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CREATIVE ANNOUNCES Q1 FY07 FINANCIAL RESULTS

SINGAPORE – October 31, 2006– Creative Technology Ltd. (NASDAQ: CREAM), a worldwide leader in digital entertainment products, today announced financial results for the first quarter of fiscal year 2007, ended September 30, 2006. All financial results are stated in U.S. dollars.

Sales for the first quarter were \$241.5 million, which compares to sales of \$280.2 million for the same quarter last year. Net loss for the first quarter was \$21.0 million, compared to net income of \$0.7 million for the same period last year. Loss per share was \$0.25 compared to earnings per share of \$0.01 for the same period last year.

“On August 24 we announced our broad settlement with Apple and our expectations that the one-time licensing payment of \$100 million from Apple to Creative would contribute approximately 85 cents per share,” said Craig McHugh, president of Creative Labs, Inc. “We received the payment from Apple on October 6, and we will account for the license payment in the current quarter. We’re very pleased that the license payment is subject to a lower-than-expected effective tax rate, so we will recognize an even larger after-tax profit of \$82 million with EPS of 98 cents from the payment in the current quarter.”

“In addition to the \$100 million paid-up license we received from Apple for use of the ZEN Patent, the settlement provides us with a significant new market opportunity,” continued McHugh. “We can now develop products to market to the tens of millions of iPod users through our participation in the Made for iPod program. This provides expanded market potential for our speaker systems, our earphones and headphones and our family of X-Fi® Xtreme Fidelity™ audio enhancement products, including our recently announced Xmod.

“Over the past months we’ve been exploring strategic alternatives for streamlining and improving our operations,” continued McHugh. “As a part of that process we determined that our best course of action was to sell a majority interest and control of our CUBIC manufacturing operations in Malaysia. We have agreed to terms of a sale of 80.1 percent of our interest in CUBIC with a venture-backed group led by the current management team of the CUBIC operation. We expect to receive approximately \$40 million in cash for sale consideration and repayment of inter-company balances. We expect to recognize a profit of approximately \$5 million from the sale upon completion of the transaction. We anticipate a transition period for the operation, and then we will outsource some product production to the facility going forward as a term of the sale agreement. We’re very pleased by this agreement, as we have a high level of confidence and trust in the management team and the quality of production from the CUBIC operation. We expect to close the transaction in approximately three months.”

“In the current quarter, in addition to the significant profit contribution from our licensing of our ZEN Patent, we are focused on improving our results in key areas,” added McHugh. “We are targeting to increase our gross margin to 20 percent or above. In addition, we are working to bring operating expenses in line with our targeted gross margin in helping to achieve profitability by the end of the December quarter.”

Recent Announcements

During the quarter, in addition to announcing its broad settlement with Apple Computer for the **ZEN Patent**, Creative introduced the **ZEN Vision W** and the **Xmod**. For more information visit www.creative.com.

Awards & Accolades

- The Creative **ZEN V Plus** received the “Editor’s Pick” from *Wired* magazine.
- The Creative **Live! Cam Ultra for Notebooks** received the “Editor's Choice” award from *LAPTOP* magazine.
- The Creative **ZEN Vision:M** was included in *Stuff* magazine’s “Gear of the Year.”

Listen to Creative’s Q1 FY07 Analyst Conference Call:

Link to the Q1 earnings conference call live on October 31 at 8:00AM Singapore time

(October 30 at 8:00PM Eastern time) via Creative's Investor Relations Web site:

<http://us.creative.com/corporate/investor/>

or by calling 1-800-374-2493.

A replay will be available from shortly after the end of the conference call until November 6th via the same link from the IR web site or by calling 1-800-642-1687 or 1-706-645-9291. The reservation number to listen to call is 9164641.

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About Creative

Creative (NASDAQ: CREAM) 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.

This announcement refers to products and pricing sold in the United States of America. Pricing and product availability are subject to change without notice. Sound Blaster, X-Fi, Xtreme Fidelity, Live!, and ZEN are trademarks or registered trademarks of Creative Technology Ltd. in the United States and/or other countries. All other brand and product names are trademarks of their respective holder and are hereby recognized as such.

