



Press Release – For Immediate Distribution

MEGA BRANDS REPORTS FIRST QUARTER 2008 RESULTS

MONTREAL, May 8, 2008 – MEGA Brands Inc. (TSX: MB) today announced its financial results for the first quarter ended March 31, 2008.

“The first quarter of 2008 came in as we expected with lower sales and cost pressures. Through the execution of our Value Enhancement Plan, we are taking concrete actions to address both our top line growth and the cost increases that we and others are facing,” stated Marc Bertrand, President and CEO of MEGA Brands.

“Among our initiatives, we have now completed the integration of our North American distribution activities and other efficiency measures that will generate \$12 million of annualized savings beginning towards the end of second quarter 2008. We have also hired Anthony Bazan, a seasoned executive as Chief Operations Officer to lead our efforts to increase the efficiency of our global operations and supply chain,” added Bertrand. Mr. Bazan comes to MEGA Brands from Jakks Pacific, where he served as Vice President, Global Manufacturing and Sourcing. At Jakks, Mr. Bazan oversaw more than 150 vendor relationships around the world, including in Vietnam, India, and Mexico, with primary focus in China.

Net sales declined to \$79.1 million compared to \$90.1 million in the first quarter of 2007, explained by lower shipments of movie-related Boys 5-plus licensed products and magnetic construction toys. Net loss was \$9.6 million or \$0.26 diluted loss per share compared to a net loss of \$23.9 million or \$0.73 diluted loss per share in the corresponding 2007 period. The first quarter 2007 results took into account voluntary product recall and other charges of \$35.2 million or \$0.69 diluted loss per share.

Sales of MAGNETIX declined in the first quarter of 2008, reflecting lower retail inventories in anticipation of the launch of MAGNEXT[®], the new generation of magnetic construction toys, in the second half of the year. Production of MAGNEXT[®] is now underway and initial products should be available at retail by the end of the second quarter.

Largely as a result of the lower sales of Boys 5-plus and magnetic construction toys, the Corporation’s net sales in North America declined to \$52.3 million compared to \$66.2 million in the first quarter of 2007. International net sales posted another quarter of growth, increasing 13% to \$27.1 million compared to \$23.9 million in the first quarter of 2007.

Management believes that the Corporation’s negotiations with major retailers will result in higher listings for Boys 5-plus and MAGNEXT[®] in the second half of 2008. In preschool construction, the Corporation is coming off a record year in 2007 and double-digit sales growth in the first quarter of 2008, assuring strong listings in this category for the balance of this year.



“The response to MAGNEXT[®] has been great from kids, from the trade and the media at toy fairs. To communicate the safety of MAGNEXT[®], all packaging will feature a ‘Lab Certified’ Safety Seal from Intertek, one of the world’s leading independent toy testing laboratories. Children’s safety is our number one priority. We are committed to creating the highest safety standards in the toy industry and passionate about our ambitious goal of zero defects.”

Bertrand added: “We are also pleased with the support from major retailers for Legend of King Arthur and Struxx, two new innovative construction lines that we believe will grow our Boys 5-plus business in the second half of the year”.

Update on Stationery and Activities

On March 5, 2008, the Corporation announced that following a comprehensive strategic review, it intends to explore a sale of its Stationery and Activities business. The divestiture process is progressing as planned; the Corporation does not intend to provide ongoing guidance or make any further comments regarding the status of the process unless there are material developments.

MD&A Filing

The Corporation’s Management’s Discussion and Analysis for the first quarter ended March 31, 2008 will be available on the Corporation’s Web site as of 7:00 a.m. on May 8, 2008 and on SEDAR the following day.

Conference Call

An analyst conference call will be held at 9:00 a.m. on May 8, 2008 to discuss the results. Participants may listen to the call by dialing 1 (800) 814-4862. For those unable to participate, a replay will be available until May 15, 2008. The replay phone number is 1 (416) 640-1917, access code 21270545#.

About MEGA Brands

MEGA Brands is a trusted family of leading global brands in construction toys, games & puzzles, arts & crafts and stationery. We offer engaging creative experiences for children and families through innovative, well-designed, affordable and high-quality products that deliver on our Creativity to the Rescue promise. For more information, please visit <http://www.megabrands.com>.

The MEGA logo, Creativity to the Rescue, MEGA BLOKS, ROSE ART, MAGNETIX, BOARD DUDES and MAGNEXT 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 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 2007 annual MD&A and Q1 2008 MD&A. When we state that Management believes that Corporation's negotiations with major retailers will result in higher listings for Boys 5-plus and MAGNEXT® in the second half of 2008 and when we state that two new innovative construction lines that we believe will grow our Boys 5-plus business in the second half of the year, we have assumed that retailers and consumers will continue to have a strong interest in those products.

