

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

	<b>Three Months Ended</b>	
	<b><u>Feb. 28, 2009</u></b>	<b><u>Nov. 30, 2008</u></b>
Net loss applicable to common shareholders, as reported	\$ (98,027)	\$ (508,594)
Adjustments:		
Stock-based compensation (a)	5,349	5,837
Amortization of intangible assets	884	883
Restructuring charges	5,692	8,296
Casualty loss	4,982	—
Impairment of non-current auction rate securities	3,960	14,253
Gain on series C derivative	(20,573)	—
Accretion of series B and series C redeemable convertible preferred stock	3,004	2,424
Income tax provision	—	396,676
Net loss, non-GAAP	<u>\$ (94,729)</u>	<u>\$ (80,225)</u>

	<b>Three Months Ended</b>	
	<b><u>Feb. 28, 2009</u></b>	<b><u>Nov. 30, 2008</u></b>
Net loss per common share		
Basic and diluted, as reported	\$ (0.89)	\$ (4.64)
Adjustments	<u>0.03</u>	<u>3.91</u>
Basic and diluted, non-GAAP	<u>\$ (0.86)</u>	<u>\$ (0.73)</u>
Shares used to compute net loss per common share:		
Basic and diluted, as reported	<u>110,529</u>	<u>109,698</u>

	<b>Three Months Ended</b>	
	<b><u>Feb. 28, 2009</u></b>	<b><u>Nov. 30, 2008</u></b>
Net loss, as reported	\$ (95,023)	\$ (506,170)
Interest (income) expense, net	4,902	5,630
Taxes	646	408,413
Depreciation/amortization	<u>7,558</u>	<u>7,627</u>
EBITDA	(81,917)	(84,500)
Adjustments:		
Stock-based compensation (a)	5,349	5,837
Other (income) expense, net	3,895	358
Restructuring charges	5,692	8,296
Casualty loss	4,982	—
Impairment of non-current auction rate securities	3,960	14,253
Gain on series C derivative	<u>(20,573)</u>	<u>—</u>
Adjusted EBITDA	<u>\$ (78,612)</u>	<u>\$ (55,756)</u>

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

	<b>Three Months Ended</b>	
	<b><u>Feb. 28, 2009</u></b>	<b><u>Nov. 30, 2008</u></b>
Gross margins, GAAP	4.6%	19.9%
Adjustments	<u>0.4</u>	<u>0.2</u>
Gross margins, non-GAAP	<u><u>5.0%</u></u>	<u><u>20.1%</u></u>

	<b>Three Months Ended</b>	
	<b><u>Feb. 28, 2009</u></b>	
Operating expenses, as reported	\$ 106,403	
Adjustments:		
Stock-based compensation (a)	(5,058)	
Amortization of intangible assets	(884)	
Restructuring charges	(5,692)	
Casualty loss	<u>(4,982)</u>	
Operating expenses, non-GAAP	<u><u>\$ 89,787</u></u>	

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

The above non-GAAP amounts have been adjusted to eliminate stock-based compensation, amortization of intangible assets, restructuring charges, casualty loss, impairment of non-current auction rate securities, gain on series C derivative and accretion of series B and series C redeemable convertible preferred stock and for the three months ended November 30, 2008, 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.

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 Feb. 28 and Nov. 30.