



Press Release – For Immediate Distribution

MEGA BRANDS ANNOUNCES 2007 FINANCIAL RESULTS

MONTREAL, March 31, 2007 – MEGA Brands Inc. (TSX: MB) announced today its fourth quarter and full-year 2007 financial results.

After 22 consecutive years of sales growth and profitability, MEGA Brands reported lower sales and a net loss in 2007.

"2007 was a difficult year for MEGA Brands, for our employees and shareholders, and for our many loyal fans. We are disappointed with our overall performance and we promise that no effort is being spared to achieve a meaningful turnaround as quickly as possible," stated Marc Bertrand, President and CEO.

"We are solidly on track to achieve the \$12 million in annualized savings targeted under the Value Enhancement Plan announced at the end of the third quarter. We have exciting new products in the pipeline in all of our product categories and we are pleased to be working with Intertek, a leading provider of quality and safety solutions, as we roll out MAGNEXT[®], the new generation of magnetic construction toys," added Bertrand.

Although 2007 was a challenging year, there were several positive results in the Company's performance, including record sales of preschool construction toys and continued solid growth in international sales. In Stationery and Activities, sales matched 2006 levels, with improved margins.

"We are very focused on executing the many operational and new product initiatives under way. With the recent amendment to our credit agreement, we now have the financial flexibility to implement current initiatives that will strengthen our core toy business while exploring a sale of our Stationery and Activities business through an orderly process," concluded Bertrand.

Amendment to Credit Agreement

On March 27, 2008, the Corporation executed a fifth amending agreement (the "Fifth Amendment") to its credit agreement dated July 26, 2005 (the "Credit Agreement") providing for certain changes to the terms and conditions of its senior secured credit facilities (the "Credit Facilities") maturing in 2012. The Fifth Amendment waives the funded debt to EBITDA ratio covenant and the fixed charge coverage ratio covenant as of December 31, 2007 and until September 30, 2008, inclusively. Furthermore, through this amendment, the lenders consent to the sale of the Stationery and Activities business and to the release of the liens on the assets sold provided that the net consideration received from this sale will be used to make prepayment offers to the current lenders and, subject to certain conditions in relation to the timing and proceeds of such sale, this amendment also reduces the maximum amount available under the revolving Credit Facilities by introducing certain limitations on aggregate borrowings thereunder and increases certain fees and the interest payable in respect of the Credit Facilities. Finally, the EBITDA definition has been amended and a new financial covenant is added whereby the Corporation will have to maintain a minimum cumulative EBITDA at the end of each of its second, third and fourth financial quarters of its 2008 financial year.

Full-year and Fourth Quarter 2007 Results

Net sales in 2007 were \$524.5 million compared to \$547.3 million in 2006. Net loss was \$97.1 million, or \$2.82 per diluted share compared to net earnings of \$25.3 million, or \$0.74 per diluted share in 2006. Specified Items Affecting Operations and Other Charges totalled \$113.0 million in 2007 and \$44.6 million 2006.

Net sales in the fourth quarter of 2007 decreased 22% to \$128.8 million compared to \$164.8 million in the corresponding period last year. Net loss was \$66.2 million, or \$1.81 diluted loss per share compared to net earnings of \$2.8 million, or \$0.08 diluted earnings per share in the fourth quarter of 2006. Specified Items



Affecting Operations and Other Charges totalled \$37.3 million in the fourth quarter of 2007 and \$27.2 million in the corresponding 2006 period.

Specified Items Affecting Operations

The Corporation recorded Specified Items Affecting Operations ("Specified Items") in 2007 and 2006. Depending on their nature the 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 for both 2007 and 2006.

(in thousands of US dollars, except per share data) (Unaudited)	Years ended December 31,		Three month periods ended December 31	
	2007	2006	2007	2006
	\$	\$	\$	\$
Voluntary product recalls and other charges	60,279	16,029	25,079	13,758
Litigation expenses and reserve for contingencies	8,945	4,769	4,332	3,678
Inventory provisions and sales below cost	36,896	-	1,505	-
Integration expenses	-	8,303	-	8,303
Product liability settlement and related expenses	(3,600)	15,490	-	1,463
	102,520	44,591	30,916	27,202

Specified Items 2007

Voluntary product recalls and other charges

- The Corporation recorded charges and incremental costs of \$60.3 million (\$25.1 million in the fourth quarter) primarily related to the Corporation's product recalls during 2007. Of this annual cost, \$26.7 million related to reversal of sales and credits associated with recalled products, \$18.0 million related to write-offs of finished goods, components and fixed assets, and \$15.6 million related to impairment of intangibles and incremental advertising, logistics and administrative costs.

