

Press Release – For Immediate Distribution

**MEGA BRANDS REPORTS FOURTH QUARTER
AND 2006 FINANCIAL RESULTS**

MONTREAL, April 2, 2007 – MEGA Brands Inc. (TSX: MB) announced its financial results today for the fourth quarter and full year ended December 31, 2006.

Consolidated net sales in 2006 increased 42.2% to \$547.3 million compared to \$384.9 million in 2005. On a pre-EIC 156 basis, consolidated sales in 2006 were \$573.1 million compared to \$407.0 million in 2005.

Net sales in North America increased 56.4% to \$397.8 million compared to \$254.3 million in 2005, mainly as a result of the inclusion of MEGA Brands America for the full year in 2006 compared to approximately five months in 2005.

International net sales were up 14.6% to \$149.6 million compared to \$130.5 million in 2005. The Corporation increased its market share in the construction toy category in virtually all international markets in 2006 and gained the leadership position in this category in the United Kingdom and Spain for the first time.

Reflecting the impact of Specified Items totaling \$27.9 million after tax or \$0.82 diluted earnings per share, net earnings in 2006 were \$25.3 million or \$0.74 diluted earnings per share. This compares to net earnings of \$39.6 million or \$1.26 diluted earnings per share in 2005.

“All things considered, we are pleased with our operating performance in 2006, with diluted EPS before Specified Items of \$1.56, low ending inventories of our products at retail and the integration of MEGA Brands America,” stated Marc Bertrand, President and CEO. “We overcame a number of unexpected challenges and positioned MEGA Brands for continued profitable growth with a strong platform of exciting brands.”

“Sales momentum entering 2007 is strong, driven by several first-quarter product launches and the May releases of Pirates of the Caribbean 3 and Spider-Man 3,” added Mr. Bertrand. “For 2007, we see continued growth and earnings that we expect to be supported by \$7-10 million of operating synergies resulting from the integration of MEGA Brands America in 2006.”

	Years ended December 31		Three-month periods ended December 31,	
	2006	2005	2006	2005
(U.S. \$ millions, except earnings per share)	Audited	Audited	Unaudited	Unaudited
Net sales	547.3	384.9	164.8	166.2
Net earnings	25.3	39.6	2.8	20.9
Earnings per share				
Basic	0.79	1.35	0.09	0.66
Diluted	0.74	1.26	0.08	0.61
Specified Items ⁽¹⁾ per share				
Basic	(0.86)	-	(0.53)	-
Diluted	(0.82)	-	(0.50)	-
Earnings per share before Specified Items ⁽¹⁾				
Basic	1.65	1.35	0.61	0.66
Diluted	1.56	1.26	0.58	0.61

⁽¹⁾Earnings per share before Specified Items is not calculated in accordance with Canadian Generally Accepted Accounting Principles and are unaudited items. The Corporation believes this to be a relevant measure because it excludes items that are not typical of ongoing operations and allows shareholders and other investors to compare the Corporation’s performance for the three-month and twelve-month periods ended December 31, 2006 with the similar 2005 periods. Please refer to the section of this press release titled “Specified Items Affecting Operations in Q4 and 2006”.

Specified Items Affecting Operations in Q4 and 2006

The Corporation recorded Specified Items Affecting Operations in 2006. Depending on their nature, the 2006 Specified Items were recorded against net sales, in cost of sales or as operating expenses. This classification was determined in accordance with GAAP. The following table summarizes all Specified Items Affecting Operations during the year.

