News Release

POLLARD BANKNOTE ANNOUNCES THIRD QUARTER FINANCIAL RESULTS

WINNIPEG, Manitoba, November 9, 2011 /CNW/ — Pollard Banknote Limited (TSX: PBL) ("Pollard") today released its financial results for the three and nine months ended September 30, 2011.

HIGHLIGHTS	Three months ended September 30, 2011	Three months ended September 30, 2010
Sales	$ 43.8 million	$ 41.7 million
Gross Profit	$ 7.0 million	$ 7.3 million
Gross Profit % of sales	*16.0 %*	*17.5%*
Administration expenses	$ 3.4 million	$ 3.6 million
Selling expenses	$ 1.5 million	$ 1.5 million
Realized F/X Gain	$ (1.2 million)	$ (0.1 million)
Net Income (Loss)	$ (1.2 million)	$ 1.5 million
Adjusted EBITDA	$ 5.9 million	$ 4.5 million

HIGHLIGHTS	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Sales	$ 127.4 million	$ 126.1 million
Gross Profit	$ 20.8 million	$ 20.8 million
Gross Profit % of sales	*16.3 %*	*16.5%*
Administration expenses	$ 10.1 million	$ 11.3 million
Selling expenses	$ 4.5 million	$ 4.5 million
Realized F/X (Gain) Loss	$ (3.2 million)	$ 0.8 million
Net Income	$ 1.5 million	$ 2.5 million
Adjusted EBITDA	$ 17.5 million	$ 14.1 million

“Our financial results during the third quarter continued to build on the improvements achieved during the first half of 2011”, stated John Pollard, Co-Chief Executive. “Our sales volumes were 16% higher than the volume sold in the third quarter last year.”

“The average selling price attained for our instant tickets was strong due to a greater mix of some of our specialty products, traditionally seen during this period in advance of the holidays.”

“Our expectations for future volumes for the fourth quarter and 2012 are for a level of sales and production similar to those witnessed in the last two quarters. Retail sales of instant tickets continue to be very robust and this underlying strength of our main product provides a strong foundation for future growth in our own sales.”

“We are very excited about our recent announcement regarding our new social instants product. It’s been well received by lotteries as being the best way to monetize their investment in social media and bringing excitement to their traditional retailers.”

POLLARD BANKNOTE LIMITED

On May 14, 2010, Pollard Banknote Income Fund (the “Fund”) and Pollard Holdings Limited Partnership (“Pollard LP”) completed a conversion (the “Conversion”) to a publically traded corporation, Pollard Banknote Limited (“Pollard”). Pursuant to the terms of the Conversion, holders of Fund units received, in exchange for each of their Fund units, one common share of Pollard. Pollard Equities Limited (“Equities”), the holder of the Class B and Class C Limited Partnership units (collectively, the “Exchangeable LP Units”) of Pollard LP and the associated Special Voting Units, received, in exchange for each group of one Exchangeable LP Unit (together with the accompanying Special Voting Unit), one common share of Pollard.

As a result of the Conversion, Pollard became the 100% owner of both the Fund and Pollard LP, with Pollard LP continuing to operate the business of manufacturing and selling lottery and gaming products.

Since there was no change in control as a result of the Conversion, the transaction has been accounted for as if the Conversion had occurred at the beginning of the earliest comparative period presented. These condensed consolidated financial highlights incorporate the results of both the Fund and Pollard LP with the prior to Conversion comparative figures having been restated to reflect the combined results of both entities. The assets and liabilities of the Fund and Pollard LP were combined at their carrying values. As a result of the Conversion, the Canadian operations of Pollard became taxable, under the Income Tax Act (Canada). Therefore, the difference between the tax values and the net book value of the Canadian assets and liabilities was recorded as future tax assets and liabilities in the prior to Conversion comparative figures.

Pollard is one of the leading providers of products and services to lottery and charitable gaming industries throughout the world. Management believes Pollard is the largest provider of instant tickets based in Canada and the second largest producer of instant tickets in the world.

