

CONTACT INFORMATION:

USA:

Phil O'Shaughnessy
(408) 546-6773
poshaughnessy@creative.com

Asia:

Wynne Leong
(65) 6895-4120
wynne.leong@ctl.creative.com

CREATIVE ANNOUNCES Q3 FY07 FINANCIAL RESULTS

SINGAPORE – May 2, 2007– Creative Technology Ltd. (NASDAQ: CREAM), a worldwide leader in digital entertainment products, today announced financial results for the third quarter of fiscal year 2007, ended March 31, 2007. All financial results are stated in U.S. dollars.

Revenues for the third quarter were \$183.8 million, compared to revenues of \$225.7 million for the same quarter last year. Net loss for the third quarter was \$23.6 million, with a loss per share of \$0.28, including restructuring charges of \$3.5 million. This compares to a net loss of \$114.3 million with a loss per share of \$1.38 for the same period last year, including one-time charges of \$41.6 million primarily related to goodwill and restructuring charges for 3Dlabs.

“Our sales for the quarter in the United States and Asia came in below our expectations, with worldwide revenues coming in at \$183.8 million. The lower revenues, with our operating expenses of \$59.6 million before restructuring charges, resulted in an operating loss for the period,” said Craig McHugh, president of Creative Labs, Inc.

“During the quarter we continued to take steps that will reduce our operating expense level going forward,” continued McHugh. “At the end of the quarter we reduced our worldwide headcount by approximately 10 percent. This resulted in restructuring charges of about \$3 million. We are targeting to reduce our operating expenses to about \$50 million by the end of our first fiscal quarter of 2008.”

“In the third quarter we made significant progress toward our goal of reducing our inventory, coming in 24 percent below the previous quarter and 45 percent lower year-over-year,” continued McHugh. “Our efforts in reducing our inventory, while providing other key

benefits, helped strengthen our cash position to \$293 million. After the close of the quarter we utilized \$75 million of this \$293 million to pay down our \$175 million syndicated term loan to \$100 million, which will be reflected on our balance sheet for the current quarter.”

“Looking forward, we are very excited about key product introductions coming in the current quarter,” continued McHugh. “With the potential we see for these exciting new products and our continued efforts to reduce operating expenses, we are now targeting to be profitable in the second half of the calendar year, with gross margins at 20 percent or higher.”

Listen to Creative’s Q3 FY07 Analyst Conference Call:

Link to the Q3 earnings conference call live on May 2 at 8:00AM Singapore time (May 1 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 May 8 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 6343293.

###

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 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, inventory, 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) March 31, 2007	June 30, 2006
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 292,507	\$ 213,995
Accounts receivable, net	119,190	133,002
Inventory	153,411	234,942
Other assets and prepaids	38,162	53,248
Total current assets	603,270	635,187
Property and equipment, net	99,737	109,174
Investments	73,305	74,581
Other non-current assets	9,969	11,671
Total Assets	\$ 786,281	\$ 830,613
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current Liabilities:		
Accounts payable	\$ 51,288	\$ 104,923
Accrued liabilities	88,160	100,690
Income taxes payable	17,182	18,930
Current portion of long term obligations and others	3,974	4,737
Total current liabilities	160,604	229,280
Long term obligations	204,342	206,593
Minority interest in subsidiaries	375	1,587
Shareholders' equity	420,960	393,153
Total Liabilities and Shareholders' Equity	\$ 786,281	\$ 830,613

CREATIVE TECHNOLOGY LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS

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

(Unaudited)

	Three months ended		Nine months ended	
	March 31,		March 31,	
	2007	2006	2007	2006
Sales, net	\$ 183,828	\$ 225,657	\$ 849,696	\$ 896,656
Cost of goods sold	145,845	235,799	605,163	764,846
Gross profit (loss)	37,983	(10,142)	244,533	131,810
Operating expenses:				
Selling, general and administrative	44,521	51,959	138,714	152,444
Research and development	18,035	18,843	48,856	61,504
Other charges	--	37,351	--	37,351
Total operating expenses	62,556	108,153	187,570	251,299
Operating (loss) income	(24,573)	(118,295)	56,963	(119,489)
(Loss) gain from investments, net	(1,276)	2,030	(1,768)	18,938
Interest income	3,085	1,847	7,264	4,241
Interest expense	(2,798)	(2,449)	(8,547)	(6,710)
Others	2,976	2,488	11,803	(2,500)
(Loss) Income before income taxes and minority interest	(22,586)	(114,379)	65,715	(105,520)
Provision for income taxes	(529)	(229)	(19,029)	(482)
Minority interest in (gain) loss	(498)	279	815	575
Net (loss) income	\$ (23,613)	\$ (114,329)	\$ 47,501	\$ (105,427)
Basic (loss) earnings per share:	\$ (0.28)	\$ (1.38)	\$ 0.57	\$ (1.27)
Weighted average ordinary shares outstanding ('000)	83,484	82,895	83,400	83,064
Diluted (loss) earnings per share:	\$ (0.28)	\$ (1.38)	\$ 0.57	\$ (1.27)
Weighted average ordinary shares and equivalents outstanding ('000)	83,484	82,895	83,934	83,064

CREATIVE TECHNOLOGY LTD.
SUPPLEMENTAL FINANCIAL INFORMATION

	Three months ended		
	Mar 31, 2007	** Dec 31, 2006	Mar 31, 2006
Revenue by geographical region :			
Americas	32%	34%	41%
Europe	49%	51%	38%
Asia and rest of the world	19%	15%	21%
Revenue by product category :			
Personal Digital Entertainment	52%	68%	60%
Audio	17%	10%	13%
Speakers	21%	14%	17%
Others	10%	8%	10%

** Note : Exclude Royalty Income from Zen Patent