



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

FROM: MEGA Brands Inc.

DATE: October 25, 2006

TSX SYMBOL: MB

RE: News release – For immediate distribution

MEGA BRANDS SETTLES VIRTUALLY ALL PRODUCT LIABILITY LAWSUITS AND CLAIMS

MONTREAL, October 25, 2006 -- MEGA Brands Inc. (TSX: MB) announced today the settlement of virtually all of the outstanding lawsuits and claims related to MAGNETIX® toys.

Most of the lawsuits and claims are related to injuries resulting from the ingestion of magnets. A 22-month-old child died after ingesting several magnets. All of the other children are recovering from their injuries.

MEGA Brands responded by, among other things, cooperating fully with the U.S. Consumer Products Safety Commission, offering a voluntary recall and replacement program, adding a warning to the toy packaging about ingesting or inhaling magnets and implementing manufacturing and quality control improvements.

All of the plaintiffs under the settled lawsuits and claims are represented by Simeon J. Osborn of the law firm of Osborn Machler. “I think the families were treated fairly and responsibly by MEGA Brands,” said Mr. Osborn. “I am satisfied with the steps the company has taken to prevent such incidents in the future.”

“As an organization that is fully committed to providing creative and safe play experiences for children and families, we deeply regret these events and have taken pro-active measures to ensure the safety of our products,” said MEGA Brands President and CEO Marc Bertrand. “We are pleased to put this behind us and avoid the uncertainty and distraction of litigation, allowing us to focus all of our attention on growing our business.”

For the majority of cases, the settlement is subject to court approval, a standard procedure in cases involving minors.

Terms of the settlement, which include no admission of liability, are confidential. The aggregate amount paid by MEGA Brands to settle the lawsuits and claims is US\$13.5 million. MEGA Brands will record this amount as a product liability settlement expense in its third quarter consolidated statement of earnings. MEGA Brands expects to recover substantially the full amount of the settlement from its insurers and through other recourses. Such recoveries will be recorded in the consolidated statements of earnings when the proceeds are received.



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, including the prospect of recovering the full settlement amount, many of which are beyond the Corporation's control. 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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