(U.S. \$ thousands)	Year ended Dec. 31, 2006	Three-month period ended Dec. 31, 2006
MAGNETIX product replacement expenses	16,029	13,758
Product liability settlement and related expenses	15,490	1,463
Integration expenses	8,303	8,303
Litigation expenses	4,769	3,678
	44,591	27,202

MAGNETIX product replacement expenses

- The Corporation recorded credits and charges of \$6.6 million (\$5.9 million in the fourth quarter) as a reduction of net sales. The net impact of these charges on gross profit amounted to \$6.1 million for the year (\$5.5 million in the fourth quarter).
- The Corporation recorded write-offs of MAGNETIX components of \$4.3 million (\$4.3 million in the fourth quarter) as a result of the redesign of such components. These amounts are recorded in cost of sales.
- The Corporation recorded product replacement expenses of \$5.6 million (\$4.0 million in the fourth quarter), consisting of freight costs to meet customer shipment dates due to manufacturing delays for redesigned MAGNETIX products, development costs for the redesign of MAGNETIX components, and product replacements for consumers under the voluntary recall and replacement program for MAGNETIX products jointly announced with the CPSC. The total amount is recorded as a separate line item in operating expenses.

Product liability settlement and related expenses

- The Corporation settled four lawsuits and ten claims related to magnet ingestion and recorded product liability settlement and related expenses of \$15.5 million, consisting of \$13.5 million for the product liability settlement recorded in the third quarter and \$2.0 million of related legal expenses (\$1.5 million in the fourth quarter). The total amount is recorded as a separate line item in operating expenses.

Integration expenses

- The Corporation recorded a charge of \$4.7 million mostly related to inventory write-offs (\$4.7 million in the fourth quarter) following plant closures as part of the integration of MEGA Brands America. This amount is recorded in cost of sales.
- The Corporation recorded integration expenses of \$3.6 million (\$3.6 million in the fourth quarter), mainly related to branding, plant asset write-offs, plant closure costs and other miscellaneous integration charges. This amount is recorded as a separate line item in operating expenses.

Litigation expenses

- The Corporation recorded litigation expenses of \$4.8 million (\$3.7 million in the fourth quarter), mainly for the Rosen Litigation. This amount is recorded as a separate line item in operating expenses.

Management believes that under the terms of the acquisition of MEGA Brands America, all claims and expenses related to MAGNETIX, as well as certain other expenses, are recoverable against the sellers, including but not limited to the \$15.0 million escrow fund provided for in the SPA. The Corporation also expects to recover substantially the full amount of the \$13.5 million product liability settlement from its insurers and through other recourses. However, there can be no assurance that a favorable outcome will be achieved.

Fourth Quarter 2006 Performance

Consolidated net sales in the fourth quarter of 2006 were \$164.8 million compared to \$166.2 million in the fourth quarter of 2005. On a pre-EIC basis, consolidated net sales in the fourth quarter of 2006 are \$174.6 million compared to \$175.9 million in the same 2005 period.

Net sales of Toys product lines increased 4.2% to \$123.1 million in the fourth quarter of 2006 compared to \$118.1 million in the 2005 period. Net sales increased in all product categories except games and puzzles.

Net sales of Stationery and Activities product lines declined to \$41.7 million compared to \$48.1 million in the fourth quarter of 2005. This is explained mainly by lower sales of licensed craft and activity sets in the fourth quarter of 2006 compared to the corresponding 2005 period.

Net sales in North America were \$116.9 million in the fourth quarter of 2006, compared to \$127.0 million in the corresponding 2005 period. Net sales of preschool and boys 5-plus construction toys matched the levels achieved in the fourth quarter of 2005, while sales declined in craft and activity sets and games and puzzles. Stationery sales were higher than in the fourth quarter of 2005.

International net sales increased 22.0% to \$47.9 million compared to \$39.3 million in the fourth quarter of 2005. Sales growth was achieved in preschool, boys 5-plus and magnetic construction toys compared to the fourth quarter of 2005. International sales accounted for 29.1% of consolidated net sales in the fourth quarter of 2006 compared to 23.6% in the same 2005 period.

Cost of sales increased 28.0% to \$113.3 million in the fourth quarter of 2006 compared to \$88.6 million in the corresponding 2005 period. This increase is explained by additional freight costs incurred in order to meet customer deadlines for the delivery of redesigned MAGNETIX products and higher magnet costs due to the escalation in commodity prices, for a combined impact of approximately \$10.0 million. Cost of sales in the fourth quarter of 2006 also includes Specified Items of \$8.5 million.

