



For Immediate Release

Corel Corporation Reports Fourth Quarter and Fiscal Year End 2006 Results

Ottawa, Canada – January 18, 2007 – Corel Corporation (NASDAQ:CREL; TSX:CRE) today reported financial results for its fourth quarter and year ended November 30, 2006. Revenues in the fourth quarter of fiscal 2006 were \$47.4 million, an increase of 4% over revenues of \$45.6 million in the fourth quarter fiscal 2005. GAAP net income in the fourth quarter of fiscal 2006 was \$9.4 million, or \$0.37 per diluted share, compared to a GAAP net loss of \$3.4 million, or \$(0.17) per share in the fourth quarter of fiscal 2005.

Non-GAAP adjusted net income for the fourth quarter fiscal 2006 was \$13.1 million, or \$0.52 per diluted share, an increase of 90% compared to non-GAAP adjusted net income for the fourth quarter of fiscal 2005 of \$6.9 million, or \$0.35 per diluted share. Non-GAAP adjusted EBITDA increased 11% in the fourth quarter to \$14.7 million, compared to \$13.3 million in the fourth quarter of fiscal 2005.

In fiscal year 2006, Corel achieved revenue of \$177.2 million, an increase of 8%, compared to \$164.0 million in fiscal 2005. GAAP net income for the year was \$9.3 million, or \$0.40 per diluted share, compared to a GAAP net loss of \$8.8 million, or \$(0.45) per share, for fiscal year 2005.

Non-GAAP adjusted net income for fiscal year 2006 was \$37.6 million, or \$1.62 per diluted share, an increase of 31% from fiscal year 2005 of \$28.6 million, or \$1.47 per diluted share. Non-GAAP adjusted EBITDA for 2006 was \$55.2 million, a 13% increase over 2005 non-GAAP adjusted EBITDA of \$49.0 million.

A reconciliation of GAAP net income to non-GAAP adjusted net income and non-GAAP adjusted EBITDA is provided in the notes to the financial statements included in this press release.

“Corel closed a busy 2006 with a solid fourth quarter, delivering strong results on both revenue and earnings and continuing to execute against all facets of our strategy,” said David Dobson,

CEO of Corel Corporation. “As we enter 2007, we are very excited about the acquisition of InterVideo, which we closed in December. This combination creates the broadest digital media portfolio in the industry, and will further our core strategy of expanding our partner ecosystem, delivering new products and growing in new and emerging markets. We expect that over the course of 2007, we will improve InterVideo’s gross margins, realize significant cost synergies between the two organizations, and drive increased value to our customers, partners and shareholders.”

Financial Guidance

There are several items related to the acquisition that will impact revenue and earnings for the first quarter and full year of 2007. These are as follows:

- The acquisition closed on December 12, 2006, so Corel will not recognize approximately two weeks of revenue from InterVideo in the first quarter. In addition, revenue from OEM customers is primarily reported to InterVideo after the end of each calendar quarter. Corel is not able to recognize revenue that is reported from OEM customers for products sold prior to the close of the acquisition that traditionally would have been reported in InterVideo’s first quarter results. Beginning in our second quarter, we will be able to report the full InterVideo OEM revenue. The impact of these items on revenue will be approximately \$15 million in the first quarter. The impact on earnings for both the first quarter and fiscal year 2007 will be approximately \$7 million or \$(0.27) per share.
- Also, the company expects that it will no longer recognize approximately \$15 million of revenue that was annually sold by InterVideo at cost. There will be no impact on earnings as a result of this change.
- The company expects to rationalize approximately \$5 million to \$7 million of unprofitable revenue in fiscal 2007.
- The company expects to take a one-time charge of approximately \$8.5 million to in-process research and development and a \$2 million restructuring and transition charge in the first quarter.

The combined impact of these changes on revenue is expected to be approximately \$20 million in the first quarter and \$35 million to \$37 million in fiscal year 2007. More information about the Company’s financial guidance will be provided on their scheduled earnings conference call. Details on the call are provided below.

First Quarter Fiscal 2007 Guidance

Corel provided guidance for the first quarter ending February 28, 2007. The Company currently expects:

- Revenue in the range of \$51 million to \$53 million.
- GAAP net loss of \$18 million to \$20 million and a non-GAAP adjusted net loss of \$1 million to a non-GAAP adjusted net income of \$1 million.
- GAAP EPS of \$(0.70) to \$(0.78) per share and non-GAAP EPS of \$(0.04) to \$0.04 per

share, which reflects the aforementioned \$(0.27) per share impact from the non-recognition of certain OEM revenue.

Fiscal 2007 Guidance

Corel provided guidance for the year ending November 30, 2007.

