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CREATIVE ANNOUNCES Q1 FY06 RESULTS

Revenues Up 33 Percent Year-Over-Year and MP3 Player Sales Increase 123 Percent Year-Over-Year

SINGAPORE – October 26, 2005 – Creative Technology Ltd. (NASDAQ: CREAM), a worldwide leader in digital entertainment products, today announced financial results for the first quarter of its 2006 fiscal year, ended September 30, 2005. All financial results are stated in U.S. dollars.

Sales for the first quarter were up 33 percent year-over-year, coming in at \$280.2 million, up from \$210.0 million in revenue for the same quarter last year.

For the first quarter, net income was \$0.7 million with EPS of \$0.01 per share, including an investment gain of \$10.0 million. Excluding the investment gain, net loss for the first quarter was \$9.3 million with EPS of a \$0.11 loss per share. This compares to net income for the same period last year of \$4.8 million with EPS of \$0.06, including an investment loss of \$1.2 million.

“During the quarter we made progress toward our goal of returning to profitability by the end of the calendar year, as our gross margins came in at 20.2 percent, compared to 10.1 percent last quarter,” said Craig McHugh, president of Creative Labs, Inc. “We grew first quarter revenues 33 percent year-over-year, and our MP3 player sales were up 123 percent year-over-year. On August 22, we launched the Sound Blaster® X-Fi™ family of sound cards and our Xtreme Fidelity™ audio platform. We also launched several key new products during the quarter, including the Zen Vision and the WebCam Live! Motion.”

“I’m very excited about the launch of the Sound Blaster X-Fi,” said Sim Wong Hoo, chairman and CEO of Creative. “The reviews have been outstanding, with the X-Fi cards winning top

awards from several major magazines, including 'Editor's Choice' awards from *PC Magazine*, *PC Gamer* magazine, *GamePro* magazine and *Computer Games* magazine, and the 'Kick Ass' award from *Maximum PC* magazine. With the Sound Blaster X-Fi family of sound cards, we have introduced the first products with our Xtreme Fidelity audio standard, which is just the beginning of our implementation across our different product categories."

"The Zen™ Vision music, photo and video player is also receiving outstanding early reviews, including winning the 'Best of Show' award at the DigitalLife consumer show in New York, beating out all other products at the show in the Portable Gear category," continued Sim.

Share Buyback Program

During the quarter, Creative purchased one million shares from its share buyback program at an average price of \$8.13.

Recent Announcements

- Creative announced that the **Zen Vision** MP3/WMA music, photo and video player won the "Best of Show" at the DigitalLife 2005 consumer show in New York, beating all other companies' entries to win in the "Best Portable Gear" category.
- Creative introduced the **I-Trigue™ L3800** speaker system, the new top-of-the-line 2.1 speaker system in the award-winning family of I-Trigue speakers for desktop and notebook PCs and MP3 players. Blending beautiful design with advanced audio technology, the I-Trigue L3800 is the first speaker system to include a wireless IR remote to control both the speaker system and a Creative Zen MP3 player.
- Creative announced **TravelDock™**, an innovative new line of portable docking speaker systems for MP3 players with the introduction of the Creative **TravelDock Zen Micro** for Zen Micro and Zen MicroPhoto and the **TravelDock 900**.
- Creative announced the latest addition to its popular line of portable TravelSound® speakers with the introduction of the **TravelSound 400**. Featuring a sleek new look and a unique 180-degree swivel design, the TravelSound 400 is specifically designed to give mobile music lovers remarkable audio quality from their MP3 players.
- Creative announced a major breakthrough in webcam design with the introduction of the Creative **WebCam Live! Motion**. Featuring MaxView™, a combination of motorized Pan-n-Tilt and a ViewPlus™ 76-degree wide-angle lens, in addition to Smart Face Tracking, the WebCam Live! Motion quietly and smoothly follows user movements during video instant messaging.
- Creative announced that it had been awarded an U.S. patent for its invention of the user interface for portable media players. The patent, referred to as the "**Zen**" Patent, covers

the user interface that enables users of portable media players to efficiently and intuitively navigate among and select tracks on the players.

- Cambridge SoundWorks announced the next-generation boom box with the introduction of the **PlayDock MP3™**, a powerful, portable speaker system that allows users to have high-quality audio from their MP3 player while on the go.
- Cambridge SoundWorks introduced the **SurroundWorks™ 200** speakers system that simplifies surround sound by using only three easy-to-set-up pieces to create a great sounding home theater environment that delivers the audio impact previously only available from more complex, multi-speaker systems.

