



Press Release – For Immediate Distribution

MEGA BRANDS REPORTS FIRST QUARTER 2010 RESULTS

MONTREAL, May 14, 2010 – MEGA Brands Inc. (TSX: MB) announced today its financial results for the first quarter ended March 31, 2010. (All figures are expressed in US dollars.)

Net sales increased 13% to \$49.1 million compared to \$43.5 million in the first quarter of 2009. The Corporation's net sales increased in both North America and international markets, driven mainly by higher shipments of construction toys in the Preschool and Boys categories. This is the second consecutive quarter of year-over-year improvement in the Corporation's net sales.

Net earnings were \$98.2 million or \$2.28 per share compared to a net loss of \$25.9 million or \$0.71 per share in the first quarter of 2009. The first quarter 2010 results include a gain on settlement of debt, reflecting the positive impact of the recapitalization transaction completed on March 30, 2010.

"All of our key performance indicators were positive during the quarter, with higher sales, lower operating expenses and improved gross margins," said Marc Bertrand, President and CEO. "Our market-leading Preschool offering is performing well at retail, with strong demand for core MEGA BLOKS product lines and incremental sales resulting from the Spring launch of *Thomas & Friends*. Our Boys business continues to build sales momentum driven by *Halo Wars* and *Iron Man 2*. With the Fall introduction of our *Dragons Universe* in the Boys category and more innovations in Preschool, we expect increased shelf space at major retailers in both North America and international markets heading into the peak toy selling season."

Recent Developments

The Corporation significantly improved its capital structure and financial flexibility with the completion of a recapitalization transaction on March 30, 2010.

- Debt is reduced by approximately \$290 million compared to the level at the end of 2009.
- Cash interest expenses, which reached \$43.9 million in 2009, are expected to decline to approximately \$20.5 million in 2010 and \$14.0 million in 2011. This excludes interest expense related to utilization, if any, of the Corporation's new asset-based credit facility for working capital purposes.
- The Corporation has no principal repayments until 2012, and no financial covenant restrictions.

As a result of the recapitalization, the Corporation recognized a non-cash gain on settlement of debt amounting to \$140.3 million, net of related fees of \$2.0 million and the writeoff of deferred financing costs of \$3.0 million. This amount is presented in the consolidated statement of earnings for the three-month period ended March 31, 2010 under the heading "Settlement of debt" in Interest and other expenses.

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 unaudited consolidated financial statements and notes for the three-month periods ended March 31, 2010 and 2009. 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 will be held at 9:00 a.m. today to discuss the results and business outlook. 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 May 21, 2010. The replay phone number is (416) 849-0833 or (514) 807-9274, access code 73323102.



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, MEGA Puzzles 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 three-month period ended March 31, 2010 and the year ended December 31, 2009, 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.

Investor Contact:

Eric Laniel
Manager, Treasury & Investor Relations
Tel: (514) 333-5555 ext. 2620



Consolidated statements of earnings (loss)

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

(Unaudited)

	Three-month periods ended March 31,	
	2010	2009
	\$	\$
Net sales	49,145	43,533
Cost of sales	32,330	31,990
Gross profit	16,815	11,543
Marketing and advertising expenses	2,634	2,138
Research and development expenses	3,053	3,019
Other selling, distribution and administrative expenses	31,313	19,506
Impairment of goodwill	900	-
Loss on foreign currency translation	673	1,245
Loss from operations	(21,758)	(14,365)
Interest and other expenses		
Interest on long-term debt	10,051	9,984
Gain on settlement of debt	(140,344)	-
Change in fair value of interest rate swap	-	1,583
Amortization of deferred financing costs	1,130	306
Other interest	113	(40)
	(129,050)	11,833
Earnings (loss) before income taxes	107,292	(26,198)
Income taxes		
Current	(431)	433
Future	9,514	(713)
	9,083	(280)
Net earnings (loss)	98,209	(25,918)
Earnings (loss) per share		
Basic	2.28	(0.71)
Diluted ¹⁾	2.28	(0.71)

¹⁾ The dilutive effects of the outstanding options, warrants and debentures for the three-month periods ended March 31, 2010 and 2009 are nil as they are anti-dilutive.



