

Corel Corporation reports fourth quarter & fiscal 2002 results

London, February 4, 2003 – Corel Corporation (NASDAQ: CORL, TSX: COR) today announced results for its fourth quarter and fiscal 2002, ended November 30, 2002. All figures are reported in US currency.

For the fourth quarter ended November 30, 2002, Corel reported revenues of \$33.5 million, up \$1.9 million, or 6%, from revenues of \$31.6 million for the fourth quarter of 2001. Sequentially, fourth quarter 2002 revenues increased by \$2.2 million over revenues in the third quarter of 2002, which were \$31.3 million. Net loss for the fourth quarter of 2002 was \$27.8 million or \$(0.30) per share, which includes a charge to net income of \$5.9 million for severance and occupancy costs and \$17.2 million for the write-down of non-tangible assets of technology and goodwill. This compares with a net loss of \$10.7 million, or \$(0.14) per share, for the same period in the previous year. Excluding the charge for severance and occupancy costs, technology and goodwill write-downs and the corresponding income tax recoveries, Company's net loss was \$13.5 million, or \$(0.15) per share or \$(0.15) per share.

For fiscal 2002, Corel achieved revenues of \$126.7 million, down \$7.6 million, or 6%, from the prior year, when the Company reported total revenues of \$134.3 million. Net loss for fiscal 2002 was \$96.4 million, or \$(1.09) per share, which includes a charge to net income of \$5.9 million for severance and occupancy costs and \$67.7 million for the write-down of non-tangible assets of technology and goodwill. This compares with a net loss for fiscal 2001 of \$7.3 million, or \$(0.10) per share. Excluding the charge for severance and occupancy costs, technology and goodwill write-downs and the corresponding income tax recoveries, the Company's net loss was \$31.6 million, or \$(0.36) per share.

Cash equivalents, restricted cash and short-term investments at the end of fiscal 2002 stood at \$77.4 million, compared with \$122.4 million at the end of fiscal 2001. Cash payments for fiscal 2002 include \$16.3 million related to the purchase of Micrografx, Inc.

Derek Burney, President and CEO of Corel Corporation, commented: "The strategy for 2002 was to lay the foundation for growth and profitability by making investments in key areas of the Company. We executed on that strategy by establishing enterprise sales forces in both North America and Europe, by making R&D investments in new enterprise solutions, and by enhancing the infrastructure in Europe to support its success. We began 2003 with a strong cash position, no long-term debt and a clean balance

sheet, having written off goodwill and a significant portion of our acquired technologies.”

“We expect our core business of established product lines, specifically CorelDRAW and WordPerfect, will continue to generate the revenues we need to be profitable in 2003 as well as fund the investments we are making in new enterprise solutions. We will continue to expand our network of partnerships in order to increase our presence in the enterprise and serve markets where adoption is driven by the increasing reliance on mobile devices and the growth of Web services.”

Performance by business area solution category

Corel has solutions in four categories: graphics, office productivity, process management and XML. Its graphics and office productivity solutions represent the Company’s core business, while its process management and XML solutions represent areas targeted for investment and future growth. Starting this quarter, Corel is providing segmented information on each solutions category for reporting purposes. Historical information has been reorganised to reflect this presentation format.

Graphics Solutions

Corel’s graphics solutions decreased 10% on a year-to-year basis, from \$73.9 million in fiscal 2001 to \$66.4 million in fiscal 2002. The Company launched a new version of its flagship graphics solution, CorelDRAW Graphics Suite 11, late in the third quarter of fiscal 2002. Overall, sales of this new version were lower than anticipated in North America. However, strong sales of CorelDRAW Graphics Suite 11 in the Company’s Europe, Middle East and Africa (EMEA) region helped to offset the lower-than-expected sales in the North American market. Fourth quarter 2002 sales of Corel’s graphics solutions increased by 5% over the fourth quarter of 2001.

Office productivity solutions

Revenues from Corel’s office productivity solutions declined by 17% on a year-to-year basis, from \$58.6 million in fiscal 2001 to \$48.7 million in fiscal 2002, which is consistent with expectations as the current version of the Company’s WordPerfect Office suite advanced towards the end of its version life cycle. However, on a sequential basis during 2002, reported revenues from Corel’s office productivity solutions increased from \$11.2 million in the second quarter to \$11.6 million in the third quarter and to \$13.8 million in the fourth quarter. During fiscal 2002, the Company secured bundling agreements with the industry’s leading PC manufacturers – HP, Dell, Sony and Gateway – to pre-load its WordPerfect Office tools on select models of their consumer PCs. These agreements are increasing the visibility of Corel’s

office productivity tools with future potential customers, and enabling the Company to reach more customers. Corel is preparing for the launch of the next version of its WordPerfect Office suite, scheduled for release in the first half of 2003.

Process management solutions

Revenue from Corel's process management solutions was \$8.3 million for fiscal 2002. The Company acquired these technologies in October 2001 when it purchased Micrografx, Inc. During fiscal 2001, Corel recognised only one month of revenue for this product line, totalling \$220,000. The Company released new versions of the complete iGrafx process management product line during the third and fourth quarters of fiscal 2002.

