

PALM, INC.
QUARTERLY RESULTS OF OPERATIONS
Q1FY00 THROUGH Q3FY01
(UNAUDITED, DOLLAR AMOUNTS IN THOUSANDS)

	<u>Q1FY00</u>		<u>Q2FY00</u>		<u>Q3FY00</u>		<u>Q4FY00</u>		<u>Q1FY01</u>		<u>Q2FY01</u>		<u>Q3FY01</u>	
REVENUES	\$ 176,505	100.0%	\$ 258,555	100.0%	\$ 272,292	100.0%	\$ 350,245	100.0%	\$ 400,976	100.0%	\$ 522,192	100.0%	470,849	100.0%
COST OF REVENUES	98,324	55.7%	148,018	57.2%	153,479	56.4%	213,262	60.9%	247,513	61.7%	333,427	63.9%	317,666	67.5%
GROSS PROFIT	78,181	44.3%	110,537	42.8%	118,813	43.6%	136,983	39.1%	153,463	38.3%	188,765	36.1%	153,183	32.5%
SALES & MARKETING	42,514	24.1%	59,904	23.1%	57,457	21.1%	76,400	21.8%	76,001	19.0%	89,829	17.2%	81,949	17.4%
RESEARCH & DEVELOPMENT	12,134	6.9%	15,671	6.1%	21,077	7.7%	25,394	7.3%	30,320	7.6%	40,993	7.8%	43,867	9.3%
GENERAL & ADMINISTRATIVE	7,160	4.0%	9,796	3.8%	12,202	4.5%	21,758	6.2%	20,491	5.1%	24,865	4.8%	23,347	5.0%
LEGAL SETTLEMENTS	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	6,250	1.3%
AMORTIZATION OF GOODWILL AND INTANGIBLE ASSETS	507	0.3%	507	0.2%	507	0.2%	507	0.1%	5,235	1.3%	7,504	1.4%	8,062	1.7%
PURCHASED IN-PROCESS TECHNOLOGY	-	0.0%	-	0.0%	-	0.0%	-	0.0%	853	0.2%	-	0.0%	-	0.0%
SEPARATION COSTS	-	0.0%	3,780	1.5%	8,203	3.0%	7,587	2.2%	1,815	0.4%	802	0.2%	2,177	0.5%
TOTAL OPERATING EXPENSES	62,315	35.3%	89,658	34.7%	99,446	36.5%	131,646	37.6%	134,715	33.6%	163,993	31.4%	165,652	35.2%
OPERATING INCOME (LOSS)	15,866	9.0%	20,879	8.1%	19,367	7.1%	5,337	1.5%	18,748	4.7%	24,772	4.7%	(12,469)	-2.6%
OTHER INCOME/(EXPENSE)	(63)	0.0%	277	0.1%	418	0.2%	15,732	4.5%	13,244	3.3%	12,744	2.5%	11,419	2.5%
INCOME (LOSS) BEFORE TAXES	15,803	9.0%	21,156	8.2%	19,785	7.3%	21,069	6.0%	31,992	8.0%	37,516	7.2%	(1,050)	-0.2%
INCOME TAX PROVISION	6,145	3.5%	8,294	3.2%	8,832	3.3%	8,632	2.4%	14,717	3.7%	17,257	3.3%	886	0.2%
NET INCOME (LOSS)	\$ 9,658	5.5%	\$ 12,862	5.0%	\$ 10,953	4.0%	\$ 12,437	3.6%	\$ 17,275	4.3%	\$ 20,259	3.9%	\$ (1,936)	-0.4%
SHARES OUTSTANDING - DILUTED	532,000		532,000		532,000		563,402		568,095		571,594		566,463	
EPS - DILUTED	\$ 0.02		\$ 0.02		\$ 0.02		\$ 0.02		\$ 0.03		\$ 0.04		\$ (0.00)	
EFFECTIVE TAX RATE	38.9%		39.2%		44.6%		41.0%		46.0%		46.0%		N/A*	

* FOR Q3FY01, THE INCOME TAX PROVISION WAS ADJUSTED SO AS TO INCREASE THE YEAR-TO-DATE EFFECTIVE TAX RATE FROM 46% TO 48% RESULTING FROM THE EFFECT OF THE ACQUISITION OF WESYNC.COM.

THE QUARTERLY INFORMATION SHOWN ABOVE IS UNAUDITED AND HAS BEEN PREPARED ON THE SAME BASIS AS THE COMPANY'S AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2, 2000. IN THE OPINION OF MANAGEMENT, ALL NECESSARY ADJUSTMENTS, WHICH CONSIST ONLY OF NORMAL AND RECURRING ACCRUALS, HAVE BEEN INCLUDED TO FAIRLY PRESENT THE UNAUDITED QUARTERLY RESULTS. FOR ALL FISCAL YEAR 2000 PERIODS SHOWN ABOVE, THE AMORTIZATION OF GOODWILL AND INTANGIBLE ASSETS WAS PREVIOUSLY REPORTED AS A COMPONENT OF SALES & MARKETING AND RESEARCH & DEVELOPMENT EXPENSES.

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TOTAL OPERATING EXPENSES	61,808	35.0%	85,371	33.0%	90,736	33.3%	123,552	35.3%	126,812	31.7%	155,687	29.8%	149,163	31.7%
OPERATING INCOME	16,373	9.3%	25,166	9.8%	28,077	10.3%	13,431	3.8%	26,651	6.6%	33,078	6.3%	4,020	0.9%
OTHER INCOME/(EXPENSE)	(63)	-0.1%	277	0.1%	418	0.2%	15,732	4.5%	13,244	3.3%	12,744	2.5%	11,419	2.5%
INCOME BEFORE TAXES	16,310	9.2%	25,443	9.9%	28,495	10.5%	29,163	8.3%	39,895	9.9%	45,822	8.8%	15,439	3.3%
INCOME TAX PROVISION	6,345	3.6%	9,974	3.9%	12,709	4.7%	11,957	3.4%	15,958	3.9%	18,329	3.5%	6,176	1.3%
PRO FORMA NET INCOME	\$ 9,965	5.6%	\$ 15,469	6.0%	\$ 15,786	5.8%	\$ 17,206	4.9%	\$ 23,937	6.0%	\$ 27,493	5.3%	\$ 9,263	2.0%
SHARES OUTSTANDING - DILUTED	532,000		532,000		532,000		563,402		568,095		571,594		568,508	
PRO FORMA EPS - DILUTED	\$ 0.02		\$ 0.03		\$ 0.03		\$ 0.03		\$ 0.04		\$ 0.05		\$ 0.02	
EFFECTIVE TAX RATE	38.9%		39.2%		44.6%		41.0%		40.0%		40.0%		40.0%	

THE ABOVE PRO FORMA RESULTS OF OPERATIONS ARE UNAUDITED AND DO NO REPRESENT FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES. THESE PRO FORMA RESULTS OF OPERATIONS EXCLUDE THE EFFECT OF THE AMORTIZATION OF GOODWILL AND INTANGIBLE ASSETS, PURCHASED IN-PROCESS TECHNOLOGY, LEGAL SETTLEMENTS, AND SEPARATION COSTS