



Press Release – For Immediate Distribution

MEGA BRANDS REPORTS THIRD QUARTER 2009 RESULTS

MONTREAL, November 13, 2009 – MEGA Brands Inc. (TMX: MB) announced today its financial results for the third quarter ended September 30, 2009. (All figures are expressed in US dollars.)

The Corporation reported net earnings of \$72.0 million or \$1.22 diluted earnings per share, compared to a net loss of \$122.1 million or \$3.34 diluted loss per share in the third quarter of 2008.

Net earnings in the third quarter of 2009 before recovery of purchase price and, net of litigation expenses were \$6.9 million or \$0.14 diluted earnings per share. Earlier this week, the Corporation announced the settlement in its favor of all litigation with Lawrence, Jeffrey and Sidney Rosen, resulting in a gain of \$72.0 million or \$1.22 diluted earnings per share. The third quarter of 2008 was impacted by a \$150.0 million pre-tax charge for impairment of goodwill and other assets.

“We are pleased with the third quarter results. Our return to profitability reflects mainly the significant cost reductions and supply chain initiatives implemented over the past 18 months under our Value Enhancement Plan,” said Marc Bertrand, President and CEO. “Sales trends in the fourth quarter are positive and we are on track to end the year on a strong note in terms of top line, inventories, and profitability. We are well advanced on key product launches for 2010, with *Thomas the Tank* first out of the gate, *Iron Man* in the Spring and several exciting MEGA innovations in the second half of the year.”

Net sales in the third quarter of 2009 decreased to \$118.0 million compared to \$160.9 million in the third quarter of 2008. This decrease is in line with the Corporation’s expectations and reflects lower sales in both of its product lines. Net sales of Toys product lines declined to \$86.2 million compared to \$107.9 million in the third quarter of 2008. This decrease is due mainly to lower shipments in the Boys 5-plus and magnetic construction categories. Net sales of Stationery and Activities product lines declined to \$31.7 million compared to \$53.0 million in the third quarter of 2008.

MD&A Filing

MEGA Brands will file its Management’s Discussion and Analysis as well as the unaudited consolidated financial statements and notes for the third quarter ended September 30, 2009 via SEDAR on November 13, 2009. The MD&A, financial statements and notes will be available on the Corporation’s Web site on November 13, 2009.

Conference Call

An analyst conference call will be held at 9:00 a.m. on November 13, 2009 to discuss the results. Participants may listen to the call by dialing 1 (877) 974-0447. For those unable to participate, a replay will be available until November 20, 2009. The replay phone number is (416) 640-1917, access code **4183228#**.

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. 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 2008 annual MD&A and Q3 2009 MD&A.

**About MEGA Brands**

MEGA Brands is a trusted family of leading global brands in construction toys, games & puzzles, arts & crafts and stationery. They offer engaging creative experiences for children and families through innovative, well-designed, affordable and high-quality products. Visit <http://www.megabrands.com> for more information.

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Consolidated statements of earnings (loss)

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

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2009	2008	2009	2008
	\$	\$	\$	\$
Net sales	117,962	160,860	231,617	346,637
Cost of sales	69,182	101,992	145,457	225,211
Gross profit	48,780	58,868	86,160	121,426
Marketing and advertising expenses	4,097	4,648	7,684	13,893
Research and development expenses	2,765	4,750	8,543	13,156
Other selling, distribution and administrative expenses	23,148	30,751	64,893	84,317
Recovery of purchase price	(71,966)	-	(71,966)	-
Litigation expenses	6,880	3,623	9,618	7,076
Product liability settlement and related expenses	-	(9,350)	-	(9,350)
Impairment of goodwill and other assets	-	150,000	-	150,000
Loss on foreign currency translation	1,124	2,204	2,210	3,223
Earnings (loss) from operations	82,732	(127,758)	65,178	(140,889)
Interest expense				
Interest on long-term debt	11,455	9,416	32,343	20,845
Change in fair value of interest rate swap	(1,249)	1,657	(1,797)	(3,921)
Amortization of deferred financing costs	977	1,201	2,246	3,015
Other interest	34	307	44	325
	11,217	12,581	32,836	20,264
Earnings (loss) before income taxes	71,515	(140,339)	32,342	(161,153)
Income taxes				
Current	(220)	(313)	242	1,001
Future	(238)	(17,886)	(679)	(26,794)
	(458)	(18,199)	(437)	(25,793)
Net earnings (loss)	71,973	(122,140)	32,779	(135,360)
Earnings (loss) per share				
Basic	1.97	(3.34)	0.90	(3.70)
Diluted	1.22	(3.34)	0.61	(3.70)



Consolidated statements of deficit

(in thousands of US dollars)

(Unaudited)

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2009	2008	2009	2008
	\$	\$	\$	\$
Balance, beginning of period	(579,239)	(97,720)	(543,161)	(84,500)
Impact of the adoption of new abstract, Handbook EIC-173, <i>Credit Risk and the Fair Value of Financial Assets and Financial Liabilities</i>				
Change in fair value of interest rate swap	-	-	4,722	-
Income taxes	-	-	(1,606)	-
	-	-	3,116	-
Balance, beginning of period as restated	(579,239)	(97,720)	(540,045)	(84,500)
Net earnings (loss)	71,973	(122,140)	32,779	(135,360)
Balance, end of period	(507,266)	(219,860)	(507,266)	(219,860)