Gross profit declined to \$51.5 million compared to \$77.7 million in the fourth quarter of 2005 and gross margin decreased to 31.3% of sales compared to 46.7% in the same 2005 period. Plastic resin prices were in line with the levels during the fourth quarter of 2005 and did not negatively impact gross margin.

Marketing and advertising expenses were \$10.6 million compared to \$13.1 million in the fourth quarter of 2005. As a percentage of net sales, such expenses were 6.4% compared to 7.9% in the fourth quarter of 2005. This decrease is due mainly to timing differences in such expenditures in 2006 compared to 2005. Marketing and advertising expenses for the first nine months of 2006 were 41.2% higher than in the corresponding 2005 period.

Research and development expenses increased to \$5.9 million or 3.6% of sales, compared to \$3.7 million or 2.2% of sales in the fourth quarter of 2005.

Other selling, distribution and administrative expenses were \$23.7 million compared to \$29.2 million in the fourth quarter of 2005. These expenses represented 14.4% of net sales in the fourth quarter of 2006 compared to 17.6% in 2005. This decrease is explained by an overall leveraging of administrative expenses and lower bonus payouts compared to 2005.

As a result of the above, loss from operations in the fourth quarter of 2006 was \$1.3 million compared to earnings from operations of \$31.7 million in the fourth quarter of 2005. Earnings from operations resulted in a loss of \$34.4 million in North America compared to earnings of \$25.4 million in the fourth quarter of 2005. International earnings from operations increased to \$33.1 million compared to \$6.3 million in the fourth quarter of 2005.

Interest expense was \$6.8 million compared to \$5.1 million in the fourth quarter of 2005, reflecting mainly higher average interest rates in the 2006 period.

The Corporation recorded an income tax recovery of \$10.8 million in the fourth quarter of 2006 compared to \$5.7 million of income taxes in the fourth quarter of 2005. Before Specified Items, the effective tax rate in the fourth quarter of 2006 was 7.8% compared to 21.4% for the corresponding 2005 period.

Reflecting the impact of Specified Items totaling \$17.0 million after tax or \$0.50 diluted earnings per share, net earnings in the fourth quarter of 2006 were \$2.8 million or \$0.08 diluted earnings per share compared to \$20.9 million or \$0.61 diluted earnings per share in the fourth quarter of 2005.

Liquidity and Capital Resources

Cash flows from operating activities before changes in non-cash working capital items were \$3.0 million in the fourth quarter of 2006 compared to \$30.5 million for the same period in 2005, mainly due to Specified Items recorded during the fourth quarter of 2006. After changes in non-cash working capital items, operating cash flow was \$28.7 million compared to \$11.0 million in the fourth quarter of 2005.

As at December 31, 2006, the Corporation held cash and cash equivalents of \$13.7 million. Working capital stood at \$124.7 million as at December 31, 2006 compared to \$101.6 million at the end of 2005. This increase is due mainly to higher inventories at the end of 2006.

Long-term debt at the end of 2006 was \$312.0 million compared to \$301.0 million in 2005. As at December 31, 2006, the Corporation's debt was comprised of \$14.4 million under its Term A facility maturing in 2009, \$256.8 million under its Term B facility maturing in 2012 and \$40.0 million drawn against its \$120.0 million revolving credit facility. The Corporation was in compliance with all covenants of its credit facility as at December 31, 2006.

Recent Developments

During the fourth quarter of 2006, the Corporation announced a multi-year licensing partnership with MTV Networks to develop construction toys based on Dora the Explorer, Go Diego Go! and The Backyardigans. New products based on these popular Nickelodeon character brands will launch in 2007 beginning in the United States and Canada with an expansion to the United Kingdom, France, Australia and Latin America later in the year and other countries in 2008. The Corporation also announced a multi-year agreement to launch a global line of arts and crafts products based on popular Disney properties. The new line will feature Disney Princess and Pirates of the Caribbean, with products available in North America, Europe, Scandinavia, Africa and the Middle East in 2007. Under an agreement with Disney PIXAR, the Corporation began offering preschool vehicles based on the movie "Cars" in the first quarter of 2007.

