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Creative Announces Q3 FY09 Financial Results

SINGAPORE – May 5, 2009– Creative Technology Ltd. today announced financial results for the third quarter of its 2009 fiscal year, ended March 31, 2009. All financial results are stated in U.S. dollars.

Revenues for the third quarter were \$83.1 million, compared to revenues of \$150.3 million for the same quarter last year. Results for the period include restructuring charges of \$11.2 million. Net loss for the third quarter was \$41.8 million, with loss per share of \$0.60. This compares to net income of \$3.0 million with earnings per share of \$0.04 for the same period last year.

“As we announced on April 3, our revenue and gross margins are substantially lower due primarily to two factors. First, the impact the global economic downturn has had on demand for our products, and second, our decision to close or consolidate certain businesses in order to focus on specific markets that provide the best opportunities to improve our business going forward,” said Craig McHugh, president and COO of Creative. “We expect the difficult market conditions to remain this quarter. We will continue our efforts to restructure our Company as we work to further reduce operating expenses and our operating loss.”

Share Buyback Program

During the third quarter, Creative purchased 1.31 million shares under its share buyback program at an average price of \$2.74.

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About Creative

Creative is a worldwide leader in digital entertainment products. Famous for its Sound Blaster® audio cards and for launching the multimedia revolution, Creative is now driving digital entertainment on the PC platform with products like its highly acclaimed ZEN portable audio and media players. Creative's innovative hardware, proprietary technology, applications and services leverage the Internet, enabling consumers to experience high-quality digital entertainment -- anytime, anywhere.

CREATIVE TECHNOLOGY LTD.
CONSOLIDATED BALANCE SHEETS

(In US\$' 000)

	(Unaudited) March 31, 2009	June 30, 2008
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 263,315	\$ 408,644
Accounts receivable, less allowances of \$13,287 and \$14,721	31,784	82,554
Inventory	40,232	99,788
Other assets and prepaids	19,152	39,563
	354,483	630,549
Total current assets		
Property and equipment, net	67,475	67,043
Investments	24,260	37,247
Other non-current assets	17,651	15,519
	463,869	750,358
Total Assets	\$ 463,869	\$ 750,358
 <u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current Liabilities:		
Accounts payable	\$ 25,439	\$ 66,507
Accrued liabilities	82,142	91,164
Income taxes payable	3,259	5,288
Current portion of long term obligations and others	1,511	100,019
	112,351	262,978
Total current liabilities		
Long term obligations	29,735	29,756
Advance payments from sale of building	120,592	127,563
Minority interest in subsidiaries	378	378
Shareholders' equity	200,813	329,683
	463,869	750,358
Total Liabilities and Shareholders' Equity	\$ 463,869	\$ 750,358

CREATIVE TECHNOLOGY LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS

(In US\$' 000, except per share data)

(Unaudited)

	Three months ended March 31,		Nine months ended March 31,	
	2009	2008	2009	2008
Sales, net	\$ 83,089	\$ 150,302	\$ 380,014	\$ 597,395
Cost of goods sold	74,736	115,642	314,754	462,288
Gross profit	8,353	34,660	65,260	135,107
Operating expenses:				
Selling, general and administrative	19,882	36,086	76,910	107,487
Research and development	14,616	15,334	47,669	46,988
Other charges	11,168	--	11,168	--
Chairman's gift of shares to employees	--	2,972	--	2,972
Total operating expenses	45,666	54,392	135,747	157,447
Operating loss	(37,313)	(19,732)	(70,487)	(22,340)
Gain (loss) from investments, net	274	16,018	(12,031)	18,299
Interest income	437	2,738	3,734	8,506
Interest expense	(1,765)	(1,305)	(5,436)	(4,610)
Others	(3,367)	5,813	(21,478)	13,264
(Loss) Income before income taxes and minority interest	(41,734)	3,532	(105,698)	13,119
Income tax expense	(114)	(485)	(742)	(1,135)
Minority interest in loss	(1)	--	--	1
Net (loss) income	\$ (41,849)	\$ 3,047	\$ (106,440)	\$ 11,985
Basic (loss) earnings per share:	\$ (0.60)	\$ 0.04	\$ (1.45)	\$ 0.15
Weighted average ordinary shares outstanding ('000)	69,555	81,259	73,192	82,588
Diluted (loss) earnings per share:	\$ (0.60)	\$ 0.04	\$ (1.45)	\$ 0.15
Weighted average ordinary shares and equivalents outstanding ('000)	69,555	81,316	73,192	82,641

CONSOLIDATED STATEMENTS OF CASH FLOWS
Increase (decrease) in cash and cash equivalents (in US\$'000)
(Unaudited)

