

Press Release – For Immediate Distribution

MEGA BRANDS REPORTS FOURTH QUARTER AND 2009 RESULTS

MONTREAL, March 31, 2010 – MEGA Brands Inc. (TSX: MB) announced today its financial results for the fourth quarter and full year ended December 31, 2009. (All figures are expressed in US dollars.)

Net earnings in 2009 were \$10.7 million or \$0.29 per share compared to a net loss of \$458.7 million or \$12.53 per share in 2008. Net sales decreased to \$338.9 million compared to \$447.7 million in 2008.

For the fourth quarter, net loss was \$22.1 million or \$0.60 per share compared to a net loss of \$323.3 million or \$8.83 per share in the same 2008 period. Net sales increased 6% to \$107.3 million compared to \$101.0 million in the corresponding period in 2008. This increase is the first positive variance in year-over-year net sales since the first quarter of 2007.

“We are pleased with the improving trends in our business, with higher sales, lower expenses and improved gross margin in the fourth quarter compared to the same period in 2008,” said Marc Bertrand, President and CEO. “With the completion of the recapitalization transaction, the company now has the liquidity and capital resources to pursue its business plan and we are fully focused on strengthening our brands, improving financial performance and building value.”

Response from global retailers to its 2010 product lines at toy fairs in Asia, Europe and the United States was favourable and MEGA Brands expects increased shelf space to drive sales growth in both North America and international markets. Continued margin improvement is also anticipated from actions completed under the Value Enhancement Plan which have reduced operating expenses and increased global supply chain efficiency.

“Our preschool assortment is stronger than ever, with MEGA BLOKS basics leading the way and our *Thomas & Friends* products already performing well at retail. This year we will also benefit from media buzz surrounding the 65th anniversary of the *Thomas & Friends* brand, the 10th anniversary of *Dora the Explorer*, and of course, the 25th anniversary of MEGA BLOKS,” added Marc Bertrand.

“In Boys, shipments of our *Iron Man II* construction line began in the first quarter and we are expanding our successful *Halo Wars* assortment and adding new innovations in *Battle Strikers*. Later in the year, we look forward to the launch of our *Dragons Universe* which has already received strong listings from retailers around the world.”

Recent Developments

On March 30, 2010, the Corporation completed a recapitalization transaction whereby it significantly reduced total indebtedness and annual interest expenses going forward. This transaction is disclosed as a Subsequent Event in the notes to the Corporation’s consolidated financial statements for the year ended December 31, 2009 and its impact will be reflected in the financial statements for the first quarter ending March 31, 2010.

The Corporation’s capital structure and financial flexibility are significantly improved.

- Long-term debt is reduced by approximately \$290 million to \$139 million, with no financial covenant restrictions.
- Annual interest is reduced by approximately \$30 million.
- There are no material principal repayments until 2012.
- The Corporation can borrow up to \$45 million for working capital purposes under a new credit facility.

Further information on this transaction is available under the Corporation’s profile on SEDAR at www.sedar.com.

In 2009, the Corporation completed the implementation of its Value Enhancement Plan (the "VEP"), which was launched at the end of 2007. Actions completed mainly in 2008 have improved global supply chain efficiency, allowing the Corporation to operate with significantly lower inventories and working capital. Among such actions was the significant downsizing of operations at the Corporation's manufacturing facility in China at the end of 2008. Numerous cost reduction measures have also been implemented, including the consolidation of North American warehousing and distribution activities. During 2009, the Corporation closed the MEGA Brands America headquarters in New Jersey and relocated these activities to its offices in Montreal and California. The Corporation has identified additional opportunities for cost reduction and increased efficiency which will be implemented in the normal course of operations in 2010.

MD&A Filing

This press release should be read in conjunction with the Corporation's Management's Discussion and Analysis (the "MD&A") as well as the audited consolidated financial statements and notes for the years ended December 31, 2009 and 2008. The Corporation will file these documents today via SEDAR. The MD&A, financial statements and notes will be posted today on the Corporation's Web site.

Conference Call

A conference call for analysts will be held today at 9:00 a.m. to discuss the results. Management's presentation and the question and answer period with financial analysts will be followed by a question and answer period with journalists. Participants may listen to the call by dialing (647) 427-7450 or 1(888) 231-8191. For those unable to participate, a replay will be available until April 7, 2010. The replay phone number is (416) 849-0833 or (514) 807-9274, access code 66225450.