Consolidated statements of deficit

(in thousands of US dollars)

(Unaudited)

	Three-month periods ended March 31,	
	2010	2009
	\$	\$
Balance, beginning of period	(529,319)	(543,161)
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	(529,319)	(540,045)
Net earnings (loss)	98,209	(25,918)
Balance, end of period	(431,110)	(565,963)

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

(in thousands of US dollars)

	Three-month periods ended March 31,	
	2010	2009
	\$	\$
Net earnings (loss) for the period	98,209	(25,918)
Other comprehensive income (loss), net of income taxes		
Gain (loss) on derivatives designated as cash flow hedges	-	356
Comprehensive income (loss) for the period	98,209	(25,562)
Accumulated other comprehensive loss		
Balance, beginning of period		
Gross	-	(8,246)
Income taxes	-	3,141
	-	(5,105)
Other comprehensive income (loss)		
Net change in losses on cash flow hedging items	-	-
Reclassification to income (loss)	-	575
Income taxes	-	(219)
	-	356
Balance, end of period		
Gross	-	(7,671)
Income taxes	-	2,922
Balance, end of period	-	(4,749)



Consolidated balance sheets

(in thousands of US dollars)

	March 31, 2010 (Unaudited)	December 31, 2009 (Audited)
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	24,816	26,763
Accounts receivable	64,475	112,517
Inventories	53,987	46,247
Income taxes	936	914
Future income taxes	3,416	4,197
Prepaid expenses	11,584	12,806
	159,214	203,444
Property, plant and equipment	20,954	21,210
Intangible assets	24,112	24,278
Goodwill, net	30,000	30,000
Future income taxes	2,330	2,197
	236,610	281,129
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	55,952	67,290
Current portion of long-term debt	247	944
	56,199	68,234
Long-term debt	119,734	395,940
Derivative financial instruments	-	6,045
Future income taxes	19,206	12,407
	195,139	482,626
Shareholders' equity		
Capital stock	429,007	308,678
Warrants	24,430	
Contributed surplus	19,144	558
Equity component of convertible debentures	-	18,586
Deficit	(431,110)	(529,319)
	41,471	(201,497)
	236,610	281,129



Consolidated statements of cash flows

(in thousands of US dollars)

(Unaudited)

	Three-month periods ended March 31,	
	2010	2009
	\$	\$
Cash flows from operating activities		
Net earnings (loss)	98,209	(25,918)
Items not affecting cash and cash equivalents		
Amortization of property, plant and equipment	2,194	3,178
Amortization of intangible assets	166	166
Settlement of debt	(145,310)	-
Impairment of goodwill / recovery of purchase price	-	(900)
Amortization of unrealized loss on swap derivative financial instruments	-	575
Loss (gain) on swap derivative financial instruments	-	1,008
Stock-based compensation plans	(295)	3
Amortization of deferred financing costs	991	306
Writeoff deferred financing costs	2,967	-
Future income taxes	9,514	(713)
Accretion of interest on convertible debentures	819	596
Loss (gain) on foreign currency	2,267	(382)
	(28,478)	(22,081)
Changes in non-cash operating working capital items	26,427	25,068
	(2,051)	2,987
Cash flows from financing activities		
Repayment of long-term debt	(216,024)	(2,345)
Issuance of debentures	120,732	-
Issuance of capital stock	85,859	-
Issuance of warrants	23,776	-
Addition to deferred financing costs	(7,937)	-
Share issue cost	(3,399)	-
Issue costs on warrants	(965)	-
	2,042	(2,345)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(1,938)	(1,951)
	(1,938)	(1,951)
Decrease in cash and cash equivalents	(1,947)	(1,309)
Cash and cash equivalents, beginning of period	26,763	49,427
Cash and cash equivalents, end of period	24,816	48,118