 81.1 | % 58.8 | % 53.2 | % 58.7 | |
| Research and development | | | | 363 | 33 | 396 | |
| Selling, general and administrative | | | | 1,114 | 36 | 1,150 | |
| Restructuring and acquisition-related charges | | | | — | — | — | |
| Total costs and expenses | | | | 1,477 | 69 | 1,546 | |
| Operating income | | | | \$968 | \$(36) | \$932 | |
| | | | | EMC Information Infrastructure plus Pivotal | VMware Virtual Infrastructure within EMC | Corp Reconciling Items | Consolidated |
| Three Months Ended: June 30, 2012 | | | | | | | |
| Revenues: | | | | | | | |
| Product revenues | | | \$2,671 | \$508 | \$— | | \$3,179 |
| Services revenues | | | 1,552 | 580 | — | | 2,132 |
| Total consolidated revenues | | | 4,223 | 1,088 | — | | 5,311 |
| Gross profit | | | \$2,478 | \$964 | \$(95) | | \$3,347 |
| Gross profit percentage | | | 58.7 | % 88.5 | % — | | 63.0 |
| Research and development | | | 396 | 178 | 81 | | 655 |
| Selling, general and administrative | | | 1,150 | 418 | 149 | | 1,717 |
| Restructuring and acquisition-related charges | | | — | — | 28 | | 28 |
| Total costs and expenses | | | 1,546 | 596 | 258 | | 2,400 |
| Operating income | | | 932 | 368 | (353) | | 947 |
| Non-operating income (expense), net | | | (40) |) 5 | (8) | | (43) |
| Income tax provision | | | 265 | 52 | (103) | | 214 |

Edgar Filing: EMC CORP - Form 10-Q

| | | | | | | |
|---|-------|-------|---------|----|-------|---|
| Net income | 627 | 321 | (258 |) | 690 | |
| Net income attributable to the non-controlling interest in VMware, Inc. | — | (63 |) | 23 | (40 |) |
| Net income attributable to EMC Corporation | \$627 | \$258 | \$ (235 |) | \$650 | |

29

Table of Contents

EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

| | EMC Information Infrastructure | | | | | EMC Information Infrastructure plus Pivotal |
|---|--------------------------------|--------------------------------|--------------------------|---|--|---|
| | Information Storage | Information Intelligence Group | RSA Information Security | EMC Information Infrastructure | Pivotal | |
| Six Months Ended: June 30, 2013 | | | | | | |
| Revenues: | | | | | | |
| Product revenues | \$5,028 | \$82 | \$198 | \$5,308 | \$48 | \$5,356 |
| Services revenues | 2,662 | 226 | 262 | 3,150 | 91 | 3,241 |
| Total consolidated revenues | 7,690 | 308 | 460 | 8,458 | 139 | 8,597 |
| Gross profit | \$4,309 | \$195 | \$301 | \$4,805 | \$52 | \$4,857 |
| Gross profit percentage | 56.0 | % 63.4 | % 65.2 | % 56.8 | % 37.7 | % 56.5 |
| Research and development | | | | 739 | 56 | 795 |
| Selling, general and administrative | | | | 2,193 | 75 | 2,268 |
| Restructuring and acquisition-related charges | | | | — | — | — |
| Total costs and expenses | | | | 2,932 | 131 | 3,063 |
| Operating income | | | | \$1,873 | \$(79) | \$1,794 |
| | | | | EMC Information Infrastructure plus Pivotal | VMware Virtual Infrastructure within EMC | Corp Reconciling Items |
| Six Months Ended: June 30, 2013 | | | | | | Consolidated |
| Revenues: | | | | | | |
| Product revenues | | | \$5,356 | \$1,013 | \$— | \$6,369 |
| Services revenues | | | 3,241 | 1,391 | — | 4,632 |
| Total consolidated revenues | | | 8,597 | 2,404 | — | 11,001 |
| Gross profit | | | \$4,857 | \$2,150 | \$(200) | \$6,807 |
| Gross profit percentage | | | 56.5 | % 89.4 | % — | 61.9 |
| Research and development | | | 795 | 397 | 178 | 1,370 |
| Selling, general and administrative | | | 2,268 | 939 | 292 | 3,499 |
| Restructuring and acquisition-related charges | | | — | — | 155 | 155 |
| Total costs and expenses | | | 3,063 | 1,336 | 625 | 5,024 |
| Operating income | | | 1,794 | 814 | (825) | 1,783 |
| Non-operating income (expense), net | | | (150) |) 7 | 17 | (126) |