On October 24, 2006, the Corporation announced that it had settled four lawsuits and ten claims related to injuries to children resulting from the ingestion of magnets. Terms of the settlement include no admission of liability. The aggregate amount paid to settle the lawsuits and claims is \$13.5 million and is recorded as a product liability settlement expense in the 2006 consolidated statement of earnings. The Corporation expects to recover substantially the full amount from its insurers and through other recourses, although there can be no assurance that a favorable outcome will be achieved. Discussions with our insurers in this regard are underway. On September 14, 2006 and on December 5, 2006, two lawsuits related to magnet ingestion requiring surgical removal were served on the Corporation and remain outstanding. They are being handled by the Corporation's insurers. On March 29, 2007 the Corporation learned that a third lawsuit had been filed in U.S. District Court in Denver by the family of a child who is alleged to have sustained similar injuries. The lawsuit has been reported to our insurers. The Corporation is also aware of at least seven other incidents in which children are alleged to

have required surgery following the ingestion of multiple magnets. Lawsuits have not been filed in these matters as of April 1, 2007. The Corporation is not able to assess with any certainty the outcome of these lawsuits and claims or impact, if any. As such, no amounts have been reserved in our year-end financial statements.

The Corporation's portfolio of product liability insurance was renewed on December 1, 2006. As a result of the voluntary recall and replacement program and the ensuing publicity and product liability lawsuits and claims against the Corporation, the cost of insurance coverage for MAGNETIX products manufactured before May 1, 2006 was prohibitive. After careful consideration of the risks and an analysis of the costs of insurance, the Corporation determined that it was more economically advantageous, all factors considered, to self-insure these risks. As such, the Corporation is self-insured for incidents occurring after December 1, 2006, for MAGNETIX products manufactured prior to May 1, 2006.

The Corporation incurred significant litigation expenses in 2006, particularly in the fourth quarter, related mainly to the Rosen Litigation. Management believes that these expenses were warranted under the circumstances and will be offset by the benefit of asserting the Corporation's rights under the SPA and its insurance policies. The Rosen Litigation has delayed recovery against the \$15 million escrow fund provided for under the SPA. Management expects that the resolution of the Rosen Litigation will also resolve the issue of the claims against the escrow fund, although there can be no assurance that a favorable outcome will be achieved.

David I. Foley resigned as a director of the Corporation on December 18, 2006 as a result of increased responsibilities at The Blackstone Group where he is Senior Managing Director. Mr. Foley was a member of the Nominating and Corporate Governance Committee and the Compensation Committee. "We deeply appreciate David Foley's important contribution to the growth and development of MEGA Brands. His relationship with our company began during the Blackstone years and we are grateful to him for continuing to give us the benefit of his experience and counsel as a director since our Initial Public Offering in 2002," stated Marc Bertrand, President and CEO of MEGA Brands.

Impact of EIC-156

In 2006, the Corporation adopted a new guideline issued by the Emerging Issues Committee of the CICA called EIC-156, "Accounting by a Vendor for Consideration Given to a Customer (Including a Reseller of the Vendor's Product)". As a result, certain allowances given to customers in the normal course of business, for which the fair market value cannot be precisely determined, are recorded as a reduction of sales. Under the former accounting standard used by the Corporation, such allowances were included in sales, cost of sales and marketing and advertising expenses. For comparative purposes, the Corporation has reclassified such allowances for 2005. The adoption of EIC 156 reduced net sales by \$25.8 million in 2006 and \$22.2 million in 2005 and by \$9.8 million and \$9.7 million in the fourth quarters of 2006 and 2005, respectively.

Non-GAAP Financial Measures

The terms "net earnings before Specified Items" and "diluted earnings per share before Specified Items" do not have any standardized meaning under GAAP and are therefore unlikely to be comparable to similar measures presented by other companies. We present them as a measure of operating performance of our ongoing business without the effects of unusual items. We exclude such items because they affect the comparability of our financial results between periods and could potentially distort the analysis of trends in business performance.

