



TO: News editors, assignment editors, reporters and columnists: business, finance and investment news

FROM: MEGA Brands Inc.

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RE: News release – For immediate distribution

**MEGA BRANDS REPORTS 175% SALES INCREASE TO \$105.4 MILLION
AND NET EARNINGS OF \$4.1 MILLION IN SECOND QUARTER 2006**

MONTREAL, August 11, 2006 – MEGA Brands Inc. (TSX: MB) announced its financial results today for the second quarter and first six months ended June 30, 2006.

Financial Highlights

(All figures in US\$ millions except per share amounts)

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2006	2005	2006	2005
Net sales	US\$ 105.4	US\$ 38.3	US\$ 187.0	US\$ 67.6
Earnings (loss) from operations	US\$ 10.2	(US\$ 0.5)	US\$ 14.0	(US\$ 1.9)
Net earnings (loss)	US\$ 4.1	(US\$ 0.5)	US\$ 4.6	(US\$ 1.7)
Earnings (loss) per share				
Basic	US\$ 0.13	(US\$ 0.02)	US\$ 0.14	(US\$ 0.06)
Diluted	US\$ 0.12	(US\$ 0.02)	US\$ 0.14	(US\$ 0.06)

Consolidated net sales increased 175.2% to \$105.4 million compared to \$38.3 million in the second quarter of 2005.

Net sales in North America reached \$80.7 million, more than five times the \$14.8 million recorded in the corresponding 2005 period. This growth was driven mainly by sales of stationery and activity products with a strong contribution from the beginning of the back-to-school season in the United States.

International net sales increased 4.9% to \$24.7 million compared to \$23.5 million in the second quarter of 2005. International net sales accounted for 23.4% of consolidated sales compared to 61.5% in the second quarter of 2005.



Earnings from operations increased to \$10.2 million compared to a loss from operations of \$0.5 million in the second quarter of 2005. Net earnings were \$4.1 million, or \$0.12 per diluted share, compared to a net loss of \$0.5 million or \$0.02 per diluted share in the second quarter of 2005.

For the six-month period ended June 30, 2006, net sales increased 176.5% to \$187.0 million compared to \$67.6 million in the same period last year. North American sales reached \$142.1 million compared to \$30.3 million in the corresponding 2005 period, while International sales increased to \$44.9 million or 24.0% of total net sales, compared to \$37.3 million or 55.2% of consolidated net sales in the first half of 2005. Earnings from operations were \$14.0 million compared to a loss from operations of \$1.9 million in the corresponding period of 2005. Net earnings were \$4.6 million, or \$0.14 per diluted share, compared to a net loss of \$1.7 million or \$0.06 per diluted share in the 2005 period.

At the end of the second quarter of 2006, total cash and cash equivalents stood at \$10.2 million compared to \$19.6 million at the end of 2005 and \$12.0 million at the end of the second quarter of 2005. As at June 30, 2006, \$94.0 million remained available under our revolving credit facility to support working capital requirements going forward.

“The results for the first six months of 2006 clearly demonstrate the positive contribution of the stationery and activities product lines to both our net sales and bottom line,” said Marc Bertrand, President and CEO of MEGA Brands. “With a positive earnings turnaround of \$0.20 per share for the first six months of 2006 compared to last year, we are firmly on track to achieve our 2006 profit plan.”

MEGA Brands will file its second quarter Management’s Discussion and Analysis via SEDAR on or before August 14, 2006.

Nomination to the Board of Directors

The Corporation is pleased to announce the appointment, effective August 11, 2006, of Daniel T. Motulsky to the board of directors of MEGA Brands Inc. Mr. Motulsky is a Partner and Managing Director of the global investment bank Lazard Frères & Co. Based in New York, he heads Lazard’s global consumer and retail practices. Mr. Motulsky will sit as an independent member of the board in place of Michel Coutu, who resigned from the board on August 9, 2006, because of time constraints after more than four years of service to the Corporation. Marc Bertrand expressed his deep gratitude to Mr. Coutu. “Michel was an exemplary director who has helped us greatly since we went public in 2002. His contributions and commitment to us were numerous and his presence will be missed. At the same time, we are proud to have someone of Dan’s caliber join us as an independent director at this time, to add depth in corporate finance and M&A experience to the board, and notable expertise in the consumer products and retail sectors,” Bertrand added.