Edgar Filing: EMC CORP - Form 10-Q

| | | | | | |
|---|---------|-------|---------|-----------|---|
| Income tax provision | 402 | 176 | (286 |) 292 | |
| Net income | 1,242 | 645 | (522 |) 1,365 | |
| Net income attributable to the non-controlling interest in VMware, Inc. | — | (130 |) 46 | (84 |) |
| Net income attributable to EMC Corporation | \$1,242 | \$515 | \$ (476 |) \$1,281 | |

30

Table of Contents

EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

| | EMC Information Infrastructure | | | | | EMC Information Infrastructure plus Pivotal | |
|---|--------------------------------|--------------------------------|--------------------------|---|--|---|--------------|
| | Information Storage | Information Intelligence Group | RSA Information Security | EMC Information Infrastructure | Pivotal | | |
| Six Months Ended: | | | | | | | |
| June 30, 2012 | | | | | | | |
| Revenues: | | | | | | | |
| Product revenues | \$4,937 | \$82 | \$199 | \$5,218 | \$44 | \$5,262 | |
| Services revenues | 2,513 | 217 | 228 | 2,958 | 63 | 3,021 | |
| Total consolidated revenues | 7,450 | 299 | 427 | 8,176 | 107 | 8,283 | |
| Gross profit | \$4,210 | \$192 | \$312 | \$4,714 | \$53 | \$4,767 | |
| Gross profit percentage | 56.5 | % 64.3 | % 73.1 | % 57.7 | % 49.5 | % 57.6 | % |
| Research and development | | | | 691 | 61 | 752 | |
| Selling, general and administrative | | | | 2,191 | 75 | 2,266 | |
| Restructuring and acquisition-related charges | | | | — | — | — | |
| Total costs and expenses | | | | 2,882 | 136 | 3,018 | |
| Operating income | | | | \$1,832 | \$(83) | \$1,749 | |
| | | | | EMC Information Infrastructure plus Pivotal | VMware Virtual Infrastructure within EMC | Corp Reconciling Items | Consolidated |
| Six Months Ended: | | | | | | | |
| June 30, 2012 | | | | | | | |
| Revenues: | | | | | | | |
| Product revenues | | | \$5,262 | \$986 | \$— | \$6,248 | |
| Services revenues | | | 3,021 | 1,137 | — | 4,158 | |
| Total consolidated revenues | | | 8,283 | 2,123 | — | 10,406 | |
| Gross profit | | | \$4,767 | \$1,882 | \$(188) | \$6,461 | |
| Gross profit percentage | | | 57.6 | % 88.6 | % — | 62.1 | % |
| Research and development | | | 752 | 339 | 153 | 1,244 | |
| Selling, general and administrative | | | 2,266 | 809 | 292 | 3,367 | |
| Restructuring and acquisition-related charges | | | — | — | 53 | 53 | |
| Total costs and expenses | | | 3,018 | 1,148 | 498 | 4,664 | |
| Operating income | | | 1,749 | 734 | (686) | 1,797 | |
| Non-operating income (expense), net | | | (78) |) 12 | (11) |) (77) |) |
| Income tax provision | | | 474 | 118 | (187) |) 405 | |