MD&A Filing

MEGA Brands is filing its Q4 and 2006 Management's Discussion and Analysis, as well as its audited consolidated financial statements and notes for the year ended December 31, 2006 via SEDAR on April 2, 2007. The MD&A will be available on the Corporation's Web site as of 8:00 a.m on April 2, 2007.

Conference Call

An analyst conference call will be held at 8:30 a.m. on April 2, 2007 to discuss the fourth quarter and full year 2006 results. Participants may listen to the call by dialing **1 (800) 732-0232**. For those unable to participate, a replay will be available until April 9, 2007. The replay phone number is **1 (416) 640-1917**, access code **21222125#**.

Forward-looking Statements

All statements in this press release that do not directly and exclusively relate to historical facts constitute "forward-looking statements". These statements represent the Corporation's intentions, plans, expectations and beliefs. In certain instances, these statements require us to make assumptions and there is significant risk that these assumptions may not be correct. Furthermore, these statements are subject to risks, uncertainties and other factors, many of which are beyond the Corporation's control. These factors include and are not restricted to: realization of synergies, litigation and its inherent uncertainty, including the recovery of the full product liability settlement amount and risks associated with product recalls, international operations, insurance coverage, difficulty in predicting consumer preferences and development and acceptance of new products, rate of growth or profitability, dependence on a few large customers, fluctuations in the price of plastic resins and other raw materials as well as currency rates, seasonality of toy and stationery industries, risks related to licensed products, retail environment, construction toy litigation and financing and interest rate matters. The words "believe", "estimate", "expect", "intend", "anticipate", "foresee", "plan", and similar expressions and variations thereof, identify certain of such forward-looking statements, which speak only as of the date on which they are made. The Corporation disclaims any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by applicable legislation. Readers are cautioned not to place undue reliance on these forward-looking statements. More information about the risks that could cause our actual results to significantly differ from our current expectations can be found in the "Risks and Uncertainties" section of our 2006 MD&A.

About MEGA Brands

MEGA Brands is a trusted family of leading global brands in construction toys, games & puzzles, arts & crafts and stationery. We offer engaging creative experiences for children and families through innovative, well-designed, affordable and high-quality products that deliver on our Creativity to the Rescue promise. For more information, please visit <http://www.megabrands.com>.

The MEGA logo, Creativity to the Rescue, Mega Bloks, Rose Art, Magnetix and Board Dudes are trademarks of MEGA Brands Inc. or its affiliates.

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MEGA Brands Inc.
Consolidated statements of earnings
(in thousands of U.S. \$, except per share amounts)

	Three-month periods ended December 31,		Twelve-month periods ended December 31,	
	2006	2005	2006	2005
	(Unaudited) \$	(Unaudited) \$	(Audited) \$	(Audited) \$
Net sales	164,805	166,234	547,347	384,863
Cost of sales	113,272	88,559	328,822	214,668
Gross profit	51,533	77,675	218,525	170,195
Marketing and advertising expenses	10,562	13,067	26,808	24,573
Research and development expenses	5,858	3,658	18,334	9,402
Other selling, distribution and administrative expenses	24,540	28,658	109,815	71,074
Loss (gain) on foreign currency translation	(858)	589	(4,846)	2,796
Voluntary product recall and replacement	3,995	-	5,612	-
Product liability settlement and related expenses	1,463	-	15,490	-
Integration	3,573	-	3,573	-
Litigation expenses	3,678	-	4,769	-
Earnings (loss) from operations	(1,278)	31,703	38,970	62,350
Interest and other expenses				
Interest on long-term debt	6,419	5,127	22,526	9,310
Other interest	371	(26)	177	954
	6,790	5,101	22,703	10,264
Earnings (loss) before income taxes	(8,068)	26,602	16,267	52,086
Income taxes				
Current	(5,126)	360	(1,217)	5,473
Future	(5,703)	5,331	(7,864)	7,005
	(10,829)	5,691	(9,081)	12,478
Net earnings	2,761	20,911	25,348	39,608
Earnings per share				
Basic	\$ 0.09	\$ 0.66	\$ 0.79	\$ 1.35
Diluted	\$ 0.08	\$ 0.61	\$ 0.74	\$ 1.26
Weighted average number of outstanding common shares				
Basic	32,352,319	31,854,644	32,220,495	29,281,145
Diluted	34,289,179	34,080,643	34,189,034	31,390,456

MEGA Brands Inc.