Selected financial information adjusted for certain items

(millions of dollars)

	Three months ended September 30, 2011	Three months ended September 30, 2010	Three months ended June 30, 2011
GROSS PROFIT			
Per financial statements	$7.0	$7.3	$7.7
Add back Puerto Rico closing costs	0.5	-	-
	$7.5	$7.3	$7.7
As a % of sales	*17.1%*	*17.5%*	*17.3%*
INCOME FROM OPERATIONS			
Per financial statements	$2.2	$2.3	$4.2
Deduct gain on sale of property, plant and equipment	-	-	(1.5)
Add back Puerto Rico closing costs	0.5	-	-
	$2.7	$2.3	$2.7
INCOME (LOSS) BEFORE INCOME TAXES			
Per financial statements	($0.3)	$1.5	$2.7
Deduct gain on sale of property, plant and equipment	-	-	(1.5)
Add back Puerto Rico closing costs	0.5	-	-
Add back unrealized loss (gain) on revaluation of U.S. dollar denominated debt	1.0	(0.7)	-
	$1.2	$0.8	$1.2

Results of Operations – Three and Nine months ended September 30, 2011

SELECTED FINANCIAL INFORMATION

(millions of dollars)	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales	$43.8	$41.7	$127.4	$126.1
Cost of Sales	36.8	34.4	106.6	105.3
Gross Profit	7.0	7.3	20.8	20.8
Administration expenses	3.4	3.6	10.1	11.3
Selling expenses	1.5	1.5	4.5	4.5
Other income	(0.1)	-	(1.6)	(2.1)
Income from operations	2.2	2.2	7.8	7.1
Finance costs	2.5	1.7	5.3	6.1
Finance income	-	(0.9)	(0.8)	(3.3)
Income (loss) before income taxes	(0.3)	1.4	3.3	4.3
Income taxes:				
Current (recovery)	0.3	(0.1)	0.9	0.7
Future	0.6	-	0.9	1.1
	0.9	(0.1)	1.8	1.8
Net Income (loss)	($1.2)	$1.5	$1.5	$2.5
Adjustments:				
Interest	1.1	1.3	3.5	4.1
Unrealized foreign exchange loss (gain)	2.5	(0.5)	3.8	(1.4)
Mark-to-market gain on foreign currency contracts and interest rate swaps	-	(0.3)	-	(2.1)
Amortization of de-designated hedges	-	0.3	-	1.2
Conversion costs	-	-	-	0.7
Warranty reserve	-	0.2	-	0.9
Restructuring costs	0.5	-	0.5	-
Income taxes	0.9	(0.1)	1.8	1.8
Amortization	2.1	2.1	6.4	6.4
Adjusted EBITDA	$5.9	$4.5	$17.5	$14.1
Gain on sale of property, plant and equipment	-	-	1.5	2.0
Adjusted EBITDA excluding gain on sale of property, plant and equipment	$5.9	$4.5	$16.0	$12.1

	September 30, 2011	December 31, 2010
Total Assets	$125.4	$128.2
Total Long-Term Liabilities	$72.1	$74.2

The previous selected financial and operating information has been derived from, and should be read in conjunction with, the condensed consolidated unaudited interim financial statements of Pollard, as at and for the nine months ended September 30, 2011. These financial statements have been prepared in accordance with the International Financial Accounting Standards ("IFRS").

Results of Operations – Three months ended September 30, 2011

During the three months ended September 30, 2011, Pollard achieved sales of $43.8 million, compared to $41.7 million in the three months ended September 30, 2010. Factors impacting the $2.1 million sales increase were:

- During the three months ended September 30, 2011, Pollard generated approximately 60% of its revenue in U.S. dollars including a significant portion of international sales which are priced in U.S. dollars. During the third quarter of 2011 the actual U.S. dollar value was converted to Canadian dollars at $0.98, compared to a rate of $1.05 during the third quarter of 2010. This 6.7% decrease in the U.S. dollar value resulted in an approximate decrease of $1.9 million in revenue relative to the third quarter of 2010. Also during the third quarter of 2011, the Canadian dollar weakened against the Euro resulting in an approximate increase of $0.2 million in revenue relative to the third quarter of 2010.