Edgar Filing: EMC CORP - Form 10-Q

| | | | | | | |
|---|---------|-------|---------|----|---------|---|
| Net income | 1,197 | 628 | (510 |) | 1,315 | |
| Net income attributable to the non-controlling interest in VMware, Inc. | — | (122 |) | 43 | (79 |) |
| Net income attributable to EMC Corporation | \$1,197 | \$506 | \$ (467 |) | \$1,236 | |

31

Table of Contents

EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Our revenues are attributed to the geographic areas according to the location of the customers. Revenues by geographic area are included in the following table (table in millions):

| | For the Three Months Ended | | For the Six Months Ended | |
|----------------------------------|----------------------------|------------------|--------------------------|------------------|
| | June 30, 2013 | June 30, 2012 | June 30, 2013 | June 30, 2012 |
| United States | \$2,963 | \$2,857 | \$5,795 | \$5,490 |
| Europe, Middle East and Africa | 1,486 | 1,400 | 2,963 | 2,865 |
| Asia Pacific and Japan | 835 | 748 | 1,573 | 1,459 |
| Latin America, Mexico and Canada | 330 | 306 | 670 | 592 |
| Total | \$5,614 | \$5,311 | \$11,001 | \$10,406 |

No country other than the United States accounted for 10% or more of revenues during the three and six months ended June 30, 2013 or 2012.

Long-lived assets, excluding financial instruments, deferred tax assets, goodwill and intangible assets, in the United States were \$4,166 million at June 30, 2013 and \$3,994 million at December 31, 2012. Internationally, long-lived assets, excluding financial instruments, deferred tax assets, goodwill and intangible assets, were \$802 million at June 30, 2013 and \$698 million at December 31, 2012. No country other than the United States accounted for 10% or more of total long-lived assets, excluding financial instruments and deferred tax assets, at June 30, 2013 or December 31, 2012.

Table of Contents

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis ("MD&A") of Financial Condition and Results of Operations should be read in conjunction with our consolidated financial statements and notes thereto which appear elsewhere in this Quarterly Report on Form 10-Q. The following discussion contains forward-looking statements and should also be read in conjunction with the risk factors set forth in Item 1A of Part II. The forward-looking statements do not include the potential impact of any mergers, acquisitions, divestitures, securities offerings or business combinations that may be announced or closed after the date hereof.

Certain tables may not add or recalculate due to rounding.

INTRODUCTION

In the quarter ended June 30, 2013, we began managing the Company as three federated businesses: EMC Information Infrastructure, Pivotal and VMware Virtual Infrastructure. This approach allows each of the three businesses to individually build products, go-to-market capabilities and ecosystems that they need to succeed in their respective markets while sharing the same ultimate goal of helping customers leverage Cloud, Big Data and Trusted Information Technology ("IT") to maximize control, efficiency and choice. By dividing our strategy and executional focus across these three businesses, we can focus on each of their respective missions and offer customers horizontal solutions and more choices than they get from our competitors. We believe this strategy provides us with the opportunity to take advantage of the solid growth opportunity of EMC Information Infrastructure and the faster growth opportunities of VMware Virtual Infrastructure and Pivotal.

Cloud Computing leverages an on-demand, self-managed, virtualized infrastructure to deliver IT as a Service in a more efficient, flexible and cost-effective manner. With the rise of trends towards mobile, social and Big Data, customers are finding greater efficiency through the available choice from cloud infrastructures where the private, public or hybrid cloud turns IT into a service that can be utilized on-demand. Accordingly, customers are increasingly recognizing that their ability to compete is tied to the efficiency, flexibility and agility of their IT operations and that transitioning to a cloud-based architecture will be a key component to their success. We believe our offerings are well-suited to capitalize on this trend as it unfolds over the next several years.

Big Data, which is a primary contributor to the pace of overall data growth, refers to the large repositories of corporate and external data, including unstructured information created by new applications (e.g. medical, entertainment, energy, telemetry and geophysical), social media and other web repositories. It is triggering new approaches for our customers to derive business insight and create new opportunities to expand revenues.

