



For Immediate Release

## **Corel Corporation Reports Second Quarter Results**

*Revenues Increase 11%; GAAP Net Loss of \$(0.19) Per Share;*

*Non-GAAP Adjusted Net Income of \$0.38 Per Diluted Share*

**Ottawa, Canada – June 28, 2006** – Corel Corporation (NASDAQ:CREL; TSX:CRE) today reported financial results for its second quarter ended May 31, 2006.

Revenues in the second quarter of fiscal 2006 were \$44.2 million, an increase of 11% over revenues of \$40.0 million in the second quarter of fiscal 2005. GAAP net loss in the second quarter of fiscal 2006, which includes a one time charge of \$8.3 million related to the early retirement of debt, was \$(4.0) million, or \$(0.19) per share. This compares to net income of \$158,000, or \$0.01 per share in the second quarter of fiscal 2005.

Non-GAAP adjusted net income for the second quarter of fiscal 2006 was \$8.4 million, an increase of 11% compared to non-GAAP adjusted net income for the second quarter of fiscal 2005 of \$7.5 million, remaining constant at \$0.38 per diluted share. Non-GAAP adjusted EBITDA in the second quarter of fiscal 2006 was \$13.7 million, a 6% increase compared to \$13.0 million in the second quarter of fiscal 2005. 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.

During the quarter, Corel completed its initial public offering and refinanced its credit facilities. Net proceeds to Corel from the offering were \$72.5 million. As a result of the offering and related transactions, Corel reduced its outstanding debt at the end of the quarter from \$140.0 million to \$90.0 million and ended the quarter with \$33.0 million in cash and cash equivalents.

“Corel’s second quarter performance demonstrates the continued strength of our business model and the results we are able to achieve by remaining focused on the needs of our customers and partners,” said David Dobson, CEO of Corel Corporation. “With strong revenue performance, new global partnerships, and increasing traction in developing and emerging markets, Corel is successfully executing its strategy to deliver long-term, shareholder value. WinZip’s contribution further illustrates the benefits of the Corel acquisition model as we leverage operating efficiencies to drive incremental earnings.”

Dobson continued, “Corel has proven itself to be a leader in delivering high-value, affordable software that is easy to learn and use. We remain committed to that vision and to delivering a unique customer experience that differentiates Corel in the marketplace. Our new digital imaging platform, code named “Alta”, is an example of the innovations we are developing to provide customers and partners with more flexibility, convenience, and control in creating

their own digital imaging environment. Corel's employees will continue to work closely with our customers and partners to deliver software that responds to their evolving needs."

### **Third Quarter Fiscal 2006 Guidance**

Corel provided guidance for the third quarter ending August 31, 2006.

The Company currently expects:

- Revenue in the range of \$39 million to \$41 million.
- GAAP net income of \$3.4 million to \$4.7 million and non-GAAP adjusted net income of \$7.2 million to \$8.5 million.
- GAAP EPS of \$0.13 to \$0.18 per share and non-GAAP EPS of \$0.28 to \$0.33 per share.

### **Fiscal 2006 Guidance**

Corel provided guidance for the year ending November 30, 2006.

The Company currently expects:

- Revenue in the range of \$172 million to \$175 million
- GAAP net income of \$4.7 million to \$7.1 million and non-GAAP adjusted net income of \$33.0 million to \$35.4 million.
- GAAP EPS of \$0.20 to \$0.30 per share and non-GAAP EPS of \$1.40 to \$1.50 per share.

Corel will host a conference call to discuss the results at 4:30 p.m. Eastern Time today. To access the conference call, please dial (800) 810-0924 or (913) 981-4900. 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. These and other risks, uncertainties and other important factors are described in our Prospectus dated April 25, 2006, filed with the Securities and Exchange

Commission pursuant to Rule 462(b) of the rules and regulations under the Securities Act of 1933. A copy of the Prospectus can be obtained on our website, or at [www.sec.gov](http://www.sec.gov). Such risks are also included in our Canadian supplemented PREP prospectus dated April 25, 2006, available at <http://www.sedar.com>. 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 closest 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 an estimated installed base of over 40 million users. The Company provides high quality, affordable and easy-to-use productivity, graphics and digital imaging software and enjoys a favorable market position among value-conscious consumers and small businesses. Its products are sold in over 75 countries through a scalable distribution platform comprised of original equipment manufacturers (OEMs), Corel's international websites, and a global network of resellers and retailers. The Company's product portfolio features well-established, globally recognized brands including CorelDRAW® Graphics Suite, Corel® WordPerfect® Office, WinZip®, Corel® Paint Shop® Pro, and Corel Painter™. To learn more about Corel, please visit [www.corel.com](http://www.corel.com).

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