- Instant ticket volumes for the third quarter of 2011 were higher than the third quarter of 2010 by 16.1% which, partially offset by a reduction in our ancillary instant ticket products and services revenue, increased sales by $3.3 million. Sales volumes were higher due to both increased sales to existing customers and sales to new customers, predominately international. In addition, an increase in average selling price compared to 2010 increased sales by $0.3 million. Charitable Gaming average selling prices increased compared to 2010 by $0.3 million which was partially offset by a related volume decrease of $0.1 million.

Cost of sales was $36.8 million in the third quarter of 2011 compared to $34.4 million in the third quarter of 2010. Lower exchange rates on U.S. dollar transactions in the third quarter of 2011 decreased cost of sales approximately $1.3 million. Cost of sales were higher in the quarter relative to 2010 as a result of the increased instant ticket volumes and non-recurring costs related to the closure of our lottery management operations in

Puerto Rico of $0.5 million, partially offset by costs savings generated by our Change Initiative process as well as the decrease in the warranty cost of $0.2 million.

Gross profit was $7.0 million (16.0% of sales) in the third quarter of 2011 compared to $7.3 million (17.5% of sales) in the third quarter of 2010. Gross profit in the third quarter of 2011 excluding the Puerto Rico closing costs was $7.5 million (17.1% of sales). This increase is due mainly to higher sales volumes, partially offset by the impact of foreign exchange.

Administration expenses were $3.4 million in the third quarter of 2011 which is lower than $3.6 million in the third quarter of 2010 due to costs savings generated by our Change Initiative process.

Selling expenses were $1.5 million in the third quarter of 2011 which was similar to $1.5 million in the third quarter of 2010.

Under IFRS, included in the income statement classification “finance costs” are interest, amortization of deferred financing costs, foreign exchange losses and amortization of de-designated hedges. Included in the income statement classification “finance income” are foreign exchange gains and mark-to-market gains on foreign exchange contracts and interest rate swaps.

Interest expense decreased to $1.1 million in the third quarter of 2011 from $1.3 million in the third quarter of 2010 due primarily to the elimination of higher interest rates relating to certain interest rate swaps which expired on August 31, 2010 and August 31, 2011, partially offset by higher interest rates associated with the credit facility in 2011.

The foreign exchange loss was $1.3 million in the third quarter of 2011 compared to a gain of $0.6 million in the third quarter of 2010. Within the 2011 foreign exchange loss are unrealized losses of $2.5 million relating to the unrealized foreign exchange loss on U.S. dollar denominated debt (caused by the reversal of previously recorded unrealized foreign exchange gains from the strengthening of the Canadian dollar which were realized upon repayment and the weakening of the value of the Canadian dollar versus the U.S. dollar toward the end of the third quarter). Within the foreign exchange loss is a realized gain of $1.2 million, consisting of a $1.1 million realized gain relating to payments made on U.S. dollar denominated debt and by $0.1 million in realized gains on the increased value of U.S. dollar denominated receivables.

Within the 2010 foreign exchange loss of $0.6 million are unrealized gains of $0.5 million, relating to a $0.7 million unrealized foreign exchange gain on U.S. dollar denominated debt (caused by the strengthening of the Canadian dollar between the balance sheets dates of June 30, 2010 and September 30, 2010) partially offset by unrealized net losses of $0.2 million on U.S. dollar denominated receivables and payables, and $0.1 million in realized gains on the increased value of U.S. dollar denominated receivables.

Adjusted EBITDA was $5.9 million in the third quarter of 2011 compared to $4.5 million in the third quarter of 2010. The primary reasons for the increase in Adjusted EBITDA were higher gross profit, higher realized foreign exchange gains (relating to the repayment of U.S. dollar dominated debt) and a reduction in administration expenses.

Income tax expense was $0.9 million in the third quarter of 2011, an effective rate of 300.0%, as a result of permanent differences relating to the translation of the company's U.S. subsidiaries and differences relating to the foreign exchange impact of Canadian dollar dominated debt in the U.S. subsidiaries.

Income tax recovery was ($0.1) million in the third quarter of 2010, an effective rate of (7.1%), as a result of the allocation of partnership income and distributions to the Limited Partners prior to the Conversion, non-taxable items and permanent differences relating to the translation of the company's U.S. subsidiaries and differences relating to the foreign exchange impact of Canadian dollar dominated debt in the U.S. subsidiaries.