Consolidated statements of retained earnings (deficit)
(in thousands of U.S. \$)

	Three-month periods ended December 31,		Twelve-month periods ended December 31,	
	2006 (Unaudited) \$	2005 (Unaudited) \$	2006 (Audited) \$	2005 (Audited) \$
Deficit - Beginning of the year	9,875	(33,623)	(12,712)	(52,320)
Net earnings for the year	2,761	20,911	25,348	39,608
Retained earnings (deficit) - End of year	12,636	(12,712)	12,636	(12,712)

MEGA Brands Inc.

Consolidated balance sheets

(in thousands of U.S. \$)

	December 31, 2006 (Audited) \$	December 31, 2005 (Audited) \$
Assets		
Current assets		
Cash and cash equivalents	13,658	19,567
Accounts receivable	161,612	173,666
Inventories	140,630	82,280
Income taxes	9,317	-
Future income taxes	8,354	13,396
Prepaid expenses	12,025	8,324
	345,596	297,233
Property, plant and equipment	43,213	39,351
Intangible assets	79,517	72,230
Goodwill	300,829	306,973
Deferred charges	3,281	4,708
Future income taxes	28,006	-
	800,442	720,495
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	153,437	108,025
Additional consideration accrued on business combination	57,825	74,075
Income taxes	-	4,744
Current portion of long-term debt	9,609	8,784
	220,871	195,628
Long-term debt	302,345	292,169
Future income taxes	27,782	12,682
	550,998	500,479
Shareholders' equity		
Capital stock	236,088	231,592
Contributed Surplus	720	1,136
Retained earnings (Deficit)	12,636	(12,712)
	249,444	220,016
	800,442	720,495

MEGA Brands Inc.

Consolidated statements of cash flows
(in thousands of U.S. \$)

	Three-month periods ended December 31,		Twelve-month periods ended December 31,	
	2006	2005	2006	2005
	(Unaudited) \$	(Unaudited) \$	(Audited) \$	(Audited) \$
Cash flows from				
Operating activities				
Net earnings for the year	2,761	20,911	25,348	39,608
Items not affecting cash and cash equivalents				
Amortization of property, plant and equipment	3,238	3,152	12,462	10,343
Amortization of deferred charges	364	263	1,044	1,538
Amortization of intangible assets	313	161	667	161
Stock-based compensation plan	738	128	2,126	732
Future income taxes	(5,703)	5,331	(7,864)	7,005
Loss (gain) on foreign currency	21	(238)	(2,610)	1,680
	1,732	29,708	31,173	61,067
Changes in non-cash operating working capital items	26,306	(18,672)	(15,300)	(36,026)
	28,038	11,036	15,873	25,041
Financing activities				
Proceeds from long-term debt	-	-	-	300,000
Repayment of long-term debt	(2,404)	(646)	(28,998)	(13,409)
Repayment of subsidiary indebtedness upon acquisition	-	-	(624)	(36,382)
Change in revolving credit facility	(20,000)	(7,500)	40,000	(11,000)
Issuance of capital stock	2,360	2,056	3,882	57,158
Addition of deferred charges	-	(82)	-	(4,457)
	(20,044)	(6,172)	14,260	291,910
Investing activities				
Acquisition of property, plant and equipment	(4,812)	(2,374)	(17,456)	(9,977)
Acquisition of intangible assets	-	-	-	(1,391)
Proceeds from disposal of property, plant and equipment	250	-	304	-
Business combinations	530	(1,434)	(18,890)	(291,623)
	(4,032)	(3,808)	(36,042)	(302,991)
Increase (decrease) in cash and cash equivalents	3,962	1,056	(5,909)	13,960
Cash and cash equivalents - Beginning of year	9,696	18,511	19,567	5,607
Cash and cash equivalents - End of year	13,658	19,567	13,658	19,567