	Nine Months Ended March 31,	
	2009	2008
Cash flows from operating activities:		
Net (loss) income	\$ (106,440)	\$ 11,985
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation of fixed assets	7,290	7,359
Amortisation of intangible assets	27	303
Deferred share compensation amortization	1,002	1,069
Minority interest in loss	--	(1)
Equity share in loss of unconsolidated investments	1,692	1,914
(Gain) loss on disposal of fixed assets	(15)	331
Write downs of investments and other non-current assets	12,375	14,478
Gain from investments, net	(344)	(24,532)
Gain on disposal of subsidiaries	(39)	(6,973)
Deferred income taxes, net	(46)	(25)
Gain on disposal of interests in associated company	--	(972)
Foreign currency exchange loss (gain)	15,896	(8,522)
Dividend income	(96)	(883)
Chairman's gift of shares to employees	--	2,972
Gain on issue of treasury shares	(4)	--
Advance payments from sale of building	5,324	--
Changes in assets and liabilities, net:		
Accounts receivable	42,894	66,444
Inventory	61,011	7,598
Other assets and prepaids	26,626	(7,376)
Accounts payable	(45,444)	3,813
Accrued and other liabilities	(11,326)	1,808
Income taxes	(2,029)	97
Net cash provided by operating activities	8,354	70,887
Cash flows from investing activities:		
Capital expenditures, net	(2,780)	(8,716)
Proceeds from sale of fixed assets	281	107
Proceeds from sale of investments	441	32,259
Proceeds from sale of subsidiary	--	5,692
Purchase of new subsidiaries (net of cash acquired)	(601)	--
Purchase of investments	(202)	(4,005)
Dividend income received	96	883
Net cash (used in) provided by investing activities	(2,765)	26,220
Cash flows from financing activities:		
Proceeds from exercise of ordinary share options	10	14
Purchase of treasury shares	(22,719)	(20,218)
Proceeds from debt obligations	--	--
Repayments of debt obligations	(100,000)	(2,172)
Repayments of capital leases	(19)	(10)
Dividends paid to ordinary shareholders	--	(11,528)
Net cash used in financing activities	(122,728)	(33,914)
Net (decrease) increase in cash and cash equivalents	(117,139)	63,193
Effects of exchange rate changes on cash and cash equivalents	(28,190)	10,452
Cash and cash equivalents at beginning of year	408,644	250,480
Cash and cash equivalents at end of the period	\$ 263,315	\$ 324,125

CREATIVE TECHNOLOGY LTD.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Ordinary Shares '000	Treasury Shares '000	Ordinary Shares \$'000	Treasury Shares \$'000	Other Reserves \$'000	Unrealised Holding Gains (Losses) on Investments \$'000	(Accumulated Losses) Retained Earnings \$'000	Total \$'000
Q309								
Balance at July 1, 2008	83,626	(6,981)	300,100	(32,113)	59,286	3,377	(967)	329,683
Shares issued under employee options plans	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	(7,757)	-	(22,719)	-	-	-	(22,719)
Utilization of treasury shares for shares issued under employee option plans	-	3	-	10	(4)	-	-	6
Shares cancellation	(8,626)	8,626	(33,347)	33,347	-	-	-	-
Amortization of deferred share compensation	-	-	-	-	1,002	-	-	1,002
Comprehensive loss	-	-	-	-	-	(719)	(106,440)	(107,159)
Balance at March 31, 2009	75,000	(6,109)	266,753	(21,475)	60,284	2,658	(107,407)	200,813
Q308								
Balance at July 1, 2007	83,622	-	300,086	-	53,949	24,240	30,295	408,570
Shares issued under employee options plans	4	-	14	-	-	-	-	14
Chairman's gift of shares to employees	-	-	-	-	2,972	-	-	2,972
Purchase of treasury shares	-	(4,500)	-	(20,218)	-	-	-	(20,218)
Dividends paid	-	-	-	-	-	-	(11,528)	(11,528)
Amortization of deferred share compensation	-	-	-	-	1,069	-	-	1,069
Comprehensive loss	-	-	-	-	-	(19,186)	11,985	(7,201)
Balance at March 31, 2008	83,626	(4,500)	300,100	(20,218)	57,990	5,054	30,752	373,678

CREATIVE TECHNOLOGY LTD.
SUPPLEMENTAL FINANCIAL INFORMATION

	Three months ended		
	Mar 31, 2009	Dec 31, 2008	Mar 31, 2008
Revenue by geographical region :			
Americas	20%	30%	29%
Europe	30%	46%	46%
Asia and rest of the world	50%	24%	25%
Revenue by product category :			
Personal Digital Entertainment	27%	54%	47%
Audio	18%	12%	16%
Speakers and Headphones	30%	22%	28%
Others	25%	12%	9%