



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

FROM: Mega Bloks Inc.

DATE: May 5, 2005

TSX SYMBOL: MB

RE: News release – For immediate distribution

### **MEGA BLOKS REPORTS 12% SALES GROWTH IN FIRST QUARTER**

MONTREAL, May 5, 2005 — Mega Bloks Inc. (TSX: MB) announced today its financial results for the first quarter ended March 31, 2005.

#### **Financial Highlights**

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

	Three-month periods ended March 31,	
	2005	2004
Net sales	US\$ 29.3	US\$ 26.2
Net loss	(US\$ 1.2)	(US\$ 0.3)
Loss per share Basic	(US\$ 0.04)	(US\$ 0.01)

“The year is off to a solid start with 12% growth in net sales and Mega Bloks continues to outperform the industry,” said Marc Bertrand, President and CEO. “Our sales in North America are down slightly as expected while international sales are up an impressive 37%, with growth across the board in Europe, Asia and Latin America. The ongoing implementation of our international strategy will drive a 20<sup>th</sup> consecutive year of growth for the MEGA BLOKS brand in 2005.”

Net sales in the first quarter of 2005 increased to US\$29.3 million, compared to US\$26.2 million in 2004. In North America, net sales were US\$15.5 million compared to \$16.1 million in the first quarter of 2004. International net sales increased to US\$13.8 million. International net sales represented 47% of total net sales, compared to 39% of net sales in the first quarter of 2004. Net loss was \$1.2 million, reflecting mainly higher resin prices and currency factors, as well as additional investment in sales and distribution in international markets. Loss per share was \$0.04 compared to a loss per share of \$0.01 in the same period last year.

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## **Recent Development**

On February 2, 2005, further to a petition by Best-Lock (Europe) Limited, a European toy manufacturer, the German Patent and Trademark office declared Lego's three-dimensional depiction of an interlocking toy block invalid. Mega Bloks expects to benefit from this decision, although still subject to appeal by Lego, and is launching its product lines in Germany in 2005. The Company estimates that annual sales of construction toys in these markets total over US\$250 million.

## **Invitation to Conference Call**

Analysts are invited to a conference call hosted by Mega Bloks today, May 5, 2005, at 9:00 a.m. All other interested parties are invited to participate in the conference call in a listen-only mode. The dial-in number is 1 (800) 814-4862. For those unable to participate, a replay will be available until May 19, 2005. The replay phone number is 1 (416) 640-1917 and the access code is 21122636#.

## **Invitation to Annual General Meeting**

Mega Bloks will host its fiscal 2004 Annual General Meeting on Thursday, May 5, 2005. The Annual General Meeting, to conduct formal business, including the election of directors and the appointment of auditors, will be held at the Montreal Museum of Fine Arts at 2 p.m.

## **Forward-looking statements**

This press release contains forward-looking statements related to expected future events and financial and operating results of the Company that involve risks and uncertainties. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including market and general economic conditions and the risks and uncertainties detailed from time to time in the Company's SEDAR filings.

## **About Mega Bloks**

Mega Bloks creates high quality, fun and educational construction toys that inspire kids and parents to play and learn together. The MEGA BLOKS® system features basic and themed construction toys for boys and girls of all ages. Headquartered in Montreal, Mega Bloks is a global organization employing approximately 1100 people with sales in over 100 countries.

{MEGA BLOKS and the MEGA BLOKS logo are the property of Mega Bloks Inc.}

Source: Mega Bloks Inc.

Website: [www.megabloks.com](http://www.megabloks.com)

**MEGA BLOKS INC.****Consolidated statements of earnings****(in thousands of U.S. dollars, except per share amounts)****(Unaudited)**