Litigation expenses and reserve for contingencies

- The Corporation recorded litigation expenses of \$5.4 million (\$0.8 million in the fourth quarter), mainly for the Rosen litigation. This amount is recorded as a separate line item in operating expenses. In addition, the Corporation recorded a reserve of \$3.5 million (\$3.5 million in the fourth quarter) for various potential claims. This amount is recorded in other selling, distribution and administrative expenses and in product liability settlement and related expenses.

Inventory provisions and sales below cost

- The Corporation recorded a charge of \$20.0 million during the third quarter of 2007. This charge was primarily set-up as a result of the transition of MAGNETIX to MAGNEXT and other slow moving products. The total amount is recorded in cost of sales.
- The Corporation sold approximately \$26.3 million of excess inventory which resulted in a negative gross profit of approximately \$14.8 million. After freight charges of \$0.6 million, this action impacted earnings from operations by approximately \$15.4 million (nil in the fourth quarter). Of this amount, \$14.8 million is recorded as a reduction of gross profit, while \$0.6 million is recorded in other selling, distribution and administrative expenses.
- The Corporation recorded a charge of \$1.5 million (\$1.5 million in the fourth quarter) for inventory writedowns as part of the integration of its Chinese factories. This amount is recorded in cost of sales.

Product liability settlement

- The Corporation recovered \$3.6 million (nil in the fourth quarter) from its insurers in connection with the \$13.5 million settlement in October 2006 of four lawsuits and ten claims related to magnet ingestion. The



amount recovered, net of claims settlement in 2007, is recorded as a separate line item in operating expenses.

Other Charges 2007

The Corporation also incurred other charges (the "Other Charges") of \$10.5 million in 2007 (\$6.4 million in the fourth quarter) which are not classified as Specified Items.

- The Corporation recorded integration charges of \$4.9 million (\$4.9 in the fourth quarter) related to the completion of the integration of MEGA Brands America. Of this amount, \$2.6 million is mainly related to plant closure costs of its New Jersey facility and other miscellaneous charges. This amount is recorded in cost of sales. The remaining \$2.3 million is mainly related to the disposal of equipment and the cost of moving the inventory to its distribution facility in Washington. This amount is recorded in other selling, distribution and administrative expenses.
- The Corporation recorded a charge of \$3.0 million (\$1.5 million in the fourth quarter), related to the termination of licensing agreements as part of its SKU rationalization program. The total amount is recorded in cost of sales.
- The Corporation recorded charges of \$2.6 million (nil in the fourth quarter) related to the sub-lease of excess warehouse space in Montreal at unfavorable terms and the set-up of a second-lien credit facility. This amount is recorded in other selling, distribution and administrative expenses.

Results of Operations

Year ended December 31, 2007 compared to year ended December 31, 2006

Net sales in 2007 were \$524.5 million compared to \$547.3 million in 2006. This decline is mainly explained by the reversal of sales and credits associated with recalled products and lower shipments of MAGNETIX products.

Sales of Toys declined 7% to \$310.9 million compared to \$333.7 million in 2006, mainly reflecting the reversal of sales and credits associated with recalled products and lower shipments of MAGNETIX products, offset by a strong performance in preschool product lines and increased sales of games and puzzles. The impact of Specified Items on Toys sales in 2007 amounted to \$21.0 million.

Sales of Stationery and Activities products were stable at \$213.6 million compared to \$213.7 million in 2006. Improved sales of presentation boards, art supplies and activities products were offset by lower shipments of writing instruments.

North American sales were \$352.7 million compared to \$397.8 million in the corresponding 2006 period. This decrease is due mainly to lower Toys sales. International sales increased to \$171.8 million or 15% compared to \$149.6 million. International net sales accounted for 33% of consolidated net sales in 2007 compared to 27% in 2006. This reflects continued strong growth in construction toy sales in the preschool category as well as sales of Stationery and Activities products. The impact of Specified Items on North American and International sales in 2007 amounted to \$7.5 million and \$7.7 million, respectively.