The successful transition to a model that leverages Cloud Computing and Big Data is dependent upon both the right infrastructure and the ability to build Trust into that infrastructure. Businesses require IT resources that can scale on demand, handle a variety of workloads and be trusted at all times. Accordingly, the ability for customers to have and offer Trusted IT is a valuable competitive advantage.

We believe we are well-positioned in these markets to continue assisting our customers in storing, managing and unlocking the value contained within their information and to enable them to leverage our data-centric approach to security to take full advantage of Cloud Computing and Big Data.

EMC Information Infrastructure

Our EMC Information Infrastructure business consists of three segments: Information Storage, Information Intelligence and RSA Information Security. The objective for our EMC Information Infrastructure business is to simultaneously increase our market share through our strong and ever expanding portfolio of offerings while investing in the business. In the second quarter ended June 30, 2013, we continued to innovate and invest in expanding our total addressable market through increased internal research and development ("R&D"). Our investment in new technologies and solutions is reflected in our roadmap for the second half of 2013, with numerous innovations, refreshes and brand-new products as well as business acquisitions. We have developed a product portfolio with customers' current and future needs in mind which will continue to evolve as the largest transformation in IT history is creating enormous opportunities in Cloud Computing, Big Data and Trust.

Our go to market model, where we continue to leverage our direct sales force and services organization, as well as our channel and services partners and service providers, positions us well to help enable customers to transition to Cloud Computing and benefit from Big Data in the most advantageous manner for their businesses. As IT headcount grows at a fraction of the pace of data and the demands from the data center escalate, customers continue to look for simple and scalable ways to build out their IT-as-a-

33

Table of Contents

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)

service function. We offer three alternatives to help our customers transition to cloud architectures and leverage Big Data to meet these needs: our best of breed infrastructure components, proven infrastructure through VSPEX and converged infrastructure with Vblock from VCE Company LLC, our joint venture with Cisco, and other investors VMware and Intel. Our service provider program continues to be an important part of our strategy to lead our customers to the public cloud.

Pivotal

In April 2013, we, along with VMware and an investment from General Electric Company ("GE"), officially formed Pivotal, which is focused on building a platform comprising the next generation of data fabrics, application fabrics and a cloud independent platform-as-a-service ("PaaS") to support Cloud Computing and Big and Fast Data Applications. The first version of this platform, Pivotal One, will be launched before the end of the year. Additionally, Pivotal is actively engaging with other industry players with the intention of working together to expand the ecosystem. We expect 2013 to be a transition year for Pivotal, and we believe we are positioning the business for rapid growth in 2014 and beyond.

VMware Virtual Infrastructure

VMware's financial focus is on long-term revenue growth to enable it to fund its expansion of industry segment share and evolve its virtualization-based products for data centers, end-user devices and Cloud Computing through a combination of internal development and acquisitions. VMware expects to grow its business by building long-term relationships with its customers through the adoption of enterprise license agreements ("ELAs"). Additionally, VMware has made, and expects to continue to consider, strategic business acquisitions in the future.

In January 2013, VMware announced a realignment of its strategy to refocus its resources and investments in support of three growth priorities that focus on its core opportunities as a provider of virtualization technologies that simplify IT infrastructure: the software-defined data center, the hybrid cloud and end-user computing. The software-defined data center ("SDDC") is where increasingly infrastructure is virtualized and delivered as a service, and the control of this data center is entirely automated by software. For the SDDC, VMware plans to continue to invest in the development and delivery of innovations in networking, security, storage and management as they continue to roll out and enhance the features of their vCloud Suite. For the hybrid cloud, VMware is introducing a public cloud infrastructure as a service offering designed to be completely interoperable with its customers' VMware virtualized infrastructure. For end-user computing, VMware plans to enhance their offerings to enable a virtual workspace for both existing PC environments and emerging mobile devices in a secure enterprise environment.