Consolidated statements of comprehensive income (loss) and Accumulated other comprehensive income (loss)

(in thousands of US dollars)

(Unaudited)

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2009	2008	2009	2008
	\$	\$	\$	\$
Net earnings (loss) for the period	71,973	(122,140)	32,779	(135,360)
Other comprehensive income (loss), net of income taxes				
Gain (loss) on derivatives designated as cash flow hedges	356	356	1,068	(3,196)
Comprehensive income (loss) for the period	72,329	(121,784)	33,847	(138,556)
Accumulated other comprehensive loss				
Balance, beginning of period				
Gross	(7,096)	(9,398)	(8,246)	(3,659)
Income taxes	2,703	3,581	3,141	1,394
	(4,393)	(5,817)	(5,105)	(2,265)
Other comprehensive income (loss)				
Net change in losses on cash flow hedging items	-	-	-	(6,313)
Reclassification to income (loss)	575	575	1,725	1,150
Income taxes	(219)	(219)	(657)	1,967
	356	356	1,068	(3,196)
Balance, end of period				
Gross	(6,521)	(8,823)	(6,521)	(8,822)
Income taxes	2,484	3,362	2,484	3,361
Balance, end of period	(4,037)	(5,461)	(4,037)	(5,461)



Consolidated balance sheets

(in thousands of US dollars)

	September 30, 2009 (Unaudited)	December 31, 2008 (Audited)	September 30, 2008 (Unaudited)
	\$	\$	\$
Assets			
Current assets			
Cash and cash equivalents	13,437	49,427	39,664
Accounts receivable	111,912	104,620	173,289
Recovery of purchase price	17,191	-	-
Inventories	67,420	65,220	108,135
Income taxes	3,322	7,149	8,869
Future income taxes	3,460	5,291	4,843
Derivative financial instruments	-	-	1,599
Prepaid expenses	11,850	12,857	21,072
	228,592	244,564	357,471
Property, plant and equipment	27,125	31,726	40,860
Intangible assets	24,444	24,942	74,108
Goodwill, net	31,339	30,000	149,539
Derivative financial instruments	-	-	552
Future income taxes	2,091	1,931	48,708
	313,591	333,163	671,238
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	84,311	76,532	97,507
Additional consideration accrued on business combination	-	54,775	54,775
Current portion of long-term debt	98,912	3,273	2,885
	183,223	134,580	155,167
Long-term debt	295,651	387,702	392,269
Derivative financial instruments	6,583	14,828	4,901
Future income taxes	11,615	16,497	16,401
	497,072	553,607	568,738
Shareholders' equity			
Capital stock	308,678	308,678	308,677
Contributed surplus	558	558	558
Equity component of convertible debentures	18,586	18,586	18,586
Deficit	(507,266)	(543,161)	(219,860)
Accumulated other comprehensive income (loss) net of income taxes	(4,037)	(5,105)	(5,461)
	(183,481)	(220,444)	102,500
	313,591	333,163	671,238



Consolidated statements of cash flows

(in thousands of US dollars)

(Unaudited)

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2009	2008	2009	2008
	\$	\$	\$	\$
Cash flows from operating activities				
Net earnings (loss)	71,973	(122,140)	32,779	(135,360)
Items not affecting cash and cash equivalents				
Amortization of property, plant and equipment	3,544	3,754	10,069	11,214
Amortization of intangible assets	166	166	498	498
Stock-based compensation plans	(17)	(113)	28	(745)
Amortization of deferred financing costs	977	1,200	2,246	3,015
Amortization of unrealized loss on swap derivative financial instruments	575	576	1,726	1,151
Loss (gain) on swap derivative financial instruments	(1,825)	1,082	(3,523)	(5,071)
Future income taxes	(238)	(17,886)	(679)	(26,794)
Impairment of goodwill and other assets	-	150,000	-	150,000
Accretion of interest on convertible debentures	719	-	1,959	-
Loss (gain) on foreign currency	5,391	(148)	6,310	742
	81,265	16,491	51,413	(1,350)
Changes in non-cash operating working capital items	(91,278)	(63,199)	(73,610)	(106,443)
	(10,013)	(46,708)	(22,197)	(107,793)
Cash flows from financing activities				
Repayment of long-term debt	(701)	(2,344)	(3,733)	(7,009)
Change in revolving credit facility	-	19,000	-	94,000
Issuance of convertible debentures	-	69,934	-	69,934
Issue costs on equity component of convertible debentures	-	(1,051)	-	(1,051)
Addition to deferred financing costs	-	(4,898)	(3,254)	(7,564)
Issuance of capital stock	-	-	-	76
	(701)	80,641	(6,987)	148,386
Cash flows from investing activities				
Acquisition of property, plant and equipment	(1,385)	(1,396)	(5,467)	(8,833)
Business combinations	(439)	(601)	(1,339)	(601)
	(1,824)	(1,997)	(6,806)	(9,434)
Increase (decrease) in cash and cash equivalents	(12,538)	31,936	(35,990)	31,159
Cash and cash equivalents, beginning of period	25,975	7,728	49,427	8,505
Cash and cash equivalents, end of period	13,437	39,664	13,437	39,664
Supplementary disclosure of cash flow information				
Interest paid	10,170	8,096	29,724	16,327
Income taxes paid (recovery)	233	(135)	(156)	2,418
Non cash item				
Property, plant and equipment acquired by means of capital leases	116	-	116	622