Cost of sales increased to \$403.4 million compared to \$328.8 million in 2006. This increase mainly reflects Specified Items and Other Charges in 2007 from the voluntary product recall, inventory revaluation, integration charges and termination of licensing agreements, as well as higher input costs.

Gross profit was \$121.2 million compared to \$218.5 million in 2006. Gross margin declined to 23.1% compared to 39.9% in 2006.

Gross profit was impacted by the following factors in 2007:

- \$65.8 million of additional Specified Items compared to 2006 resulting mainly from voluntary product recall, inventory provisions, sales below cost and termination of licensing agreements.



- Lower gross profit generated by the MAGNETIX product line of \$21.0 million due to lower unit sales and prices.
- Lower manufacturing efficiencies resulting primarily from the inventory reduction plan initiated by the Corporation and the downsizing of the Woodridge, New Jersey facility which was fully closed in December 2007. The impact of lower manufacturing efficiencies on gross profit amounted to approximately \$6 million.
- \$5.7 million of Other Charges recorded during the year.

Marketing and advertising expenses were slightly lower at \$26.2 million compared to \$26.8 million in 2006.

Research and development expenses increased to \$22.0 million compared to \$18.3 million in 2006. This planned increase reflects strong investment in new product initiatives across all product categories, including MAGNEXT.

Other selling, distribution and administrative expenses increased to \$132.0 million compared to \$112.6 million in 2006. This increase is mainly explained by additional Specified Items of \$4.0 million and \$4.9 million of Other Charges. Approximately \$7.0 million of additional charges resulted from higher distribution costs, reflecting the significant growth in International sales, as well as incremental distribution costs incurred while operating several distribution centers in parallel in anticipation of the closure of the facilities in New Jersey and in California.

Mainly as a result of Specified Items and Other Charges, the Corporation reported a loss from operations of \$66.7 million compared to earnings from operations of \$39.7 million in 2006. Other factors contributing to the loss from operations were lower gross profit due to product mix and higher operating expenses.

Interest and other expenses amounted to \$26.5 million compared to \$23.4 million in 2006, reflecting higher average long-term debt through the first three quarters of 2007 and, to a lesser extent, higher interest rates.

Income tax expense was \$4.0 million compared to an income tax recovery of \$9.1 million in 2006. For 2007, the Corporation recorded a valuation allowance of \$28.0 million on future income tax assets resulting from losses carried forward originating mainly from Specified Items. The tax rate used to establish the income tax expense is the applicable estimated effective rate of each entity of the Corporation. The effective tax rate reflects the Corporation's structure for tax purposes as well as the financing structure put in place following the acquisition of MEGA Brands America.

Net loss was \$97.1 million, or \$2.82 per diluted share compared to net earnings of \$25.3 million, or \$0.74 per diluted share in 2006.

Three-month period ended December 31, 2007 compared to three-month period ended December 31, 2006

Net sales in the fourth quarter of 2007 decreased 22% to \$128.8 million compared to \$164.8 million in the corresponding period last year. The decline in net sales is explained mainly by Specified Items recorded in 2007 and lower MAGNETIX and Boys 5-plus shipments during the quarter.

Net sales of Toys decreased by 29% to \$87.3 million compared to \$123.1 million in the fourth quarter of 2006. Sales of construction toys in the preschool category were very strong, offset by lower shipments in the Boys 5-plus product lines and MAGNETIX. The impact of Specified Items on Toys sales in the fourth quarter of 2007 amounted to \$26.7 million.

Net sales of Stationery and Activities were stable at \$41.5 million compared to \$41.7 million in fourth quarter 2006. Sales of activities products and presentation boards increased while sales of writing instruments were lower than in the fourth quarter of 2006.



On a geographical basis, net sales in North America decreased 30% to \$81.6 million compared to \$116.9 million in fourth quarter 2006, mainly as a result of lower Toys shipments and Specified Items. International net sales were stable at \$47.2 million compared to \$47.9 million in the corresponding 2006 period, mainly due to the impact of Specified Items. International net sales accounted for 37% of consolidated net sales in the fourth quarter of 2007 compared to 29% in the corresponding 2006 period. The impact of Specified Items on North American and International sales in the fourth quarter of 2007 amounted to \$16.0 million and \$10.7 million, respectively.