About MEGA Brands

MEGA Brands Inc. 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.

The MEGA logo, Mega Bloks, Rose Art, MagNext and Board Dudes are trademarks of MEGA Brands Inc. or its affiliates.

Forward-Looking Statements

All statements in this press release that do not directly and exclusively relate to historical facts constitute "forward-looking information" within the meaning of applicable Canadian securities laws. These statements represent the Corporation's intentions, plans, expectations and beliefs. Readers are cautioned not to place undue reliance on these forward-looking statements. Forward-looking information and statements are based on a number of assumptions and involve risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by them, including, but not limited to risks, assumptions and uncertainties described in the Corporation's MD&A for the year ended December 31, 2009 and the Corporation's annual information form, as well as the Corporation's information circular dated February 15, 2010, all of which are available at www.sedar.com. The Corporation disclaims any intention or obligation to publicly update or revise any forward-looking information, whether as a result of new information, future events or otherwise, other than as required by applicable law.

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Consolidated statements of earnings (loss)

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

	Three-month periods ended December 31,		Twelve-month periods ended December 31,	
	2009	2008	2009	2008
	\$ (Unaudited)	\$ (Unaudited)	\$ (Audited)	\$ (Audited)
Net sales	107,295	101,040	338,912	447,677
Cost of sales	73,612	116,979	219,069	342,190
Gross profit	33,683	(15,939)	119,843	105,487
Marketing and advertising expenses	6,524	12,693	14,208	26,586
Research and development expenses	2,827	3,912	11,370	17,068
Other selling, distribution and administrative expenses	23,154	46,035	88,047	130,057
Impairment of goodwill / recovery of purchase price	2,039	119,539	(69,927)	269,539
Voluntary product recall and replacement	-	293	-	588
Litigation expenses	2,141	4,831	11,759	11,907
Product liability settlement and related expenses	-	-	-	(9,350)
Impairment of intangible assets	-	49,000	-	49,000
Loss on foreign currency translation	143	717	2,353	3,940
Earnings (loss) from operations	(3,145)	(252,959)	62,033	(393,848)
Interest expense				
Interest on long-term debt	11,573	11,423	43,916	32,268
Change in fair value of interest rate swap	5,982	10,503	4,185	6,582
Amortization of deferred financing costs	986	1,270	3,232	4,285
Other interest	219	412	263	737
	18,760	23,608	51,596	43,872
Earnings (loss) before income taxes	(21,905)	(276,567)	10,437	(437,720)
Income taxes				
Current	331	2,190	573	3,191
Future	(183)	44,544	(862)	17,750
	148	46,734	(289)	20,941
Net earnings (loss)	(22,053)	(323,301)	10,726	(458,661)
Earnings (loss) per share				
Basic	(0.60)	(8.83)	0.29	(12.53)
Diluted ¹⁾	(0.60)	(8.83)	0.29	(12.53)

¹⁾ The dilutive effects of the convertible debentures and the outstanding options under the treasury stock method for the three- and 12-month periods ended December 31, 2009 and 2008 are nil as they are anti-dilutive.

Consolidated statements of deficit

(in thousands of US dollars)

	Three-month periods ended December 31,		Twelve-month periods ended December 31,	
	2009	2008	2009	2008
	\$ (Unaudited)	\$ (Unaudited)	\$ (Audited)	\$ (Audited)
Balance, beginning of period	(507,266)	(219,860)	(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	(507,266)	(219,860)	(540,045)	(84,500)
Net earnings (loss)	(22,053)	(323,301)	10,726	(458,661)
Balance, end of period	(529,319)	(543,161)	(529,319)	(543,161)

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

(in thousands of US dollars)