The Company currently expects:

- Revenue in the range of \$245 million to \$255 million
- GAAP net loss of \$10.5 million to \$13.5 million and non-GAAP adjusted net income of \$33 million to \$36 million.
- GAAP EPS of \$(0.40) to \$(0.55) per share and non-GAAP EPS of \$1.25 to \$1.40 per diluted share, which reflects the aforementioned \$(0.27) per share impact from the non-recognition of certain OEM revenue.

Corel will host a conference call to discuss its financial results at 4:30 p.m. Eastern Time today. To access the conference call, please dial (888) 802-2225 or (913) 312-1268. A live webcast and replay of the call will also be available through Corel's Investor Relations website at <http://investor.corel.com/events.cfm>.

Forward-Looking Statements:

This news release includes forward-looking statements that are based on certain assumptions and reflect our current expectations. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements to differ materially from any future results, performance, or achievements discussed or implied by such forward-looking statements. Such risks include competitive threats from well-established software companies that have significantly greater market share and resources than us, new entrants that benefit from industry trends, such as the increasing importance of Internet distribution and open source software, and from online services companies that are increasingly seeking to provide software products at little or no incremental cost to their customers to expand their Internet presence and build consumer loyalty. We rely on a small number of key strategic relationships for a significant percentage of our revenue and these relationships can be modified or terminated at any time. In addition, our core products have been marketed for many years and the packaged software market in North America and Europe is relatively mature and characterized by modest growth. Accordingly, we must successfully complete acquisitions, penetrate new markets or increase penetration of our installed base to achieve revenue growth. In addition, we face risks related to the acquisition of InterVideo, Inc., including the risk that disruption from the transaction may make it more difficult to maintain relationships with customers, employees, or suppliers. We face potential claims from third parties who may hold patent and other intellectual property rights which purport to cover various aspects of our products. These and other risks, uncertainties and other important factors are described in Corel's Prospectus dated April 25, 2006, filed with the Securities and Exchange Commission (The SEC) pursuant to Rule 462(b) of the rules and regulations under the Securities

Act of 1933 and Corel's other filings with the SEC including Corel's form 10-Q for the quarter ended August 31, 2006 under the caption "Risk Factors" and elsewhere. A copy of the Corel Prospectus and such other filings can be obtained on Corel's website or on the SEC's website at <http://www.sec.gov>. Certain of such risks are also included in Corel's Canadian supplemented PREP prospectus dated April 25, 2006 available at <http://www.sedar.com>. In addition, these and other risks can be found in InterVideo's previous reports filed with the SEC under the caption "Risk Factors" and elsewhere, including InterVideo's 10-Q for the quarter ended September 30, 2006, which can be found on InterVideo's website or on the SEC's website at <http://www.sec.gov>. Forward-looking statements speak only as of the date of the document in which they are made. We disclaim any obligation or undertaking to provide any updates or revisions to any forward-looking statement to reflect any change in our expectations or any change in events, conditions or circumstances on which the forward-looking statement is based.

Financial Presentation and Use of Non-GAAP Measures:

Our financial statements have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP, which differ in certain material respects from Canadian generally accepted accounting principles. In addition, our financial statements and information in this release are presented in U.S. Dollars, unless otherwise indicated. This news release includes certain non-GAAP financial measures, such as adjusted net income and adjusted EBITDA. We use these non-GAAP financial measures to confirm our compliance with covenants contained in our debt facilities, as supplemental indicators of our operating performance and to assist in evaluation of our liquidity. These measures do not have any standardized meanings prescribed by GAAP and therefore are not comparable to the calculation of similar measures used by other companies, and should not be viewed as alternatives to measures of financial performance or changes in cash flows calculated in accordance with GAAP. Reconciliations of these non-GAAP financial measures to the closes GAAP measures are set out in the notes to the financial statements attached to this news release.

About Corel Corporation

Corel is a leading global packaged software company with over 40 million users. The Company provides full-featured, easy-to-use productivity, graphics and digital imaging software and enjoys a favorable market position among consumers and small businesses. The Company's award-winning product portfolio features popular, globally recognized brands, including CorelDRAW® Graphics Suite, Corel® Paint Shop® Pro, Corel Painter™, Corel DESIGNER®, Corel® WordPerfect® Office, WinZip®, and iGrafx®. With hundreds of industry awards for leadership in software innovation, design and value, Corel's products have built a loyal following of customers and partners around the globe. Corel's products are sold in over 75 countries through an international network of resellers and retailers, original equipment manufacturers (OEMs), and Corel's global websites.

Corel Corporation announced the completion of its acquisition of InterVideo, Inc., a leading provider of digital media authoring and playback software with a focus on high-definition video and DVD technologies, on December 12, 2006. In 2006, InterVideo acquired Ulead, a leading developer of video imaging and DVD authoring software for desktop, server, mobile and Internet platforms.

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