Cost of sales decreased to \$100.1 million compared to \$113.3 million in the fourth quarter of 2006, a decrease of \$13.2 million. The decrease is mainly explained by the reclassification of Specified Items which, for the most part were charged against cost of sales in the first quarter of 2007 and from additional charges resulting from the voluntary product recall.

Gross profit decreased to \$28.7 million compared to \$51.5 million in the fourth quarter of 2006. Gross margin was 22% compared to 31% in the fourth quarter of 2006.

Gross profit in the fourth quarter of 2007 was impacted by the following factors:

- \$1.2 million of additional Specified Items compared to the fourth quarter of 2006.
- Lower gross profit generated by the MAGNETIX and the Boys 5-plus product lines of \$15.0 million due to lower unit sales and prices.
- Lower manufacturing efficiencies resulting primarily from the inventory reduction plan initiated by the Corporation and the downsizing of the Woodridge, New Jersey facility which was fully closed in December 2007. The impact of lower manufacturing efficiencies on gross profit amounted to approximately \$2.7 million.
- \$4.1 million of Other Charges recorded during the quarter.

Marketing and advertising expenses were to \$10.7 million compared to \$10.6 million in the fourth quarter of 2006.

Research and development expenses decreased to \$4.9 million compared to \$5.9 million in the fourth quarter of 2006 due to the timing of product development initiatives.

Other selling, distribution and administrative expenses amounted to \$41.1 million compared to \$27.9 million in the fourth quarter of 2006. This increase is mainly explained by \$5.6 million of Specified Items and Other Charges as well as approximately \$7.3 million of additional charges resulting from higher distribution costs, reflecting the significant growth in International sales as well as incremental distribution costs incurred while operating several distribution centers in parallel in anticipation of the closure of the facilities in New Jersey and in California.

Mainly as a result of lower gross profit and Specified Items incurred during the quarter, loss from operations was \$34.9 million compared to a loss from operations of \$1.0 million in the fourth quarter of 2006.

Interest and other expenses decreased to \$6.7 million compared to \$7.0 million in the fourth quarter of 2006, reflecting lower debt levels.

In the fourth quarter of 2007, the Corporation recorded a valuation allowance of \$28.0 million on future income tax assets resulting from losses carried forward originating mainly from Specified Items. Consequently, income tax expense was \$24.5 million compared to an income tax recovery of \$10.8 million in the fourth quarter of 2006. The tax rate used to establish the income tax expense is the applicable estimated effective rate of each entity of the Corporation. The effective tax rate reflects the Corporation's structure for tax purposes as well as the financing structure put in place following the acquisition of MEGA Brands America.

Net loss was \$66.2 million, or \$1.81 diluted loss per share compared to net earnings of \$2.8 million, or \$0.08 diluted earnings per share in the fourth quarter of 2006.



Cash flows used in operating activities before changes in non-cash operating working capital amounted to \$26.3 million compared to cash flows generated of \$1.8 million in the fourth quarter of 2006. This change resulted mainly from the higher net loss in the 2007 period. After favourable changes in non-cash operating working capital in both periods, cash flows from operating activities were \$64.6 million in the fourth quarter of 2007 compared to \$28.0 million in the corresponding 2006 period.

Impact of Specified Items

The following table presents the impact of Specified Items on the 2007 statement of earnings. Management believes that an analysis of full-year and fourth quarter 2007 operating performance before Specified Items is appropriate because such items are not typical of ongoing operations.

Twelve-month period ended December 31, 2007			(in thousands US dollars)	Three-month period ended December 31, 2007		
Audited 2007	Unaudited Specified Items 2007	Unaudited Before Specified Items ⁽¹⁾		Unaudited 2007	Unaudited Specified Items 2007	Unaudited Before Specified Items ⁽¹⁾
524,516	15,182	539,698	Net sales	128,819	26,667	155,486
403,358	(65,809)	337,549	Cost of sales	100,128	10,978	111,106
121,158	80,991	202,149	Gross profit	28,691	15,689	44,380
23.1%		37.5%	Gross margin	22.3%		28.5%
26,226	-	26,226	Marketing and advertising expenses	10,661	-	10,661
21,950	-	21,950	Research and development expenses	4,886	-	4,886
131,960	(7,460)	124,500	Other selling, distribution and administrative expenses	41,058	(6,871)	34,187
(6,394)	-	(6,394)	Gain on foreign currency translation	(1,354)	-	(1,354)
11,425	(11,425)	-	Voluntary product recall and replacement	6,725	(6,725)	-
(2,800)	2,800	-	Product liability settlement and related expenses	800	(800)	-
5,445	(5,445)	-	Litigation expenses	832	(832)	-
(66,654)	102,521	35,867	Earnings (loss) from operations before financial expenses and income taxes	(34,917)	30,917	(4,000)