Amortization includes amortization of property and equipment, deferred financing costs and intangible assets and totaled $2.1 million during the third quarter of 2011 which was consistent with $2.1 million during the third quarter of 2010.

Net Loss was $1.2 million in the third quarter of 2011 compared to Net Income of $1.5 million in the third quarter of 2010. The primary reasons for the decrease were the $0.5 million non-recurring costs related to the closure of our lottery management operations in Puerto Rico included in cost of sales, a decrease in foreign exchange gain of $1.9 million, a reduction in the non-cash mark-to-market gain on interest rate swap contracts of $0.3 million and an increase in income taxes of $1.0 million, partially offset by an increase in gross profit of $0.2 million, a decrease in administration expenses of $0.2 million, a decrease in interest expense of $0.2 million, the elimination of amortization of de-designated hedges of $0.3 million and an increase in other income of $0.1 million.

Earnings per share decreased to ($0.05) per share in the third quarter of 2011 from $0.06 in the third quarter of 2010.

Results of Operations – Nine months ended September 30, 2011

During the nine months ended September 30, 2011, Pollard achieved sales of $127.4 million, compared to $126.1 million in the nine months ended September 30, 2010. Factors impacting the $1.3 million sales increase were:

- During the nine months ended September 30, 2011, Pollard generated approximately 67% of its revenue in U.S. dollars including a significant portion of international sales which are priced in U.S. dollars. During the first nine months of 2011 the actual U.S. dollar value was converted to Canadian dollars at $0.98, compared to a rate of $1.05 during the first nine months of 2010. This 6.7% decrease in the U.S. dollar value resulted in an approximate decrease of $5.5 million in revenue relative to the first nine months of 2010. In addition, during the nine months ended September 30, 2011, the strengthening of the Canadian dollar against the Euro resulted in an approximate decrease of $0.1 million in revenue relative to the first nine months of 2010.

- Instant ticket volumes for the first nine months of 2011 were higher by 10.9% than the first nine months of 2010 which, partially offset by a reduction in our ancillary instant ticket products and services revenue, increased sales by $7.4 million. Sales volumes were higher due to both increased sales to existing customers and sales to new customers. A decrease in the average selling price of instant tickets decreased sales by $0.6 million compared to the first nine months of 2010. An increase in the average selling price of Charitable Gaming Products increased sales by $0.4 million compared to the first nine months of 2010, while volumes were slightly lower than the first nine months of 2010 reducing revenues by $0.6 million. An increase in machine volumes increased sales by $0.3 when compared to 2010.

Cost of sales was $106.6 million in the nine months ended September 30, 2011, compared to $105.3 million in the first nine months of 2010. Lower exchange rates on U.S. dollar transactions in 2011 decreased cost of sales approximately $3.2 million. Cost of sales were higher as a result of the increased instant ticket volumes and non-recurring costs related to the closure of our lottery management operations in Puerto Rico of $0.5 million, partially offset by costs savings generated by our Change Initiative process as well as the decrease in the warranty cost of $0.9 million.

Gross profit was consistent with $20.8 million (16.3% of sales) in the first nine months of 2011 from $20.8 million (16.5% of sales) in the nine months ended September 30, 2010. Gross profit in the first nine months of 2011 excluding the Puerto Rico closing costs was $21.3 million (16.7% of sales). This increase is due mainly to the increased sales volume and decrease of the 2010 warranty cost, partially offset by the impact of the stronger Canadian dollar.

Administration expenses were $10.1 million in the first nine months of 2011 which is lower than $11.3 million in the first nine months of 2010 due to costs savings generated by our Change Initiative process as well as the decrease in the Conversion expenses of $0.7 million which was expensed in the second quarter of 2010 relating to the Conversion of Pollard to a publically traded corporation.

Selling expenses were $4.5 million in the first nine months of 2011 which is similar to $4.5 million in the first nine months of 2010.

Under IFRS included in the income statement classification “finance costs” are interest, amortization of deferred financing costs, foreign exchange losses and amortization of de-designated hedges. Included in the income statement classification “finance income” are foreign exchange gains and mark-to-market gains on foreign exchange contracts and interest rate swaps.