Conference Call

An analyst conference call will be held at 9:00 a.m. on August 11, 2006 to discuss the second quarter results. Participants may listen to the call by dialing 1 (800) 814-4853. For those unable to participate, a replay will be available until August 18, 2006. The replay phone number is 1 (416) 640-1917, access code 21197626#.



Forward-looking Statements

All statements in this press release regarding possible events, conditions or results of operations that are based on assumptions about future economic conditions and courses of action constitute "forward-looking information". 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: integration of the operations of MEGA Brands America, Inc. and its affiliates which were acquired in July 2005, international operations, difficulty in predicting consumer preferences and importance of new products, rate of growth or profitability, dependence on a few large customers, fluctuations in the price of plastic resins and currency rates, retail environment, financing and interest rate matters, litigation and its inherent uncertainty, product recall, risks relating to licensed products and seasonality of the toy and stationery industries. 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 the Management's Discussion and Analysis for the second quarter ended June 30, 2006 as filed on SEDAR.

About MEGA Brands

MEGA Brands provides stimulating creative experiences for children and families through innovative, well-designed, affordable and high-quality products that are marketed worldwide under the leading brands MEGA BLOKS®, ROSE ART®, MAGNETIX® and BOARD DUDES®.

We design, manufacture and market high quality construction and magnetic toy sets, games and puzzles, craft and activity sets, art materials, boards, writing instruments, school supplies and stationery. MEGA Brands is headquartered in Montreal and present in 14 countries with sales in over one hundred. For more information, please visit <http://www.megabrands.com>.

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For more information:

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The trademarks MEGA BRANDS, MEGA, MEGA BLOKS, ROSE ART, MAGNETIX and BOARD DUDES are the property of MEGA Brands Inc. or its subsidiaries.

MEGA I BRANDS INC.

Consolidated statements of earnings

(in thousands of U.S. dollars, except per share amounts)

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2006	2005	2006	2005
	(Unaudited)		(Unaudited)	
Net sales	\$ 105 410	\$ 38 292	\$ 186 955	\$ 67 605
Cost of sales	60 583	22 536	105 748	39 735
Gross profit	44 827	15 756	81 207	27 870
Marketing and advertising expenses	6 425	3 795	12 830	6 898
Research and development expenses	4 923	1 911	8 831	3 588
Other selling, distribution and administrative expenses	23 317	10 535	45 498	19 303
Earnings (loss) from operations	10 162	(485)	14 048	(1 919)
Interest expense				
Long-term debt	4 980	187	9 981	485
Others	56	1	(23)	(45)
	5 036	188	9 958	440
Earnings (loss) before income taxes	5 126	(673)	4 090	(2 359)
Income taxes				
Current	(3 149)	507	(7 199)	(422)
Future	4 225	(640)	6 661	(219)
	1 076	(133)	(538)	(641)
Net earnings (loss)	\$ 4 050	\$ (540)	\$ 4 628	\$ (1 718)
Earnings (loss) per share				
Basic	\$ 0,13	\$ (0,02)	\$ 0,14	\$ (0,06)
Diluted ⁽¹⁾	\$ 0,12	\$ (0,02)	\$ 0,14	\$ (0,06)
Weighted average number of outstanding common shares				
Basic	32 181 129	27 333 612	32 151 538	27 320 659
Diluted ⁽¹⁾	34 093 512	27 333 612	34 176 687	27 320 659

⁽¹⁾ The dilutive effect of outstanding options under the treasury stock method for the three-month six-month periods ended June 30, 2005 is nil as it was anti-dilutive.

ended

MEGA BRANDS INC.

