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HANDSPRING REPORTS SECOND QUARTER RESULTS

MOUNTAIN VIEW, CALIF. (January 16, 2003) – Handspring, Inc. (NASDAQ: HAND) today announced results for the second quarter of fiscal 2003 ended December 28, 2002.

Revenue for the quarter totaled \$47.8 million, which included \$31.9 million in communicator sales and \$15.9 million in sales of organizers and accessories. Revenue for the second quarter was down from \$54.1 million in the first quarter and from \$70.5 million in the second quarter a year ago. On a GAAP accounting basis, net loss for the period totaled \$12.3 million, or \$0.08 per share, a significant improvement from a loss of \$19.8 million or \$0.16 per share in the same quarter a year ago. On a pro forma basis, excluding amortization of deferred stock compensation and intangibles, the company reported a net loss of \$10.0 million for the quarter, or \$0.07 per share, improved from \$14.4 million or \$0.12 per share a year ago.

“We were pleased to add more than 50,000 new Treo end users this past quarter. This growing acceptance gives us confidence in our long term success,” said Handspring CEO Donna Dubinsky.

The company reported gross margins of 27.4% and total operating expenses, excluding amortization of deferred stock compensation and intangibles, of \$23.4 million for the second quarter.

Highlights of the second quarter include:

- Release of the GPRS software worldwide
- Launch of the Treo 270 with Telcel, the leading Mexican network operator, through a distribution agreement with Celex
- Launch of the Treo 270 with CEC Telcom and Grandtech for distribution in China
- PC Magazine’s Technical excellence award at Comdex 2002
- Computer Reseller News’ Best New Product of the Year award, citing its technical ingenuity

Handspring also announced today that it has entered into an agreement to restructure its lease agreements on two buildings that the Company no longer plans to occupy. The closing of the restructuring is subject to certain closing conditions and is anticipated to be completed later this month. The restructured lease agreements allow Handspring to reduce substantially the previous lease obligation of approximately \$350 million over the next 12 years. In exchange,

Handspring has agreed to pay total consideration of \$61.2 million to the building landlord and contractor. Of this consideration, \$15.3 million will be paid in Q3 from the Company's unrestricted cash and \$40.9 million will be paid from previously restricted cash. Handspring will pay an additional \$5.0 million in various debt and lease payments over the next 5 years. Handspring will also issue to the landlord warrants to purchase 10 million shares of Handspring stock. Handspring anticipates recording a charge against earnings of \$75 to \$80 million in Q3 to account for the transaction.

As of December 28, 2002, prior to the completion of the lease restructuring, Handspring's total cash and restricted investments balance stood at \$110.0 million, down \$8.0 million from the previous quarter. Of the total cash and investments balance, \$65.7 million was unrestricted and \$44.2 million was in the form of restricted cash investments.

"While our long term outlook remains positive, we see a number of challenges in the next quarter that make us cautious for our near-term business outlook," said CEO Dubinsky.

Third Quarter Fiscal 2003 Business Outlook:

Handspring's business outlook will be affected by the following factors.

- The company expects that revenue from organizers in Q3 will decline substantially.
- The company expects that sell through of Treo Communicators to increase sequentially, however, communicator revenue in Q3 will decline slightly as channel partners sell through existing inventory.
- The Company expects to reduce expenses through several actions, including recent reductions in headcount, restructuring of lease arrangements, product cost reductions, and management of other operating expenses.

Conference Call Information:

Handspring's earnings conference call will be webcast on its web site at www.handspring.com, live at 2 p.m. PST (Pacific Standard Time) on Thursday, January 16, 2003, and archived through Sunday, January 26, 2003. The audio replay of the company's Q2 conference call can be accessed via telephone after 4:00 p.m. PST Thursday, January 16, 2003 until 4:00 p.m. PST Sunday, January 26, 2003 by calling (402) 977-9140 and entering the reservation number 21098799.

ABOUT HANDSPRING

Handspring is a leading innovator in personal communications and handheld computing. The company's products include the Treo wireless communicators and Treo 90 organizer, the Visor expandable handheld computers, and client and server software for fast Web access from handheld devices and mobile phones. Today Handspring sells its products and accessories at www.handspring.com and through select Internet, retail and carrier partners in the United States, Europe, Asia, Australia, New Zealand, Canada Middle East, and Mexico/Latin America.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This press release contains forward-looking statements that involve risks and uncertainties, including those relating to: the timing for closing the lease restructuring transaction; the acceptance of the Treo product family in the consumer and enterprise markets; Handspring's ability to adequately control expenses to address declining revenues and earnings; and Handspring's future product development and carrier business development efforts. Actual results may differ materially due to a number of factors including, among others: the parties' success in closing the lease restructuring transaction; the timing of the build-out of advanced wireless networks and the quality and scope of voice and data service coverage offered by wireless carriers; the degree to which wireless carriers will facilitate the successful introduction of Handspring's wireless products; our dependence on third parties to supply components for Treo in sufficient volumes and at satisfactory quality levels; our ability to accurately forecast future Treo demand; customer acceptance of Handspring's Treo communicator products; the rapid pace of technological change and competitive developments in the wireless communications industry. Reported results should not be considered as an indication of future performance. The matters discussed in this press release also involve risks and uncertainties described in Handspring's most recent Form 10-Q filed with the Securities and Exchange Commission. Handspring assumes no obligation to update the forward-looking information contained in this press release, except as otherwise required by applicable law.

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