	Three-month periods ended December 31,		Twelve-month periods ended December 31,	
	2009	2008	2009	2008
	\$ (Unaudited)	\$ (Unaudited)	\$ (Audited)	\$ (Audited)
Net earnings (loss) for the period	(22,053)	(323,301)	10,726	(458,661)
Other comprehensive income (loss), net of income taxes				
Gain (loss) on derivatives designated as cash flow hedges	4,037	356	5,105	(2,840)
Comprehensive income (loss) for the period	(18,016)	(322,945)	15,831	(461,501)
Accumulated other comprehensive loss				
Balance, beginning of period				
Gross	(6,521)	(8,823)	(8,246)	(3,659)
Income taxes	2,484	3,362	3,141	1,394
	(4,037)	(5,461)	(5,105)	(2,265)
Other comprehensive income (loss)				
Net change in losses on cash flow hedging items	-	-	-	(6,313)
Reclassification to income (loss)	6,521	575	8,246	1,725
Income taxes	(2,484)	(219)	(3,141)	1,748
	4,037	356	5,105	(2,840)
Balance, end of period				
Gross	-	(8,248)	-	(8,247)
Income taxes	-	3,143	-	3,142
Balance, end of period	-	(5,105)	-	(5,105)

Consolidated balance sheets

(in thousands of US dollars)

	December 31, 2009 (Audited)	December 31, 2008 (Audited)
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	26,763	49,427
Accounts receivable	112,517	104,620
Inventories	46,247	65,220
Income taxes	914	7,149
Future income taxes	4,197	5,291
Prepaid expenses	12,806	12,857
	203,444	244,564
Property, plant and equipment	21,210	31,726
Intangible assets	24,278	24,942
Goodwill, net	30,000	30,000
Future income taxes	2,197	1,931
	281,129	333,163
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	67,290	76,532
Additional consideration accrued on business combination	-	54,775
Current portion of long-term debt	944	3,273
	68,234	134,580
Long-term debt	395,940	387,702
Derivative financial instruments	6,045	14,828
Future income taxes	12,407	16,497
	482,626	553,607
Shareholders' equity		
Capital stock	308,678	308,678
Contributed surplus	558	558
Equity component of convertible debentures	18,586	18,586
Deficit	(529,319)	(543,161)
Accumulated other comprehensive income (loss) net of income taxes	-	(5,105)
	(201,497)	(220,444)
	281,129	333,163

Consolidated statements of cash flows

(in thousands of US dollars)

	Three-month periods ended December 31,		Twelve-month periods ended December 31,	
	2009	2008	2009	2008
	\$ (Unaudited)	\$ (Unaudited)	\$ (Audited)	\$ (Audited)
Cash flows from operating activities				
Net earnings (loss)	(22,053)	(323,301)	10,726	(458,661)
Items not affecting cash and cash equivalents				
Amortization of property, plant and equipment	7,543	4,123	17,612	15,337
Writeoff of property, plant and equipment	-	6,338	-	6,338
Amortization of intangible assets	166	166	664	664
Impairment of intangible assets	-	49,000	-	49,000
Impairment of goodwill / recovery of purchase price	2,039	119,539	(54,775)	269,539
Amortization of unrealized loss on swap derivative financial instruments	6,520	575	8,246	1,726
Loss (gain) on swap derivative financial instruments	(539)	9,927	(4,062)	4,856
Stock-based compensation plans	340	(58)	368	(803)
Amortization of deferred financing costs	986	1,270	3,232	4,285
Writeoff deferred financing costs	-	2,528	-	2,528
Future income taxes	(183)	44,544	(862)	17,750
Accretion of interest on convertible debentures	768	603	2,727	902
Loss on foreign currency	1,206	5,737	7,516	6,479
	(3,207)	(79,009)	(8,608)	(80,060)
Changes in non-cash operating working capital items	18,869	92,476	734	(14,266)
	15,662	13,467	(7,874)	(94,326)
Cash flows from financing activities				
Repayment of long-term debt	(707)	(2,378)	(4,440)	(9,387)
Change in revolving credit facility	-	-	-	94,000
Issuance of convertible debentures	-	-	-	69,934
Issuance of capital stock	-	-	-	76
Addition to deferred financing costs	-	-	(3,254)	(7,564)
Issue costs on equity component of convertible debentures	-	-	-	(1,051)
	(707)	(2,378)	(7,694)	146,008
Cash flows from investing activities				
Acquisition of property, plant and equipment	(1,629)	(1,326)	(7,096)	(10,159)
Business combinations	-	-	-	(601)
	(1,629)	(1,326)	(7,096)	(10,760)
Increase (decrease) in cash and cash equivalents	13,326	9,763	(22,664)	40,922
Cash and cash equivalents, beginning of period	13,437	39,664	49,427	8,505
Cash and cash equivalents, end of period	26,763	49,427	26,763	49,427