On a consolidated basis, our vision, strategy, robust product roadmap with our upcoming product launches as well as our continued steady execution positions us to continue to anticipate and capitalize on the evolving trends of Cloud Computing, Big Data and Trust in 2013. As a result, we believe our federated businesses will grow faster than the markets we serve in the second half of the year, while simultaneously investing in the business and growing earnings per share at a rate faster than the rate at which we will grow our revenue.

RESULTS OF OPERATIONS**Revenues**

The following tables present total revenue by our segments (in millions):

| | For the Three Months Ended | | | |
|--------------------------------|----------------------------|------------------|-----------|----------|
| | June 30, 2013 | June 30, 2012 | \$ Change | % Change |
| Information Storage | \$3,926 | \$3,787 | \$139 | 4 % |
| Information Intelligence Group | 152 | 153 | — | — |
| RSA Information Security | 228 | 220 | 7 | 3 |
| Pivotal | 70 | 63 | 7 | 11 |
| VMware Virtual Infrastructure | 1,238 | 1,088 | 150 | 14 |
| Total revenues | \$5,614 | \$5,311 | \$303 | 6 % |

Table of Contents

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)

| | For the Six Months Ended | | \$ Change | % Change | |
|--------------------------------|--------------------------|------------------|-----------|----------|---|
| | June 30, 2013 | June 30, 2012 | | | |
| Information Storage | \$7,690 | \$7,450 | \$240 | 3 | % |
| Information Intelligence Group | 308 | 299 | 10 | 3 | |
| RSA Information Security | 460 | 427 | 33 | 8 | |
| Pivotal | 139 | 107 | 32 | 30 | |
| VMware Virtual Infrastructure | 2,404 | 2,123 | 281 | 13 | |
| Total revenues | \$11,001 | \$10,406 | \$595 | 6 | % |

Consolidated product revenues increased 3% and 2% to \$3,258 million and \$6,369 million for the three and six months ended June 30, 2013, respectively. The growth was driven by the continued demand for our portfolio of offerings to address the storage, data analysis and virtualization needs for continued information growth, particularly as customers continue to build out their own data centers to develop and support their private or public cloud infrastructures and analyze and protect the data within their data centers.

The Information Storage segment's product revenues increased 3% and 2% to \$2,568 million and \$5,028 million for the three and six months ended June 30, 2013, respectively. Revenue from the High-end Storage business, which primarily includes revenues from EMC Symmetrix, increased 5% and 7% for the three and six months ended June 30, 2013, respectively, due to increasing demand from existing and new customers for storage solutions with high performance, consolidation and automation in demanding virtual data center environments, many of which are evolving into private clouds or are powering public clouds. Revenue from the Unified and Backup Recovery business improved largely due to our backup recovery purpose-built appliance businesses, Data Domain and Avamar, which continued to grow and gain market share. Our Unified business was affected by broad customer anticipation of the next generation VNX launch which is expected in the third quarter of 2013. Revenue from the Emerging Storage business, which primarily includes product and maintenance revenues from EMC Isilon, EMC Atmos, EMC VPLEX, EMC RecoverPoint, ASD Suites and EMC Xtrem families, increased 39% and 32% for the three and six months ended June 30, 2013, respectively. The scale-out file offering from EMC Isilon continues to deliver strong revenue growth in its traditional areas of strength and as it expands its presence in enterprise environments. The EMC Atmos object-based cloud storage solution exhibited strong growth.

The Pivotal segment's product revenues increased 4% and 8% to \$24 million and \$48 million for the three and six months ended June 30, 2013, respectively. Pivotal has made good progress since its formal launch on April 1 with its existing products such as Greenplum and Gemfire continuing to have significant design wins. The Pivotal team is building a new platform, Pivotal One, comprising next-generation data fabrics, application fabrics and a cloud-independent PaaS.

The VMware Virtual Infrastructure segment's product revenues increased 4% and 3% to \$529 million and \$1,013 million for the three and six months ended June 30, 2013, respectively. VMware's license revenues increased primarily due to demand for product offerings like the vCloud and vSphere with operations management and automation as customers' needs related to developing the software-defined data center, hybrid cloud and end-user computing continue. During the three months ended June 30, 2013 and 2012, ELAs comprised 37% and 29%, respectively, and ELAs comprised 33% and 26%, respectively, of total sales during the six months ended June 30, 2013 and 2012.