Consolidated statements of deficit

(in thousands of U.S. dollars)

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2006	2005	2006	2005
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Balance, beginning of period	\$ (12 134)	\$ (53 498)	\$ (12 712)	\$ (52 320)
Net earnings (loss)	4 050	(540)	4 628	(1 718)
Balance, end of period	\$ (8 084)	\$ (54 038)	\$ (8 084)	\$ (54 038)

MEGA BRANDS INC.

Consolidated balance sheets (in thousands of U.S. dollars)

	June 30, 2006 (Unaudited)	December 31, 2005 (Audited)	June 30, 2005 (Unaudited)
Assets			
Current assets			
Cash and cash equivalents	\$ 10 156	\$ 19 567	\$ 11 962
Accounts receivable - trade	91 650	167 428	49 810
Accounts receivable - other	5 619	6 238	4 859
Inventories	136 159	82 280	41 947
Income taxes	16 329	-	3 857
Future income taxes	20 286	13 396	-
Prepaid expenses	8 361	8 324	3 922
	288 560	297 233	116 357
Capital assets	41 765	39 351	33 850
Intangible assets	72 067	72 230	1 381
Goodwill	317 042	306 973	-
Deferred charges	4 238	4 708	1 449
	\$ 723 672	\$ 720 495	\$ 153 037
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	117 298	108 025	29 710
Additional consideration accrued on business combination	55 712	74 075	-
Income taxes	-	4 744	-
Current portion of long-term debt	9 596	8 784	757
	182 606	195 628	30 467
Long-term debt	293 406	292 169	13 006
Future income taxes	21 929	12 682	8 075
	497 941	500 479	51 548
Shareholders' equity			
Capital stock	232 716	231 592	154 645
Contributed Surplus	1 099	1 136	882
Deficit	(8 084)	(12 712)	(54 038)
	225 731	220 016	101 489
	\$ 723 672	\$ 720 495	\$ 153 037

MEGA BRANDS INC.

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

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2006	2005	2006	2005
	(Unaudited)		(Unaudited)	
Cash flows from operating activities				
Net earnings (loss)	\$ 4 050	\$ (540)	\$ 4 628	\$ (1 718)
Items not affecting cash and cash equivalents				
Amortization	3 481	2 332	6 808	4 173
Loss (gain) on foreign currency	(2 295)	1 319	(3 584)	1 543
Others	4 812	(579)	7 319	(22)
	10 048	2 532	15 171	3 976
Changes in non-cash operating working capital items	(29 518)	(4 599)	(1 735)	19 900
	(19 470)	(2 067)	13 436	23 876
Cash flows from financing activities				
Repayment of long-term debt	(2 339)	(268)	(3 953)	(386)
Change in revolving credit facility	6 000	-	6 000	(11 000)
Issue of capital stock	275	87	985	211
	3 936	(181)	3 032	(11 175)
Cash flows from investing activities				
Acquisition of capital assets	(4 733)	(2 237)	(8 433)	(4 965)
Acquisition of intangible assets	-	(1 381)	-	(1 381)
Proceeds from disposal of capital assets	54	-	54	-
Acquisition of subsidiary	-	-	(17 500)	-
	(4 679)	(3 618)	(25 879)	(6 346)
Increase in cash and cash equivalents	(20 213)	(5 866)	(9 411)	6 355
Cash and cash equivalents, beginning of period	30 369	17 828	19 567	5 607
Cash and cash equivalents, end of period	\$ 10 156	\$ 11 962	\$ 10 156	\$ 11 962
Supplementary disclosure of cash flow information				
Interest paid	\$ 5 522	\$ 316	\$ 10 378	\$ 499
Income taxes paid	2 452	2 144	13 874	4 670
Capital assets acquired by means of capital leases	-	30	-	517