Interest expense decreased to $3.5 million in the first nine months of 2011 from $4.1 million in the first nine months of 2010 due primarily to the elimination of higher interest rates relating to certain interest rate swaps which expired on August 31, 2010 and August 31, 2011, partially offset by higher interest rates associated with the credit facility in 2011.

The net foreign exchange loss was $0.6 million in the first nine months of 2011 compared to a gain of $0.6 million in the third quarter of 2010. Within the 2011 net foreign exchange loss are unrealized losses of $3.8 million, relating to a $4.0 million unrealized foreign exchange loss on U.S. dollar denominated debt (caused by the reversal of previously recorded unrealized foreign exchange gains from the strengthening of the Canadian dollar which were realized upon repayment and the weakening of the value of the Canadian dollar versus the U.S. dollar toward the end of the third quarter), partially offset by $0.2 million unrealized gain on U.S. dollar denominated payables. Within the foreign exchange loss is a realized gain of $3.2 million consisting of a $3.4 million realized gain relating to payments made on U.S. dollar denominated debt, partially offset by $0.2 million in realized losses on the decreased value of U.S. dollar denominated receivables and the conversion of U.S. dollars and Euros into Canadian dollars.

Within the 2010 $0.6 million foreign exchange gain are unrealized gains of $1.4 million, consisting of a $1.2 million unrealized foreign exchange gain on U.S. dollar denominated debt and $0.2 million on unrealized gains on U.S. dollar denominated receivables and payables. Partially offsetting the unrealized gains was $0.8 million in realized foreign exchange losses, comprised of $0.4 million in realized losses relating to forward hedge contracts and $0.4 million in realized losses on the write-down of U.S. dollar denominated receivables.

During the first nine months of 2011, Pollard sold a building and land in Winnipeg, Manitoba to an affiliate of Equities for total proceeds of $3.5 million resulting in a gain of $1.5 million. The selling price was based on the current fair market value as determined through an independent appraisal.

During the first nine months of 2010, Pollard disposed of a surplus building and land in Kamloops, British Columbia to an affiliate of Equities for total proceeds of $2.9 million resulting in a gain of approximately $2.0 million. The selling price was based on the current fair market value as determined through an independent appraisal.

Adjusted EBITDA was $17.5 million in the first nine months of 2011 compared to $14.1 million in the first nine months of 2010. The primary reasons for the increase in Adjusted EBITDA were higher gross profit, higher realized foreign exchange gains (relating to the repayment of U.S. dollar dominated debt) and a reduction in administration expenses.

Adjusted EBITDA excluding the gains on sale of property, plant and equipment was $16.0 million in the nine months ended September 30, 2011, as compared to $12.1 million in 2010.

Income tax expense was $1.8 million in the first nine months of 2011, an effective rate of 54.5%, primarily as a result of non-taxable items, permanent differences relating to the translation of the company's U.S. subsidiaries and differences relating to the foreign exchange impact of Canadian dollar dominated debt in the U.S. subsidiaries.

Income tax expense was $1.8 million in the first nine months of 2010, an effective rate of 41.9%, primarily due to the allocation of partnership losses and distributions to the Limited Partners prior to the Conversion and non-taxable items.

Amortization includes amortization of property and equipment, deferred financing costs and intangible assets and totaled $6.4 million during the first nine months of 2011 which was consistent with $6.4 million during the first nine months of 2010.

Net Income was $1.5 million in the first nine months of 2011 compared to $2.5 million in the first nine months of 2010. The primary reasons for the decrease were the $0.5 million non-recurring costs related to the closure of our lottery management operations in Puerto Rico included in cost of sales, a reduction in the gain on sale of property, plant and equipment of $0.5 million, a decrease in foreign exchange gain of $1.2 million, an increase in amortization of deferred financing costs of $0.2 million and a reduction in the non-cash mark-to-market gains on interest rate swap contracts and foreign currency contracts of $2.1 million, partially offset by an increase in gross profit of $0.5 million, a decrease in administration expenses of $1.2 million, a decrease in interest expense of $0.6 million and the elimination of amortization of de-designated hedges of $1.2 million.

Earnings per share decreased to $0.06 per share in the nine months ending September 30, 2011, from $0.11 in the nine months ending September 30, 2010.

