



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

FROM: Mega Bloks Inc.

DATE: May 1, 2003

TSX SYMBOL: MB

RE: News release – For immediate distribution

**MEGA BLOKS REPORTS STRONG FIRST QUARTER  
AND REPAYS US\$13.5 MILLION OF TERM DEBT**

MONTREAL, May 1, 2003 — Mega Bloks Inc. (TSX: MB) announced today its financial results for the first quarter of 2003.

**Financial Highlights**

(All figures in millions except per share amounts)

	<b>Q1 - 2003</b>	<b>Q1 - 2002</b>
Net sales	US\$ 22.7	US\$ 18.7
EBITDA	US\$ 1.7	US\$ 1.2
Net loss	(US\$ 0.2)	(US\$ 1.3)
Loss per share Basic	(US\$ 0.01)	(US\$ 0.06)

“We are pleased to announce strong first quarter results”, said Marc Bertrand, President and CEO of Mega Bloks. During the period, Mega Bloks’ net sales increased 21% to US\$22.7 million, compared to US\$18.7 million a year ago. Gross profit increased 21% and EBITDA increased 40%, both compared to the year earlier period. Net loss for the period improved to US\$0.2 million compared to US\$1.3 million in the previous year.

In North America, net sales grew 12% to US\$14.6 million powered by strong product and retail performance as well as solid pick up by new channels. Also during the quarter, international net sales reached US\$8.1 million representing a 42% increase over the same period last year. The growth came from capturing additional shelf space with existing customers, new customer penetration and the addition of third-party distributors. During the first quarter, international net sales represented 36% of total net sales as the Company continues to execute its worldwide expansion compared to 30% in the same period last year.

## **Quarter Highlights**

“Our balance sheet continues to improve significantly as we repaid the remaining balance of the Term A Credit Facility totalling US\$13.5 million. This amount was to be repaid over the next four years, but strong free cash flow generated during 2002 and the first quarter of this year enabled us to make the early repayment. In addition, we have amended our Credit Agreement with our lenders to increase our Revolving Credit Facility to US\$45.0 million from US\$35.0 million,” Bertrand added.

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This press release contains references to non-GAAP (Generally Accepted Accounting Principles) earnings measures, such as EBITDA (earnings before interest, income taxes, depreciation, amortization and gain or loss on foreign currency translation). Non-GAAP earnings measures do not have standardized meanings prescribed by GAAP and therefore may not be comparable to similar measures presented by other issuers.

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.

## **Invitation to Conference Call**

Analysts are invited to a conference call hosted by Mega Bloks on May 1, 2003, at 8:00 a.m. EST. All other interested parties are invited to participate in the conference call in a listen-only mode. The dial-in number is 1-888-575-8232. For those unable to participate, a replay will be available until May 5, 2003. The replay phone number is 1-800-408-3053 and the access code is 1410272#.

## **About Mega Bloks Inc.**

Mega Bloks Inc. creates fun, educational and high quality 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 Inc. is a global organization employing approximately 1,000 people with sales in over 100 countries. MEGA BLOKS and the MEGA BLOKS logo are the property of Mega Bloks Inc. Other trademarks referred to herein are the property of their respective owners.

Source: Mega Bloks Inc.

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# MEGA BLOKS INC.

## Consolidated statements of earnings

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

(Unaudited)

	Three-month periods ended March 31,	
	2003	2002
<b>Net sales</b>	<b>\$ 22,651</b>	<b>\$ 18,708</b>
Cost of sales	12,637	10,461
Gross profit	10,014	8,247
Marketing, research and development, and advertising expenses	3,167	2,335
Other selling, distribution and administrative expenses	6,809	5,829
(Gain) loss on foreign currency translation	(159)	169
Earnings (loss) from operations	197	(86)
Interest expense		
Long-term debt	514	1,675
Other	9	94
	523	1,769
Loss before income taxes	(326)	(1,855)
Income taxes		
Current	(609)	(586)
Future	503	-
	(106)	(586)
<b>Net loss</b>	<b>\$ (220)</b>	<b>\$ (1,269)</b>
<b>Loss per share</b>		
Basic	<b>\$ (0.01)</b>	<b>\$ (0.06)</b>
Diluted	-	-

Fully diluted loss per share is not presented, as it is anti-dilutive.

MEGA BLOKS INC.

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

	Three-month periods ended March 31,	
	2003	2002
<b>Balance, beginning of period</b>	<b>\$ (106,014)</b>	<b>\$ (126,504)</b>
Net loss	(220)	(1,269)
Change in accounting policy	-	544
<b>Balance, end of period</b>	<b>\$ (106,234)</b>	<b>\$ (127,229)</b>

# MEGA BLOKS INC.

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

	March 31, 2003 (Unaudited)	December 31, 2002 (Audited)	March 31, 2002 (Unaudited)
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 22,353	\$ 2,876	\$ 4,042
Accounts receivable - trade	17,552	69,556	25,682
Accounts receivable - other	1,948	3,092	1,837
Income taxes	3,927	-	-
Inventories	17,695	14,486	16,567
Prepaid expenses	2,083	1,774	1,858
	<b>65,558</b>	<b>91,784</b>	<b>49,986</b>
Capital assets	<b>31,229</b>	<b>30,318</b>	<b>29,112</b>
Deferred charges	<b>1,525</b>	<b>1,592</b>	<b>-</b>
	<b>\$ 98,312</b>	<b>\$ 123,694</b>	<b>\$ 79,098</b>
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities	18,494	22,880	15,747
Income taxes	-	3,941	106
Current portion of long-term debt	797	3,742	404
	<b>19,291</b>	<b>30,563</b>	<b>16,257</b>
Long-term debt	<b>25,363</b>	<b>40,015</b>	<b>90,032</b>
Future income taxes	<b>6,673</b>	<b>6,067</b>	<b>10,321</b>
	<b>51,327</b>	<b>76,645</b>	<b>116,610</b>
<b>Shareholders' equity (deficiency)</b>			
Capital stock	153,219	153,063	89,717
Deficit	(106,234)	(106,014)	(127,229)
	<b>46,985</b>	<b>47,049</b>	<b>(37,512)</b>
	<b>\$ 98,312</b>	<b>\$ 123,694</b>	<b>\$ 79,098</b>

# MEGA BLOKS INC.

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

	Three-month periods ended March 31,	
	2003	2002
<b>Cash flows from operating activities</b>		
Net loss	\$ (220)	\$ (1,269)
Items not affecting cash		
Amortization	1,649	1,125
(Gain) loss on foreign currency translation	(159)	169
Future income taxes	503	-
	<b>1,773</b>	<b>25</b>
Changes in non-cash operating working capital items	<b>37,721</b>	24,113
	<b>39,494</b>	<b>24,138</b>
<b>Cash flows used in financing activities</b>		
Repayment of long-term debt	(13,700)	(644)
Change in revolving term bank loan balance	(4,000)	(23,500)
Issue of capital stock	156	-
	<b>(17,544)</b>	<b>(24,144)</b>
<b>Cash flows used in investing activities</b>		
Acquisition of capital assets	(2,473)	(2,490)
	<b>(2,473)</b>	<b>(2,490)</b>
Increase (decrease) in cash and cash equivalents	<b>19,477</b>	(2,496)
Cash and cash equivalents, beginning of period	<b>2,876</b>	6,538
<b>Cash and cash equivalents, end of period</b>	<b>\$ 22,353</b>	<b>\$ 4,042</b>
Supplementary disclosure of cash flow information		
Interest paid	\$ 709	\$ 2,411
Income taxes paid	<b>6,881</b>	-