Safe Harbor for Forward-Looking Statements:

This press release contains forward-looking statements, including statements relating to Creative's plan to sell a majority interest and control of its CUBIC manufacturing operations in Malaysia, its expectation to receive cash and to recognize a profit as part of the transaction, increase gross margins, reduce its operating expenses, return to profitability and the market potential for its products. These forward-looking statements involve risks and uncertainties that could cause Creative's actual results to differ materially. Such risks and uncertainties include: Creative's ability to timely develop new products that gain market acceptance and to manage frequent product transitions; competitive pressures in the marketplace; a reduction or cancellation of sales orders for Creative products; accelerated declines in the average selling prices of Creative's products or any prices of components; Creative's ability to successfully integrate acquisitions; potential fluctuations in quarterly results due to the seasonality of Creative's business and the difficulty of projecting such fluctuations; possible disruption in commercial activities caused by factors outside of Creative's control, such as terrorism, armed conflict and labor disputes; a reduction in demand for computer systems, peripherals and related consumer products as a result of poor economic conditions, social and political turmoil; major health concerns; the proliferation of sound functionality in new products from competitors at the application software, chip and operating system levels; the deterioration of global equity markets; exposure to excess and obsolete inventory; Creative's reliance on sole sources for many of its chips and other key components; component shortages which may impact Creative's ability to meet customer demand; Creative's ability to protect its proprietary rights; the vulnerability of certain markets to current and future currency fluctuations; the effects of restricted fuel availability and rising costs of fuel; fluctuations in the value and liquidity of Creative's investee companies; and the potential decrease in trading volume and value of Creative's Ordinary Shares as a result of the Flow Back Restriction that commenced on June 1, 2003 and Creative's previous plan and any future plans to delist from NASDAQ and to eliminate its U.S. reporting obligations. For further information regarding the risks and uncertainties associated with Creative's business, please refer to its filings with the SEC, including its Form 20-F for fiscal 2006 filed with the SEC. Creative undertakes no obligation to update any forward-looking statement to conform the statement to actual results or changes in Creative's expectations.

CREATIVE TECHNOLOGY LTD.
CONSOLIDATED BALANCE SHEETS
 (In US\$' 000)

	(Unaudited) September 30, 2006	June 30, 2006
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 189,845	\$ 213,995
Accounts receivable, net	167,185	133,002
Inventory	269,368	234,942
Other assets and prepaids	45,329	53,248
Total current assets	671,727	635,187
Property and equipment, net	106,914	109,174
Investments	71,740	74,581
Other non-current assets	11,417	11,671
Total Assets	\$ 861,798	\$ 830,613
 <u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current Liabilities:		
Accounts payable	\$ 159,799	\$ 104,923
Accrued liabilities	102,882	100,690
Income taxes payable	18,428	18,930
Current portion of long term obligations and others	3,925	4,737
Total current liabilities	285,034	229,280
Long term obligations	205,585	206,593
Minority interest in subsidiaries	585	1,587
Shareholders' equity	370,594	393,153
Total Liabilities and Shareholders' Equity	\$ 861,798	\$ 830,613

CREATIVE TECHNOLOGY LTD. CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Three months ended September 30,	
	2006	2005
Sales, net	\$ 241,512	\$ 280,173
Cost of goods sold	205,612	223,607
Gross profit	35,900	56,566
Operating expenses:		
Selling, general and administrative	41,827	45,265
Research and development	15,863	19,927
Total operating expenses	57,690	65,192
Operating loss	(21,790)	(8,626)
(Loss) gain from investments, net	(717)	10,028
Interest income	1,909	995
Interest expense	(2,864)	(2,017)
Others	1,833	152
(Loss) income before income taxes and minority interest	(21,629)	532
Provision for income taxes	(382)	(138)
Minority interest in loss	1,003	297
Net (loss) income	\$ (21,008)	\$ 691
Basic (loss) earnings per share:	\$ (0.25)	\$ 0.01
Weighted average ordinary shares outstanding ('000)	83,322	83,556
Diluted (loss) earnings per share:	\$ (0.25)	\$ 0.01
Weighted average ordinary shares and equivalents outstanding ('000)	83,322	84,690

CREATIVE TECHNOLOGY LTD.
SUPPLEMENTAL FINANCIAL INFORMATION

	Three months ended		
	Sept 30, 2006	June 30, 2006	Sept 30, 2005
Revenue by geographical region :			
Americas	47%	46%	41%
Europe	38%	37%	39%
Asia and rest of the world	15%	17%	20%
Revenue by product category :			
Personal Digital Entertainment	70%	65%	66%
Audio	10%	13%	13%
Speakers	13%	13%	13%
Others	7%	9%	8%