⁽¹⁾ The terms "net sales before Specified Items", "cost of sales before Specified Items", "gross profit before Specified Items", "gross margin before Specified Items", "earnings (loss) from operations before Specified Items" and "earnings (loss) before financial expenses, income taxes and 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 Specified 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 will file its full-year and fourth quarter 2007 Management's Discussion and Analysis, as well as its audited consolidated financial statements and notes for the year ended December 31, 2007 via SEDAR on March 31, 2008. The MD&A, financial statements and notes will be available on the Corporation's Web site on March 31, 2008.

Conference Call

An analyst conference call will be held at 8:30 a.m. on March 31, 2008 to discuss the fourth quarter results. Participants may listen to the call by dialling **1 (800) 732-9303**. For those unable to participate, a replay will be available until April 8, 2008. The replay phone number is **(416) 640-1917**, access code **21265367#**. A webcast is also available at www.megabrands.com under the investor relations section.



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: financing and interest rate matters, difficulty in predicting consumer preferences and development and acceptance of new products, risks related with product recalls, litigation and its inherent uncertainty, including the recovery of the full product liability settlement amount, realization of synergies, international operations, insurance coverage, 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, and construction toy litigation. 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 annual 2007 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, BOARD DUDES and MAGNEXT are trademarks of MEGA Brands Inc. or its affiliates.

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Consolidated statements of earnings

(in thousands of US dollars, except per share data)
(Unaudited)

	Three-month periods ended December 31,		Twelve-month periods ended December 31,	
	2007	2006	2007	2006
	(Unaudited) \$	(Unaudited) \$	(Audited) \$	(Audited) \$
Net sales	128,819	164,805	524,516	547,347
Cost of sales	100,128	113,272	403,358	328,822
Gross profit	28,691	51,533	121,158	218,525
Marketing and advertising expenses	10,661	10,562	26,226	26,808
Research and development expenses	4,886	5,858	21,950	18,334
Other selling, distribution and administrative expenses	41,058	27,861	131,960	112,649
Gain on foreign currency translation	(1,354)	(858)	(6,394)	(4,846)
Voluntary product recall and replacement	6,725	3,995	11,425	5,612
Product liability settlement (reimbursement) and related expenses	800	1,463	(2,800)	15,490
Litigation expenses	832	3,678	5,445	4,769
Earnings (loss) from operations	(34,917)	(1,026)	(66,654)	39,709
Interest expenses				
Interest on long-term debt	6,119	6,419	25,395	22,526
Amortization of deferred financing costs	148	252	700	739
Other interest	450	371	417	177
	6,717	7,042	26,512	23,442
Earnings (loss) before income taxes	(41,634)	(8,068)	(93,166)	16,267
Income taxes				
Current	(1,510)	(5,126)	(34)	(1,217)
Future	26,036	(5,703)	4,004	(7,864)
	24,526	(10,829)	3,970	(9,081)
Net earnings (loss)	(66,160)	2,761	(97,136)	25,348
Earnings (loss) per share				
Basic	(1.81)	0.09	(2.82)	0.79
Diluted ⁽¹⁾	(1.81)	0.08	(2.82)	0.74

⁽¹⁾ The dilutive effect of outstanding options under the treasury stock method for the three-month and the year-end periods ended December 31, 2007 is nil as it is anti-dilutive.