The RSA Information Security segment's product revenues decreased 5% and 1% to \$98 million and \$198 million for the three and six months ended June 30, 2013, respectively. The decrease in product revenues during the three and six month period was primarily attributable to our focus on customer migration to our new Authentication Manager 8.0

product release rather than customer acquisition as well as the timing of some large orders in our Identity and Protection business. This decrease was partially offset by growth in our Security Analytics Suite and Compliance offerings.

The Information Intelligence Group segment's product revenues decreased 14% and increased 1% to \$39 million and \$82 million for the three and six months ended June 30, 2013, respectively. This business continues to make progress as it transitions to more cloud friendly offerings and vertical based solutions. In addition, we saw good growth from our new initiatives such as Syncplicity.

Consolidated services revenues increased 10% and 11% to \$2,356 million and \$4,632 million for the three and six months ended June 30, 2013, respectively. The consolidated services revenues increase was primarily driven by the Information Storage and VMware Virtual Infrastructure segments' services revenues resulting from increased demand for maintenance-related services.

Table of Contents

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)

In addition, we continue to provide expertise to customers on effective ways to enable Cloud Computing and to leverage their Big Data assets.

The Information Storage segment's services revenues increased 5% and 6% to \$1,358 million and \$2,662 million for the three and six months ended June 30, 2013, respectively. The increase in services revenues was primarily attributable to higher demand for maintenance-related services associated with a larger installed base. In addition, a growing demand for professional services as we assist with customers' transitions to cloud architectures, transforming IT infrastructures and virtualizing mission-critical applications also contributed to the increase in services revenues.

The Pivotal segment's services revenues increased 15% and 45% to \$46 million and \$91 million for the three and six months ended June 30, 2013, respectively. The increase in services revenues was primarily attributable to higher demand for maintenance-related services associated with the growing installed base.

The VMware Virtual Infrastructure segment's services revenues increased 22% to \$709 million and \$1,391 million for the three and six months ended June 30, 2013, respectively. The increase in services revenues was primarily attributable to growth in VMware's software maintenance revenues which benefited from strong renewals, multi-year software maintenance contracts sold in previous periods and additional maintenance contracts sold in conjunction with new software license sales. Additionally, VMware experienced increased demand in their professional services, driven by the growth in their license sales and installed base.

The RSA Information Security segment's services revenues increased 11% and 16% to \$130 million and \$262 million for the three and six months ended June 30, 2013, respectively. Services revenues increased due to an increase in maintenance revenues and professional services resulting from continued demand for support from our installed base. The Information Intelligence Group segment's services revenues increased 6% and 4% to \$113 million and \$226 million for the three and six months ended June 30, 2013, respectively. The increase in services revenues was due to increased customer demand for the new initiatives and strategic services businesses.

Consolidated revenues by geography were as follows (in millions):

| | For the Three Months Ended | | | |
|----------------------------------|----------------------------|------------------|----------|---|
| | June 30, 2013 | June 30, 2012 | % Change | |
| United States | \$2,963 | \$2,857 | 4 | % |
| Europe, Middle East and Africa | 1,486 | 1,400 | 6 | |
| Asia Pacific and Japan | 835 | 748 | 12 | |
| Latin America, Mexico and Canada | 330 | 306 | 8 | |
| Total revenues | \$5,614 | \$5,311 | 6 | % |
| | For the Six Months Ended | | | |
| | June 30, 2013 | June 30, 2012 | % Change | |
| United States | \$5,795 | \$5,490 | 6 | % |
| Europe, Middle East and Africa | 2,963 | 2,865 | 3 | |
| Asia Pacific and Japan | 1,573 | 1,459 | 8 | |
| Latin America, Mexico and Canada | 670 | 592 | 13 | |
| Total revenues | \$11,001 | \$10,406 | 6 | % |

Revenues increased for the three and six months ended June 30, 2013 compared to the same periods in 2012 in all of our geographic markets.

