Pollard Banknote

News Release

POLLARD BANKNOTE LIMITED ANNOUNCES 2ND QUARTER FINANCIAL RESULTS

WINNIPEG, Manitoba, August 4, 2010 /CNW/ — Pollard Banknote Limited (TSX Symbol PBL) ("Pollard") today released its financial results for the three months ended June 30, 2010.

HIGHLIGHTS	2nd Quarter ended June 30, 2010	2nd Quarter ended June 30, 2009
Sales	$ 43.2 million	$ 49.5 million
Gross Profit	$ 7.8 million	$ 9.5 million
Selling and Administration	$ 5.3 million	$ 5.6 million
Realized F/X Loss	$ 0.2 million	$ 1.9 million
EBITDA	$ 5.5 million	$ 5.0 million

"The second quarter of the year witnessed a number of important transitions for our company", stated John Pollard, Co-Chief Executive Officer. "Chief among these was the conversion of our organization from an income trust to a publicly traded corporation, which occurred in May. We also successfully completed the assimilation of our Kamloops manufacturing operations into our other locations and we are looking forward to the cost improvements and other efficiencies this change will bring."

"Our volumes of instant lottery tickets sold increased during the second quarter compared to the first quarter. However, the mix was unusually heavily weighted to lower value products, resulting in a lower gross margin than budgeted. We expect our mix of product for the third and fourth quarter to be more normal and reflect a greater percentage of higher value products."

"The strong Canadian dollar relative to the U.S. dollar continued to put negative pressure on our operating margins during the second quarter. We are focused on a number of cost improvement initiatives throughout our organization to help offset the impact of the stronger Canadian dollar."

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 , 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

After conversion there was no substantive change in the ultimate ownership of Pollard. As a result, the Conversion will be accounted for under the continuity of interests method. One consolidated financial statement incorporating the results of both the Fund and Pollard LP will be prepared. Comparative figures will be restated reflecting the combined results of both entities. As the Canadian operations of Pollard are now taxable under the *Income Tax Act* (Canada), the difference between the tax values and the net book value of the Canadian assets and liabilities have been recorded as future tax assets and liabilities in the 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

(millions of dollars)	Three months ended June 30, 2010	Three months ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009
Sales	$43.2	$49.5	$84.4	$96.5
Cost of Sales	35.5	40.0	69.1	78.9
Gross Profit	7.7	9.5	15.3	17.6
Gross Profit as a % of sales	*17.8%*	*19.2%*	*18.1%*	*18.2%*
Selling and Administration Expenses	5.3	5.6	10.1	11.3
Expenses as a % of sales	*12.3%*	*11.3%*	*12.0%*	*11.7%*
Realized foreign exchange loss	0.2	1.9	0.8	2.5
Loss as a % of sales	*0.5%*	*3.8%*	*0.9%*	*2.6%*
Net Income (Loss) (note 1)	(1.0)	9.1	0.8	7.2
Net Income (Loss) as a % of sales	(2.3%)	18.4%	0.9%	7.5%
EBITDA	5.5	5.0	9.2	8.9

Note 1: Net Income in the three months ended June 30, 2010 decreased compared to 2009 due to the elimination of the non-cash mark-to-market gain on foreign currency contracts ($5.9 million) and a reduction in unrealized foreign exchange gain ($3.3 million).

	June 30, 2010	December 31, 2009
Total Assets	$140.5	$154.3
Total Long Term Liabilities	$78.2	$76.5

The previous selected financial and operating information has been derived from, and should be read in conjunction with, the consolidated financial statements of Pollard.

Results of Operations – Three months ended June 30, 2010

During the three months ended June 30, 2010, Pollard achieved sales of $43.2 million, compared to $49.5 million in the three months ended June 30, 2009. Factors impacting the $6.3 million sales decrease were:

- During the three months ended June 30, 2010, Pollard generated approximately 76% of its revenue in U.S. dollars including a significant portion of international sales which are priced in U.S. dollars. During the second quarter of 2010 the actual U.S. dollar value was converted to Canadian dollars at $1.04, compared to a rate of $1.19 during the second quarter of 2009. This 13% decrease in the U.S. dollar value resulted in an approximate decrease of $5.2 million in revenue relative to the second quarter of 2009. Also during the second quarter of 2010, the strengthening of the Canadian dollar against the Euro resulted in an approximate decrease of $0.5 million in revenue relative to the second quarter of 2009.