	<b>Three-month periods ended March 31,</b>	
	<b>2005</b>	<b>2004</b>
<b>Net sales</b>	<b>\$ 29,313</b>	<b>\$ 26,202</b>
Cost of sales	<b>17,199</b>	15,259
Gross profit	<b>12,114</b>	10,943
Marketing, research and development, and advertising expenses	<b>4,780</b>	3,713
Other selling, distribution and administrative expenses	<b>8,768</b>	7,260
Loss from operations	<b>(1,434)</b>	(30)
Interest expense		
Long-term debt	<b>298</b>	414
Other	<b>(46)</b>	23
	<b>252</b>	437
Loss before income taxes	<b>(1,686)</b>	(467)
Income taxes		
Current	<b>(929)</b>	(590)
Future	<b>421</b>	450
	<b>(508)</b>	(140)
<b>Net loss</b>	<b>\$ (1,178)</b>	<b>\$ (327)</b>
<b>Loss per share</b>		
Basic	<b>\$ (0.04)</b>	<b>\$ (0.01)</b>

## **MEGA BLOKS INC.**

### **Consolidated statements of deficit (in thousands of U.S. dollars) (Unaudited)**

	<b>Three-month periods ended March 31,</b>	
	<b>2005</b>	<b>2004</b>
<b>Balance, beginning of period</b>	<b>\$ (52,320)</b>	<b>\$ (77,497)</b>
Net loss	<b>(1,178)</b>	<b>(327)</b>
<b>Balance, end of period</b>	<b>\$ (53,498)</b>	<b>\$ (77,824)</b>

# MEGA BLOKS INC.

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

	March 31, 2005 (Unaudited)	December 31, 2004 (Audited)	March 31, 2004 (Unaudited)
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 17,828	\$ 5,607	\$ 21,978
Accounts receivable - trade	52,162	101,984	37,096
Accounts receivable - other	4,940	9,898	3,223
Derivatives financial instruments	-	1,184	-
Inventories	32,760	26,125	28,780
Income taxes	2,394	-	1,788
Prepaid expenses	4,669	4,347	4,140
	<b>114,753</b>	<b>149,145</b>	<b>97,005</b>
Capital assets	<b>33,755</b>	<b>32,221</b>	<b>34,835</b>
Deferred charges	<b>1,622</b>	<b>1,789</b>	<b>1,198</b>
	<b>\$ 150,130</b>	<b>\$ 183,155</b>	<b>\$ 133,038</b>
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities	25,504	41,622	21,282
Derivatives financial instruments	-	4,757	-
Income taxes	-	1,111	-
Current portion of long-term debt	749	563	679
	<b>26,253</b>	<b>48,053</b>	<b>21,961</b>
Long-term debt	<b>13,275</b>	<b>24,009</b>	<b>25,321</b>
Future income taxes	<b>8,722</b>	<b>8,294</b>	<b>9,446</b>
	<b>48,250</b>	<b>80,356</b>	<b>56,728</b>
<b>Shareholders' equity</b>			
Capital stock	154,557	154,434	153,769
Contributed Surplus	821	685	365
Deficit	(53,498)	(52,320)	(77,824)
	<b>101,880</b>	<b>102,799</b>	<b>76,310</b>
	<b>\$ 150,130</b>	<b>\$ 183,155</b>	<b>\$ 133,038</b>

# MEGA BLOKS INC.

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

	Three-month periods ended March 31,	
	2005	2004
<b>Cash flows from operating activities</b>		
Net loss	\$ (1,178)	\$ (327)
Items not affecting cash and cash equivalents		
Amortization	1,841	1,737
Loss (gain) on foreign currency	224	(279)
Others	557	553
	<b>1,444</b>	<b>1,684</b>
Changes in non-cash operating working capital items	<b>24,499</b>	<b>30,046</b>
	<b>25,943</b>	<b>31,730</b>
<b>Cash flows from financing activities</b>		
Repayment of long-term debt	(118)	(415)
Change in revolving credit facility	(11,000)	(10,000)
Issue of capital stock	124	40
	<b>(10,994)</b>	<b>(10,375)</b>
<b>Cash flows from investing activities</b>		
Acquisition of capital assets	(2,728)	(2,972)
	<b>(2,728)</b>	<b>(2,972)</b>
Increase in cash and cash equivalents	<b>12,221</b>	<b>18,383</b>
Cash and cash equivalents, beginning of period	<b>5,607</b>	<b>3,595</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 17,828</b>	<b>\$ 21,978</b>
Supplementary disclosure of cash flow information		
Interest paid	\$ 182	\$ 417
Income taxes paid	3,319	1,133
Capital assets acquired by means of capital leases	487	-