Changes in exchange rates negatively impacted revenue growth by 0.7% and 0.6% for the three and six months ended June 30, 2013, respectively. The impact of the change in rates was most significant in Japan and Brazil.

Table of Contents

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)

Costs and Expenses

The following tables present our costs and expenses, other income and net income attributable to EMC Corporation (in millions):

| | For the Three Months Ended | | \$ Change | % Change | |
|---|----------------------------|------------------|-----------|----------|---|
| | June 30, 2013 | June 30, 2012 | | | |
| Cost of revenue: | | | | | |
| Information Storage | \$1,696 | \$1,623 | \$73 | 4 | % |
| Information Intelligence Group | 56 | 51 | 6 | 11 | |
| RSA Information Security | 80 | 41 | 38 | 91 | |
| Pivotal | 44 | 30 | 14 | 49 | |
| VMware Virtual Infrastructure | 129 | 124 | 5 | 4 | |
| Corporate reconciling items | 100 | 95 | 5 | 6 | |
| Total cost of revenue | 2,105 | 1,964 | 141 | 7 | |
| Gross margins: | | | | | |
| Information Storage | 2,230 | 2,164 | 66 | 3 | |
| Information Intelligence Group | 96 | 102 | (6) | (6) |) |
| RSA Information Security | 148 | 179 | (31) | (17) |) |
| Pivotal | 26 | 33 | (7) | (22) |) |
| VMware Virtual Infrastructure | 1,109 | 964 | 145 | 15 | |
| Corporate reconciling items | (100) | (95) | (5) | 6 |) |
| Total gross margin | 3,509 | 3,347 | 162 | 5 | |
| Operating expenses: | | | | | |
| Research and development ⁽¹⁾ | 695 | 655 | 39 | 6 | |
| Selling, general and administrative ⁽²⁾ | 1,785 | 1,717 | 68 | 4 | |
| Restructuring and acquisition-related charges | 7 | 28 | (21) | (75) |) |
| Total operating expenses | 2,487 | 2,400 | 87 | 4 | |
| Operating income | 1,022 | 947 | 75 | 8 | |
| Investment income, interest expense and other expenses, net | (56) | (43) | (13) | 29 |) |
| Income before income taxes | 966 | 904 | 62 | 7 | |
| Income tax provision | 216 | 214 | 2 | 1 | |
| Net income | 750 | 690 | 60 | 9 | |
| Less: Net income attributable to the non-controlling interest in VMware, Inc. | (49) | (40) | (9) | 22 |) |
| Net income attributable to EMC Corporation | \$701 | \$650 | \$51 | 8 | % |

Table of Contents

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)

| | For the Six Months Ended | | \$ Change | % Change | |
|--------------------------------|--------------------------|------------------|-----------|----------|---|
| | June 30, 2013 | June 30, 2012 | | | |
| Cost of revenue: | | | | | |
| Information Storage | \$3,381 | \$3,241 | \$141 | 4 | % |
| Information Intelligence Group | 113 | 106 | 7 | 6 | |
| RSA Information Security | 160 | 115 | 45 | 39 | |
| Pivotal | 86 | 54 | 32 | 60 | |
| VMware Virtual Infrastructure | 254 | 241 | 13 | 5 | |
| Corporate reconciling items | 200 | 188 | 12 | 6 | |
| Total cost of revenue | 4,194 | 3,945 | 249 | 6 | |
| Gross margins: | | | | | |
| Information Storage | 4,309 | 4,210 | 99 | 2 | |
| Information Intelligence Group | 195 | 192 | 3 | 2 | |
| RSA Information Security | 301 | 312 | (12) | (4) |) |
| Pivotal | 52 | 53 | (1) | (1) |) |
| VMware Virtual Infrastructure | 2,150 | 1,882 | | | |