

Palm, Inc.
Reconciliation of GAAP Items to Non-GAAP Items
(dollars in thousands, except per share amounts)
(Unaudited)

	Three Months Ended		
	<u>Nov. 30, 2008</u>	<u>Aug. 31, 2008</u>	<u>Nov. 30, 2007</u>
Net loss applicable to common shareholders, as reported	\$ (508,594)	\$ (41,878)	\$ (9,628)
Adjustments:			
Stock-based compensation (a)	5,837	7,000	14,293
Amortization of intangible assets	883	883	962
Patent acquisition refund	—	(1,537)	—
Restructuring charges (adjustments)	8,296	(473)	10,145
Impairment of non-current auction rate securities	14,253	14,965	—
Accretion of series B redeemable convertible preferred stock	2,424	2,401	780
Income tax provision (benefit)	<u>396,676</u>	<u>5,875</u>	<u>(24,395)</u>
Net loss, non-GAAP	<u>\$ (80,225)</u>	<u>\$ (12,764)</u>	<u>\$ (7,843)</u>

	Three Months Ended		
	<u>Nov. 30, 2008</u>	<u>Aug. 31, 2008</u>	<u>Nov. 30, 2007</u>
Net loss per common share			
Basic and diluted, as reported	\$ (4.64)	\$ (0.39)	\$ (0.09)
Adjustments	<u>3.91</u>	<u>0.27</u>	<u>0.02</u>
Basic and diluted, non-GAAP	<u>\$ (0.73)</u>	<u>\$ (0.12)</u>	<u>\$ (0.07)</u>
Shares used to compute net loss per common share:			
Basic and diluted, as reported	<u>109,698</u>	<u>108,291</u>	<u>105,296</u>

	Three Months Ended		
	<u>Nov. 30, 2008</u>	<u>Aug. 31, 2008</u>	<u>Nov. 30, 2007</u>
Net loss, as reported	\$ (506,170)	\$ (39,477)	\$ (8,848)
Interest (income) expense, net	5,630	4,878	(3,728)
Taxes	408,413	(2,634)	(30,183)
Depreciation/amortization	<u>7,627</u>	<u>9,464</u>	<u>9,508</u>
EBITDA	(84,500)	(27,769)	(33,251)
Adjustments:			
Stock-based compensation (a)	5,837	7,000	14,293
Other (income) expense, net	358	455	144
Patent acquisition refund	—	(1,537)	—
Restructuring charges (adjustments)	8,296	(473)	10,145
Impairment of non-current auction rate securities	<u>14,253</u>	<u>14,965</u>	<u>—</u>
Adjusted EBITDA	<u>\$ (55,756)</u>	<u>\$ (7,359)</u>	<u>\$ (8,669)</u>

Palm, Inc.
Reconciliation of GAAP Items to Non-GAAP Items (continued)
(dollars in thousands)
(Unaudited)

	Three Months Ended		
	<u>Nov. 30, 2008</u>	<u>Aug. 31, 2008</u>	<u>Nov. 30, 2007</u>
Gross margins, GAAP	19.9%	26.5%	29.7%
Adjustments	<u>0.2</u>	<u>0.1</u>	<u>0.2</u>
Gross margins, non-GAAP	<u>20.1%</u>	<u>26.6%</u>	<u>29.9%</u>

	Three Months Ended		
	<u>Nov. 30, 2008</u>	<u>Aug. 31, 2008</u>	<u>Nov. 30, 2007</u>
Operating expenses, as reported	\$ 115,657	\$ 119,154	\$ 146,380
Adjustments:			
Stock-based compensation (a)	(5,424)	(6,636)	(13,642)
Amortization of intangible assets	(883)	(883)	(962)
Patent acquisition refund	—	1,537	—
Restructuring charges/ adjustments	<u>(8,296)</u>	<u>473</u>	<u>(10,145)</u>
Operating expenses, non-GAAP	<u>\$ 101,054</u>	<u>\$ 113,645</u>	<u>\$ 121,631</u>

(a) Stock-based compensation related to workforce reductions are included in restructuring charges.

The above non-GAAP amounts have been adjusted to eliminate stock-based compensation, amortization of intangible assets, patent acquisition refund, restructuring charges (adjustments), gain on sale of land, impairment of non-current auction rate securities, accretion of series B redeemable convertible preferred stock, the non-cash net impact on the tax provision pertaining to the increase of the valuation allowance for the Company's U.S. deferred tax assets and for the three months ended November 30, 2007, adjusting the related income tax provision on a non-GAAP basis to 42%.

Palm's fiscal periods are generally 13 weeks in length and end on a Friday. For presentation purposes, the periods are presented as ending on Nov. 30 and Aug. 31.