Awards & Accolades

- The Creative **Sound Blaster X-Fi** received:
 - A 10 out of 10 rating from *IGN.com*
 - The "Editor's Choice" award from *PC Magazine*
 - The "Editor's Choice" award from *PC Gamer* magazine
 - The "Editor's Choice" award from *GamePro* magazine
 - The "Editor's Choice" award from *Computer Games* magazine
 - The "Kick Ass" award from *Maximum PC* magazine
- The Creative **Zen Vision** received:
 - The "Best of Show" award for the "Best Portable Gear" category at the DigitalLife consumer show
 - The "Editor's Choice" award from *Laptop* magazine
 - The "S&V Approved" award from *Sound & Vision* magazine
 - An "Excellent" rating from *CNET.com*
- The Creative **Sound Blaster Audigy® 2 ZS Platinum Pro** won the "Best in Tech 2005" award for the "Best Sound Card" category from *Computer Shopper* magazine
- The Creative **Zen Micro** won the "Best in Tech 2005" award for the "Best Micro-Hard-Drive-Based MP3 Player" category from *Computer Shopper* magazine
- The Creative **Zen Touch** won the "Style Award" from *Stuff* magazine
- The Creative **WebCam Instant** won the "Editor's Recommendation" award from *USERS* magazine (Argentina)

Listen to Creative's Q1 FY06 Analyst Conference Call:

Link to the Q1 earnings conference call live on October 26 at 1:00 a.m. Eastern time (1:00 PM Singapore 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 1 via the same link from the IR web site or by calling 1-800-642-1687 or 1-706-645-9291, reservation #1605046.

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About Creative

Creative (NASDAQ: CREAF) is a worldwide leader in digital entertainment products for PC users. 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[®] MP3 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, Zen, Live!, I-Trigue, TravelDock, TravelSound and MuVo are trademarks of Creative Technology Ltd. in the United States and/or other countries. All other brand and product names the property of their respective holder and are hereby recognized as such.

Safe Harbor for Forward-Looking Statements:

This press release contains forward-looking statements including those related to profitability and future 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; exposure to excess and obsolete inventory; accelerated declines in the average selling prices of Creative's products; 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, personal digital entertainment products and related consumer products as a result of poor economic conditions, social and political turmoil or 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; 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; a reduction or cancellation of sales orders for Creative products; 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 U.S. Securities and Exchange Commission ("SEC"), including its annual report for fiscal 2005 filed on Form 20-F. 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, 2005	June 30, 2005
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 171,784	\$ 187,246
Accounts receivable, net	169,386	163,184
Inventory	365,506	395,886
Other assets and prepaids	47,320	43,144
Total current assets	753,996	789,460
Property and equipment, net	117,973	117,187
Investments	112,028	125,914
Other non-current assets	46,666	44,913
Total Assets	\$ 1,030,663	\$ 1,077,474
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current Liabilities:		
Accounts payable	\$ 126,742	\$ 151,070
Accrued liabilities	103,605	103,768
Income taxes payable	18,791	20,712
Current portion of long term obligations and others	6,800	7,383
Total current liabilities	255,938	282,933
Long term obligations	207,771	209,455
Minority interest in subsidiaries	3,675	3,954
Shareholders' equity	563,279	581,132
Total Liabilities and Shareholders' Equity	\$ 1,030,663	\$ 1,077,474

CREATIVE TECHNOLOGY LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Three months ended	
	September 30,	
	2005	2004
Sales, net	\$ 280,173	\$ 210,020
Cost of goods sold	223,607	144,817
Gross profit	56,566	65,203
Operating expenses:		
Selling, general and administrative	45,265	40,068
Research and development	19,927	19,718
Total operating expenses	65,192	59,786
Operating (loss) income	(8,626)	5,417
Gain (loss) from investments, net	10,028	(1,204)
Interest income	995	710
Interest expense	(2,017)	(151)
Others	152	709
Income before income taxes and minority interest	532	5,481
Provision for income taxes	(138)	(535)
Minority interest in loss (income)	297	(170)
Net income	\$ 691	\$ 4,776
Basic earnings per share:	\$ 0.01	\$ 0.06
Weighted average ordinary shares outstanding ('000)	83,556	81,443
Diluted earnings per share:	\$ 0.01	\$ 0.06
Weighted average ordinary shares and equivalents outstanding ('000)	84,690	84,237

CREATIVE TECHNOLOGY LTD.
SUPPLEMENTAL FINANCIAL INFORMATION

	Three months ended		
	Sept 30, 2005	June 30, 2005	Sept 30, 2004
Revenue by geographical region :			
Americas	41%	41%	46%
Europe	39%	39%	34%
Asia and rest of the world	20%	20%	20%
 Revenue by product category :			
Personal Digital Entertainment	66%	68%	44%
Audio	13%	11%	21%
Speakers	13%	13%	20%
Others	8%	8%	15%