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CREATIVE ANNOUNCES Q3 FY06 FINANCIAL RESULTS

SINGAPORE – May 3, 2006– Creative Technology Ltd. (NASDAQ: CREAM), a worldwide leader in digital entertainment products, today announced financial results for the third quarter of fiscal year 2006, ended March 31, 2006. All financial results are stated in U.S. dollars.

Sales for the third quarter were \$225.7 million, compared to sales of \$333.8 million for the same quarter last year. Sales for the first nine months of fiscal year 2006 were \$896.7 million, compared to \$919.0 million for the first nine months of the previous fiscal year.

Net loss for the third quarter was \$114.3 million with a loss per share of \$1.38, including one-time charges of \$41.6 million primarily related to goodwill and restructuring charges for 3Dlabs and an investment gain of \$2.0 million. Excluding the one-time charges and investment gain, net loss for the third quarter was \$74.7 million with a loss per share of \$0.90. This compares to net income of \$15.9 million with EPS of \$0.18 for the same quarter last year including an investment gain of \$14.8 million. Excluding the investment gain, net income for the same period last year was \$1.1 million with EPS of \$0.01.

Net loss for the first nine months of the 2006 fiscal year was \$105.4 million, with loss per share of \$1.27, including the one-time charges primarily related to 3Dlabs and investment gains of \$18.9 million. Excluding the one-time charges and investment gains, net loss for the first nine months of the 2006 fiscal year was \$82.7 million, with loss per share of \$1.00. This compares to net income of \$32.5 million with EPS of \$0.38 for the same period last year, including a non-cash impairment charge of \$65.2 million and investment gains of \$65.1 million. Excluding the non-cash impairment charge and investment gain, net income for the first nine months of the previous fiscal year was \$32.7 million with EPS of \$0.38.

“During the quarter two independent factors had a significant negative impact on our operating results,” said Craig McHugh, president of Creative Labs, Inc. “First, as we announced with our preliminary results on April 5, there was a drop in flash memory prices in the quarter, with a precipitous drop in prices at the end of the quarter. This had a significant adverse effect on our sales in the quarter, and resulted in lower revenues, lower gross margins and inventory write-downs in the period. Secondly, as we announced on February 24, we refocused our 3Dlabs workstation graphics business, resulting in one-time restructuring charges and non-cash impairment charges for goodwill and other intangible assets. With the change of our 3Dlabs organization we are able to reduce our operating expenses and focus on the portable handheld device market. We are examining each of our product categories to determine how we can improve revenues, return gross margins to 20 percent or higher and reduce operating expenses as we target a return to profitability in the second half of the calendar year.”

Share Buyback Program

During the quarter, Creative did not repurchase any shares under its share buyback program.

Recent Announcements

- Creative announced the availability of OpenAL 1.1 in the Sound Blaster family of sound cards, providing the most compelling and realistic audio experiences for Windows XP and Vista.
- Creative announced that 3Dlabs would refocus its 3D graphics business on the portable handheld device market.

Awards & Accolades

- The Creative **Zen Vision:M** received:
 - The "Editor's Choice" award from *CNET.com*.
 - The "Editor's Choice" award from *PC Gamer* magazine.
 - The overall "Best in Show" award at the Consumer Electronics Show
 - The "Best of CES" award for the "MP3 and Portable Video" category at the Consumer Electronics Show
 - The "Best of CES 2006" award for the "Portable Video" category from *Laptop* magazine.
- The Creative **Sound Blaster® X-Fi™** received:
 - The "Best of 2005" award for the "Audio" category from *TechReport.com*.
 - The "Editor's Pick" award from *GotFrag.com*.

- The Creative **Zen Vision** won the "Editor's Choice" award from *Sound & Vision* magazine.
- The Creative **Zen MicroPhoto** received:
 - The "Editor's Choice" award from *PC Magazine*.
 - The "Editor's Choice" award from *Computer Shopper* magazine.
- The Creative **TravelDock™ 900** won the "Editor's Choice" award from *PC Magazine*.
- The Creative **Sound Blaster Audigy 2 ZS Video Editor** won the "Best Capture Device (external)" award from *Videomaker* magazine.

Listen to Creative's Q3 FY06 Analyst Conference Call:

Link to the Q3 earnings conference call live on May 3 at 8:00AM Singapore time (May 2 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 9. 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 8611024.

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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™ and MuVo™ 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, Zen and MuVo 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 reduce its operating expenses and return to profitability. 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; Creative's ability to successfully manage its expanding operations; 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 2005 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, 2006	June 30, 2005
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 224,373	\$ 187,246
Accounts receivable, net	132,486	163,184
Inventory	276,010	395,886
Other assets and prepaids	38,778	43,144
Total current assets	671,647	789,460
Property and equipment, net	111,509	117,187
Investments	89,849	125,914
Other non-current assets	13,428	44,913
Total Assets	\$ 886,433	\$ 1,077,474
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current Liabilities:		
Accounts payable	\$ 115,668	\$ 151,070
Accrued liabilities	119,986	103,768
Income taxes payable	17,256	20,712
Current portion of long term obligations and others	5,458	7,383
Total current liabilities	258,368	282,933
Long term obligations	206,605	209,455
Minority interest in subsidiaries	1,816	3,954
Shareholders' equity	419,644	581,132
Total Liabilities and Shareholders' Equity	\$ 886,433	\$ 1,077,474

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,	
	2006	2005	2006	2005
Sales, net	\$ 225,657	\$ 333,840	\$ 896,656	\$ 919,002
Cost of goods sold	235,799	256,519	764,846	674,734
Gross (loss) profit	(10,142)	77,321	131,810	244,268
Operating expenses:				
Selling, general and administrative	51,959	51,208	152,444	148,207
Research and development	18,843	19,687	61,504	62,025
Other charges	37,351	--	37,351	65,225
Total operating expenses	108,153	70,895	251,299	275,457
Operating (loss) income	(118,295)	6,426	(119,489)	(31,189)
Gain from investments, net	2,030	14,766	18,938	65,101
Interest income	1,847	1,243	4,241	2,604
Interest expense	(2,449)	(1,275)	(6,710)	(1,882)
Others	2,488	(5,728)	(2,500)	536
(Loss) income before income taxes and minority interest	(114,379)	15,432	(105,520)	35,170
Provision for income taxes	(229)	(53)	(482)	(2,824)
Minority interest in loss	279	534	575	186
Net (loss) income	\$ (114,329)	\$ 15,913	\$ (105,427)	\$ 32,532
Basic (loss) earnings per share:	\$ (1.38)	\$ 0.19	\$ (1.27)	\$ 0.40
Weighted average ordinary shares outstanding ('000)	82,895	83,307	83,064	82,357
Diluted (loss) earnings per share:	\$ (1.38)	\$ 0.18	\$ (1.27)	\$ 0.38
Weighted average ordinary shares and equivalents outstanding ('000)	82,895	86,274	83,064	85,480

CREATIVE TECHNOLOGY LTD.
SUPPLEMENTAL FINANCIAL INFORMATION

	Three months ended		
	Mar 31, 2006	Dec 31, 2005	Mar 31, 2005
Revenue by geographical region :			
Americas	41%	37%	42%
Europe	38%	48%	40%
Asia and rest of the world	21%	15%	18%
Revenue by product category :			
Personal Digital Entertainment	60%	67%	68%
Audio	13%	13%	13%
Speakers	17%	13%	12%
Others	10%	7%	7%