Consolidated statements of retained earnings (deficit)

(in thousands of US dollars)

	Three-month periods ended December 31,		Twelve-month periods ended December 31,	
	2007	2006	2007	2006
	(Unaudited) \$	(Unaudited) \$	(Audited) \$	(Audited) \$
Balance, beginning of period	(18,340)	9,875	12,636	(12,712)
Net earnings (loss)	(66,160)	2,761	(97,136)	25,348
Balance, end of period	(84,500)	12,636	(84,500)	12,636

Consolidated statements of comprehensive loss and Accumulated other comprehensive loss

(in thousands of US dollars)

	Three-month periods ended December 31,		Twelve-month periods ended December 31,	
	2007	2006	2007	2006
	(Unaudited) \$	(Unaudited) \$	(Audited) \$	(Audited) \$
Net earnings (loss) for the period	(66,160)	2,761	(97,136)	25,348
Other comprehensive loss, net of income taxes				
Loss on derivatives designated as cash flow hedges	(2,832)	-	(4,016)	-
Comprehensive income (loss) for the period	(68,992)	2,761	(101,152)	25,348
Accumulated other comprehensive loss				
Balance, beginning of period	567	-	-	-
Impact of adopting the new accounting policy regarding financial instruments, net of income taxes	-	-	1,751	-
Other comprehensive loss, net of income taxes	(2,832)	-	(4,016)	-
Balance, end of period	(2,265)	-	(2,265)	-



Consolidated balance sheets

(in thousands of US dollars)

	December 31, 2007	December 31, 2006
	(Audited)	(Audited)
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	8,505	13,658
Accounts receivable	125,784	161,612
Inventories	91,681	140,630
Income taxes	8,219	9,317
Future income taxes	4,286	8,354
Derivative financial instruments	306	-
Prepaid expenses	19,650	12,025
	258,431	345,596
Property, plant and equipment	42,620	43,213
Intangible assets	74,606	79,517
Goodwill	298,938	300,829
Future income taxes	35,119	28,006
Deferred charges	-	3,281
	709,714	800,442
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	136,592	153,437
Additional consideration accrued on business combination	54,775	57,825
Current portion of long-term debt	8,303	9,609
	199,670	220,871
Long-term debt	252,441	302,345
Derivative financial instruments	3,659	-
Future income taxes	31,550	27,782
	487,320	550,998
Shareholders' equity		
Capital stock	308,601	236,088
Contributed surplus	558	720
Retained earnings (deficit)	(84,500)	12,636
Accumulated other comprehensive loss net of income taxes	(2,265)	-
	222,394	249,444
	709,714	800,442



Consolidated statements of cash flows

(in thousands of US dollars)

	Three-month periods ended December 31,		Twelve-month periods ended December 31,	
	2007	2006	2007	2006
	(Unaudited) \$	(Unaudited) \$	(Audited) \$	(Audited) \$
Cash flows from operating activities				
Net earnings (loss)	(66,160)	2,761	(97,136)	25,348
Items not affecting cash and cash equivalents				
Amortization of property, plant and equipment	5,776	3,238	15,753	12,462
Writeoff property, plant and equipment	3,167	-	3,167	-
Amortization of intangible assets	190	313	740	667
Impairment intangible assets	4,171	-	4,171	-
Amortization of deferred charges	-	364	-	1,044
Stock-based compensation plans	(1,261)	798	(1,205)	2,126
Future income taxes	26,036	(5,703)	4,004	(7,864)
Loss on disposal of property, plant and equipment	867	-	607	-
Loss (gain) on foreign currency	909	21	614	(2,610)
	(26,305)	1,792	(69,285)	31,173
Changes in non-cash operating working capital items	90,906	26,246	59,662	(15,300)
	64,601	28,038	(9,623)	15,873
Cash flows from financing activities				
Repayment of long-term debt	(2,441)	(2,404)	(9,574)	(28,998)
Repayment of subsidiary indebtedness upon acquisition	-	-	-	(624)
Change in revolving credit facility	(58,600)	(20,000)	(38,000)	40,000
Issuance of capital stock	3	2,360	71,296	3,882
Amortization of deferred financing costs	148	-	700	-
	(60,890)	(20,044)	24,422	14,260
Cash flows from investing activities				
Acquisition of property, plant and equipment	(4,134)	(4,812)	(19,591)	(17,456)
Proceeds from disposal of property, plant and equipment	-	250	798	304
Business combinations	-	530	(1,159)	(18,890)
	(4,134)	(4,032)	(19,952)	(36,042)
Increase (decrease) in cash and cash equivalents	(423)	3,962	(5,153)	(5,909)
Cash and cash equivalents, beginning of period	8,928	9,696	13,658	19,567
Cash and cash equivalents, end of period	8,505	13,658	8,505	13,658