ANALYSTS AND INVESTORS

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Consolidated statements of earnings

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

(Unaudited)

	Three-month periods ended March 31,	
	2008	2007
	(Unaudited) \$	(Unaudited) \$
Net sales	79,392	90,106
Cost of sales	51,589	80,755
Gross profit	27,803	9,351
Marketing and advertising expenses	3,951	6,307
Research and development expenses	4,550	5,257
Other selling, distribution and administrative expenses	27,558	28,052
Voluntary product recall and replacement	-	4,700
Litigation expenses	1,142	812
Loss (gain) on foreign currency translation	1,355	(431)
Loss from operations	(10,753)	(35,346)
Interest expenses		
Interest on long-term debt	5,271	6,047
Amortization of deferred financing costs	940	170
Other interest	190	(94)
	6,401	6,123
Loss before income taxes	(17,154)	(41,469)
Income taxes		
Current	921	(1,426)
Future	(8,427)	(16,133)
	(7,506)	(17,559)
Net loss	(9,648)	(23,910)
Loss per share		
Basic	(0.26)	(0.73)
Diluted	(0.26)	(0.73)



Consolidated statements of retained earnings (deficit)

(in thousands of US dollars)

(Unaudited)

	Three-month periods ended March 31,	
	2008	2007
	\$	\$
Balance, beginning of period	(84,500)	12,636
Net loss	(9,648)	(23,910)
Balance, end of period	(94,148)	(11,274)

Consolidated statements of comprehensive loss and Accumulated other comprehensive loss

(in thousands of US dollars)

(Unaudited)

	Three-month periods ended March 31,	
	2008	2007
	\$	\$
Net loss for the period	(9,648)	(23,910)
Other comprehensive loss, net of income taxes		
Loss on derivatives designated as cash flow hedges	(3,908)	(516)
Comprehensive loss for the period	(13,556)	(24,426)
Accumulated other comprehensive loss		
Balance, beginning of period	(2,265)	-
Impact of adopting the new accounting policy regarding financial instruments, net of income taxes	-	1,751
Other comprehensive income loss, net of income taxes	(3,908)	(516)
Balance, end of period	(6,173)	1,235



Consolidated balance sheets

(in thousands of US dollars)

	March 31, 2008 (Unaudited) \$	December 31, 2007 (Audited) \$	March 31, 2007 (Unaudited) \$
Assets			
Current assets			
Cash and cash equivalents	4,073	8,505	6,040
Accounts receivable	101,047	125,784	91,212
Inventories	97,722	91,681	149,855
Income taxes	6,470	8,219	6,730
Future income taxes	4,983	4,286	7,940
Derivative financial instruments	-	306	-
Prepaid expenses	18,118	19,650	13,385
	232,413	258,431	275,162
Property, plant and equipment	44,329	42,620	46,053
Intangible assets	74,440	74,606	79,332
Goodwill	298,938	298,938	301,171
Derivative financial instruments	-	-	1,994
Future income taxes	45,096	35,119	44,752
	695,216	709,714	748,464
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	82,167	136,592	105,750
Additional consideration accrued on business combination	54,775	54,775	57,316
Derivative financial instruments	2,052	-	381
Current portion of long-term debt	6,492	8,303	8,792
	145,486	199,670	172,239
Long-term debt	299,295	252,441	320,756
Derivative financial instruments	10,522	3,659	-
Future income taxes	30,999	31,550	27,981
	486,302	487,320	520,976
Shareholders' equity			
Capital stock	308,677	308,601	236,972
Contributed surplus	558	558	555
Deficit	(94,148)	(84,500)	(11,274)
Accumulated other comprehensive gain (loss) net of income taxes	(6,173)	(2,265)	1,235
	208,914	222,394	227,488
	695,216	709,714	748,464



Consolidated statements of cash flows

(in thousands of US dollars)

(Unaudited)

	Three-month periods ended March 31,	
	2008	2007
	\$	\$
Cash flows from operating activities		
Net loss	(9,648)	(23,910)
Items not affecting cash and cash equivalents		
Amortization of property, plant and equipment	3,607	3,020
Amortization of intangible assets	166	185
Stock-based compensation plans	(429)	(125)
Future income taxes	(8,427)	(16,133)
Gain on disposal of property, plant and equipment	-	(220)
Loss on foreign currency	645	137
	(14,086)	(37,046)
Changes in non-cash operating working capital items	(30,169)	13,525
	(44,255)	(23,521)
Cash flows from financing activities		
Repayment of long-term debt	(2,353)	(2,389)
Change in revolving credit facility	48,500	23,200
Amortization of deferred financing costs	940	170
Addition to deferred financing costs	(2,666)	-
Issuance of capital stock	76	702
	44,497	21,683
Cash flows from investing activities		
Acquisition of property, plant and equipment	(4,674)	(6,236)
Proceeds from disposal of property, plant and equipment	-	798
Business combinations	-	(342)
	(4,674)	(5,780)
Decrease in cash and cash equivalents	(4,432)	(7,618)
Cash and cash equivalents, beginning of period	8,505	13,658
Cash and cash equivalents, end of period	4,073	6,040
Supplementary disclosure of cash flow information		
Interest paid	5,693	6,388
Income taxes recovery	(310)	(4,002)
Non cash item		
Property, plant and equipment acquired by means of capital leases	622	-