Use of Non-GAAP Financial Measures

Reference to "Adjusted EBITDA" is to earnings before interest, income taxes, amortization, unrealized foreign exchange gains and losses, mark-to-market gains and losses on foreign currency contracts and interest rate swaps, and certain non-recurring items including Conversion expenses, warranty reserve accruals and restructuring costs. Adjusted EBITDA is an important metric used by many investors to compare issuers on the basis of the ability to generate cash from operations and management believes that, in addition to Net Income, Adjusted EBITDA is a useful supplementary measure.

Adjusted EBITDA is a measure not recognized under GAAP and does not have a standardized meaning prescribed by GAAP. Therefore, this measure may not be comparable to similar measures presented by other entities. Investors are cautioned that Adjusted EBITDA should not be construed as an alternative to Net Income determined in accordance with GAAP as an indicator of Pollard's performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows.

Outlook

The overall instant ticket market continues to show consistent growth at the retail level in the 5-7% range compared to last year. A significant number of lotteries in North America and internationally are experiencing strong growth in instant tickets. Despite current economic uncertainty, the underlying instant ticket industry is showing very good resilience and we expect this strength to continue for the foreseeable future.

In addition to looking at new adjuncts to the instant ticket product lines such as second chance drawings and VIP internet player tracking, lotteries are refocusing on a back to basics approach to expanding their instant ticket sales including maximizing retailer training, optimizing retail shelf space and increased retailer penetration. By assisting lotteries in these endeavors we can expand our relationships, and growing retail sales of instant tickets provide us the opportunity to increase our own sales. We expect these factors to assist us in maintaining our volumes at the current higher levels than achieved in 2010.

We have no existing large lottery contracts set to expire in 2011 or the beginning 2012 and we will continue to pursue new opportunities. Although the overall market is expected to grow, we also expect the industry to continue to be very competitive.

Specialty product sales such as licensed merchandise games tend to be higher in the third quarter of the year in preparation for the holiday season. We anticipate our mix of specialty work and its impact on average selling prices to be more consistent with historic norms in the next two to three quarters as compared to the third quarter of 2011.

Our charitable games business remains very stable. Although there is very little growth at the retail level, profitable growth opportunities do exist within certain specific segments. We anticipate this product line will continue to represent similar levels of our overall sales and profitability.

After many quarters of strengthening relative to the U.S. dollar, the Canadian dollar weakened towards the end of the third quarter. Despite generating unrealized losses on our U.S. denominated long-term debt, a weaker Canadian dollar results in stronger operating results including higher net income and free cash flow due to our net exposure to cash inflows based in U.S. dollars.

We are currently starting the second year of our formal improvement process know as the Change Initiative Plan. A significant amount of our operating and financial improvements achieved during the past year have stemmed from the initiatives and action plans instigated under this process to improve all aspects of our organization. Increased sales and production volumes, improved cost structures and increased innovations are the primary objectives of the process and we will continue to focus our energies and resources within this framework to drive our organization in the quarters to come.

As disclosed in our year end filings, we do not anticipate any significant capital expenditures during the remainder of 2011 and will use our free cash flow to reduce our long-term debt and strengthening our balance sheet.

Pollard Banknote believes that its credit facility and ongoing cash flow from operations will be sufficient to allow it to meet ongoing requirements for investment in capital expenditures, working capital and dividends at existing business levels.

Forward-Looking Statements

Certain statements in this report may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. When used in this document, such statements include such words as "may," "will," "expect," "believe," "plan" and other similar terminology. These statements reflect management's current expectations regarding future events and operating performance and speak only as of the date of this document. There should not be an expectation that such information will in all circumstances be updated, supplemented or revised whether as a result of new information, changing circumstances, future events or otherwise.

For Further Information Please Contact:

John Pollard
Co-Chief Executive Officer
Telephone: (204) 474-2323 ext 204
Facsimile: (204) 453-1375

Doug Pollard
Co-Chief Executive Officer
Telephone: (204) 474-2323 ext 275
Facsimile: (204) 453-1375

Rob Rose
Chief Financial Officer
Telephone: (204) 474-2323 ext 250
Facsimile: (204) 453-1375

SEDAR: 00022394
(PBL)

CO: Pollard Banknote Limited