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**CREATIVE ANNOUNCES Q2 FY07 FINANCIAL RESULTS**

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

Revenues for the second quarter were \$424.4 million, compared to revenues of \$390.8 million for the same quarter last year. The revenues for the second quarter include a \$100 million paid-up license from Apple for use of the Creative ZEN Patent in its products.

The paid-up license from Apple contributed \$82.0 million to net income and EPS of \$0.98 in the second quarter. Including this contribution, net income for the second quarter was \$92.1 million with EPS of \$1.10. This compares to net income of \$8.2 million with EPS of \$0.10 for the same period last year including an investment gain of \$6.9 million. For comparative purposes, excluding the contribution from the Apple payment and investment gains in the second quarter, net income was \$9.9 million, compared to net income of \$1.3 million, excluding the investment gain for the same period last year.

“We’re very pleased with the sales of our ZEN V and ZEN V Plus players in the holiday quarter. Overall, we sold a total of 2.5 million of our MP3 players in the period,” said Craig McHugh, president of Creative Labs, Inc. “With the strong sales of our flash-based ZEN players in the period, we achieved our goals of bringing gross margins above 20 percent and returning to profitability. These results are even before taking into account the revenue and profit contribution from the paid-up license from Apple for use of the ZEN Patent.”

“In the current third quarter, we have taken several steps to reduce our operating expenses and streamline our businesses,” continued McHugh. “We announced the outsourcing of our European assembly and distribution operations, with a planned headcount reduction of approximately 200 employees. We scaled down or closed some of our smaller, unprofitable business units in the U.S., with headcount reduction of approximately 100 employees. As a result of these actions, we incurred approximately \$4.4 million in restructuring costs in the second quarter. With our continuing efforts to reduce operating costs, we expect to incur additional restructuring costs in the current third quarter that will impact our results. We otherwise are targeting to be about break-even for the current period before special charges for restructuring. With the strong demand we anticipate for our ZEN MP3 players, and with the expectation that flash memory prices will continue to remain at low levels, we are targeting gross margins above 20 percent and to be profitable for each of the following quarters in the 2007 calendar year, before special charges if any, for restructuring.”

### ***Recent Announcements***

Creative introduced the **Xdock Wireless, Live! Cam Optia, Video Blaster Editor, TravelSound ZEN V, and Cambridge SoundWorks PlayDock i and PlayDock ZEN**. For more information visit [www.creative.com](http://www.creative.com).

### ***Awards & Accolades***

- The Creative **Xmod** won the “Editor’s Choice” award from *LAPTOP* magazine.
- The Creative **Xdock Wireless and X-Fi** received a “Best of CES” award from *LAPTOP* magazine.
- The Creative **ZEN Vision:M** won a *PC Magazine’s* “Best of the Year” award.

### **Listen to Creative’s Q2 FY07 Analyst Conference Call:**

Link to the Q2 earnings conference call live on January 31 at 8:00AM Singapore time (January 30 at 7:00PM 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 February 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 6848770.

***About Creative***

Creative (NASDAQ: CREAM) is a worldwide leader in digital entertainment products. Famous for its Sound Blaster<sup>®</sup> 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!, Video Blaster, Xmod 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 gross margins, operating expenses, restructuring costs, 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) December 31, 2006	June 30, 2006
<b><u>ASSETS</u></b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 234,406	\$ 213,995
Accounts receivable, net	190,927	133,002
Inventory	201,234	234,942
Other assets and prepaids	41,791	53,248
<b>Total current assets</b>	<b>668,358</b>	<b>635,187</b>
Property and equipment, net	103,859	109,174
Investments	69,584	74,581
Other non-current assets	11,099	11,671
<b>Total Assets</b>	<b>\$ 852,900</b>	<b>\$ 830,613</b>
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 63,291	\$ 104,923
Accrued liabilities	122,363	100,690
Income taxes payable	17,859	18,930
Current portion of long term obligations and others	4,006	4,737
<b>Total current liabilities</b>	<b>207,519</b>	<b>229,280</b>
Long term obligations	205,176	206,593
Minority interest in subsidiaries	276	1,587
Shareholders' equity	439,929	393,153
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 852,900</b>	<b>\$ 830,613</b>

**CREATIVE TECHNOLOGY LTD.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

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

(Unaudited)

	Three months ended December 31,		Six months ended December 31,	
	2006	2005	2006	2005
Revenue	\$ 424,356	\$ 390,826	\$ 665,868	\$ 670,999
Cost of goods sold	253,706	305,440	459,318	529,047
<b>Gross profit</b>	<b>170,650</b>	<b>85,386</b>	<b>206,550</b>	<b>141,952</b>
Operating expenses:				
Selling, general and administrative	52,366	55,220	94,193	100,485
Research and development	14,958	22,734	30,821	42,661
<b>Total operating expenses</b>	<b>67,324</b>	<b>77,954</b>	<b>125,014</b>	<b>143,146</b>
<b>Operating income (loss)</b>	<b>103,326</b>	<b>7,432</b>	<b>81,536</b>	<b>(1,194)</b>
Gain (loss) from investments, net	225	6,880	(492)	16,908
Interest income	2,270	1,399	4,179	2,394
Interest expense	(2,885)	(2,244)	(5,749)	(4,261)
Others	6,994	(5,140)	8,827	(4,988)
<b>Income before income taxes and minority interest</b>	<b>109,930</b>	<b>8,327</b>	<b>88,301</b>	<b>8,859</b>
Provision for income taxes	(18,118)	(115)	(18,500)	(253)
Minority interest in loss (gain)	310	(1)	1,313	296
<b>Net income</b>	<b>\$ 92,122</b>	<b>\$ 8,211</b>	<b>\$ 71,114</b>	<b>\$ 8,902</b>
Basic earnings per share:	\$ 1.10	\$ 0.10	\$ 0.85	\$ 0.11
Weighted average ordinary shares outstanding ('000)	83,394	82,740	83,358	83,148
Diluted earnings per share:	\$ 1.10	\$ 0.10	\$ 0.85	\$ 0.11
Weighted average ordinary shares and equivalents outstanding ('000)	83,992	83,532	83,889	84,111

**CREATIVE TECHNOLOGY LTD.  
SUPPLEMENTAL FINANCIAL INFORMATION**

	Three months ended		
	** Dec 31, 2006	Sept 30, 2006	Dec 31, 2005
<b>Revenue by geographical region :</b>			
Americas	34%	47%	37%
Europe	51%	38%	48%
Asia and rest of the world	15%	15%	15%
<b>Revenue by product category :</b>			
Personal Digital Entertainment	68%	70%	67%
Audio	10%	10%	13%
Speakers	14%	13%	13%
Others	8%	7%	7%

\*\* Note : Exclude License Revenue from ZEN Patent