XML solutions*

Corel's XML solutions, a new category for the Company, generated revenues of \$1.7 million during fiscal 2002. This lineup of solutions includes XMetaL, an XML authoring solution acquired from SoftQuad, Software Ltd. in March 2002. Corel also introduced a new XML-enabled version of its Ventura publishing solution specifically designed for enterprise customers in the fourth quarter of 2002. A new version of XMetaL will be available by the end of this quarter.

Performance by region

Fiscal 2002 revenues for Corel's EMEA operation were \$38.7 million, up \$6.4 million, or 20% higher than fiscal 2001 revenues (including approximately 4% attributable to favorable exchange rate variances). Revenues generated in the EMEA region in fiscal 2002 represented 31% of the Company's total revenues, up from 24% in fiscal 2001. Growth in this key market is the result of strong sales of the Company's CorelDRAW and iGrafx solutions and overall investments Corel made in this operation in November 2001 to strengthen its global reach. Revenues generated in Corel's other primary markets (North America, Latin American and Asia-Pacific) decreased from \$90.6 million in fiscal 2001 to \$80.5 million in fiscal 2002.

In the fourth quarter of 2002, Corel realigned its geographical segments to be more comparable with its competitors. The Company removed OEM revenue from traditional geographic regions as its customers for OEM products are global companies and are not specific to one geography. Comparative figures have been reclassified accordingly.

Expenses

Sales expenses during fiscal 2002 were higher than the prior year, resulting from the Company's investments to establish an enterprise sales force. Marketing expenses for fiscal 2002 also increased when compared with last year due to numerous product launches, including the introduction of CorelDRAW Graphics Suite 11, the launch of Ventura 10 and new versions of Corel's iGrafx process management solutions. Included in the sales, marketing, research and development and general and administration expenses were costs related to the expansion of Corel's EMEA infrastructure as well as \$5.9 million in severance and occupancy costs incurred during the fourth quarter of fiscal 2002.

Outlook

During fiscal 2003, Corel will continue to introduce new enterprise solutions based on open standards such as XML and SVG (scalable vector graphics), while releasing new versions of its established products, including the latest new version of its flagship WordPerfect Office suite. The Company expects to have positive EBITDA in fiscal 2003.

Mr. Burney added: "We are committed to growing our revenues and running our business profitably in 2003, regardless of the prevailing economic climate. We will maintain strong financial controls and efficient, flexible operations. In order to lay the foundation for longer-term recurring revenue streams, we will continue to invest in the development of new technologies and increase the number of enterprise-focused partners selling Corel's solutions. Growing our enterprise partner base, which includes strong partners such as Documentum and Interwoven, is key to our success in serving more enterprise customers with our XML and process management solutions. While our primary focus will be on addressing the needs of business customers with our enterprise solutions, we will also work closely with our channel partners to increase the visibility of the Corel brand and deliver valuable solutions that excite customers and awareness of the Corel brand among consumers."

**XML Solutions is part of the "other" category in the segmented information provided by the Company in its Statement of Operations. "Other" also includes technical support revenues from all of Corel's solution categories along with other miscellaneous revenue.*

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Notes to Editors:**About Corel Corporation**

Founded in 1985, Corel Corporation (www.corel.com) is a leading technology Company specialising in content creation tools, business process management and XML-enabled enterprise solutions. The Company's goal is to give consumers and enterprise customers the ability to create, exchange and instantly interact with visual content that is always relevant, accurate and available. With its headquarters in Ottawa, Canada, Corel's common stock trades on the Nasdaq Stock Market under the symbol CORL and on the Toronto Stock Exchange under the symbol COR.

This press release contains forward-looking statements as defined by the United States Private Securities Litigation Reform Act of 1995, involving the Company's expectations about future financial results and other matters. These statements reflect management's current forecast of certain aspects of the Company's future business. Specifically, this release contains forward-looking statements regarding the likely benefits from new product introductions and the need by the marketplace for the products under development; the programs being undertaken by the Company and expectations regarding the ability of the Company to increase sales and return to profitability and results in future quarter and for the next fiscal year. The words "plan", "expect", "believe", "intend", "anticipate", "forecast", "target", "estimate" and similar expressions identify forward-looking statements. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results of operations to differ materially from historical results or current expectations. In particular, there can be no assurance that the Company's cost reductions will be adequate or that the Company will achieve a level of revenue that will allow the Company to return to profitability, that the Company will be able to produce and launch new products or that the Company will be able to successfully implement or complete the short-term and long-term programs being undertaken by the Company. Risk factors include shifts in customer demand, product shipment schedules, product mix, competitive products and pricing, technological shifts, the Company's effectiveness at executing its sales, marketing and development plan, the market acceptance of new products and other variables. Readers are referred to Corel's most recent reports filed with the Securities and Exchange Commission for a more complete discussion of the other risks and uncertainties. The factors underlying forecasts are dynamic and subject to change. As a result, forecasts speak only as of the date they are given and do not necessarily reflect the Company's outlook at any other point in time. The Company does not undertake to update or review these forward-looking statements

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