- Instant ticket volumes for the second quarter of 2010 were higher than the second quarter of 2009 which increased sales by $2.8 million. This was offset by a decrease in average selling price compared to 2009 which reduced sales by $3.4 million. Increased sales of related services such as our lottery management services generated an additional $0.5 million in sales. Charitable Gaming volume decreased during the quarter reducing sales by $0.5 million when compared to 2009.

Cost of sales was $35.5 million in the second quarter of 2010 compared to $40.0 million in the second quarter of 2009. Lower exchange rates on U.S. dollar transactions in the second quarter of 2010 decreased cost of sales approximately $2.7 million. In addition, cost of sales was lower due to lower costs associated with the mix of production and the initial impact of cost saving associated with the closure of the Kamloops facility.

Gross profit decreased from $9.5 million (19.2% of sales) in the second quarter of 2009 to $7.7 million (17.8% of sales) in the second quarter of 2010 due mainly to the increased volume of lower priced work during the quarter and the impact of the stronger Canadian dollar.

Selling and administration expenses were $5.3 million in the second quarter of 2010 which is lower than $5.6 million in the second quarter of 2009 due to certain cost containment strategies and the initial impact of savings generated from the closure of the Kamloops facility.

Foreign exchange loss was $0.6 million in the second quarter of 2010 compared to a gain of $1.0 million in the second quarter of 2009. Within the 2010 foreign exchange loss are unrealized losses of $0.4 million, relating to a $0.7 million foreign exchange loss on U.S. dollar denominated debt (caused by the weakening of the Canadian dollar between the balance sheets dates of March 31, 2010 and June 30, 2010) offset by unrealized net gains of $0.3 million on U.S. dollar denominated receivables and payables, and $0.2 million in realized losses on write-downs of U.S. dollar denominated receivables.

A non-cash mark-to-market gain of $0.5 million was recorded during the quarter ending June 30, 2010 on interest rate swap contracts no longer designated as hedges. In addition, amortization of $0.5 of the previously recorded mark-to-market losses on these interest rate swaps, recorded as accumulated other comprehensive loss, was expensed in the second quarter of 2010.

During the second quarter 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 $1.8 million. The selling price was based on appraised value as determined through an independent appraisal.

EBITDA was $5.5 million in the second quarter of 2010 compared to $5.0 million in the second quarter of 2009. The primary reasons for the increase in EBITDA were lower realized foreign exchange losses and lower selling and administration costs, partially offset by lower gross margin.

Amortization includes amortization of property and equipment and intangible assets and totaled $2.0 million during the second quarter of 2010 which is similar to $2.1 million during the second quarter of 2009.

Interest expense increased from $1.0 million in the second quarter of 2009 to $1.3 million in the second quarter of 2010 due primarily to higher interest rates associated with the new syndicated credit facility completed on October 30, 2009.

Conversion expenses of $0.7 million, primarily legal and accounting fees, were expensed in the second quarter of 2010 relating to conversion of Pollard to a publically traded corporation.

A non-cash warranty reserve of $0.7 million was accrued in the second quarter of 2010 relating to product produced in Fiscal 2009 for a specific customer as the originally delivered product no longer meets the contractual quality requirements.

Income tax expense was $1.4 million in the second quarter of 2010, similar to $1.6 million in the second quarter of 2009. Income tax expense in both periods reflects that the Canadian operations of Pollard are now taxable.

Net Loss was $1.0 million in the second quarter of 2010 and in the second quarter of 2009 Net Income was $9.1 million. The primary reasons for the decline were an elimination of the non-cash mark-to-market gain on foreign exchange currency contracts of $5.9 million and a reduction in unrealized foreign exchange gains of $3.3

million. Additional differences include a lower gross margin and non-recurring expenses related to conversion and warranty reserve costs.

Use of Non-GAAP Financial Measures

Reference to "EBITDA" is to earnings before interest, 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 and warranty reserve accruals. 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, EBITDA is a useful supplementary measure.

EBITDA is a measure not recognized under Canadian GAAP and does not have a standardized meaning prescribed by Canadian GAAP. Therefore, this measure may not be comparable to similar measures presented by other entities. Investors are cautioned that EBITDA should not be construed as an alternative to Net Income or Loss determined in accordance with Canadian 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 outlook for retail sales of instant lottery tickets is for moderate growth over the next few quarters. Indications within the overall lottery industry appear that there are some signs of increasing growth reflecting the overall improvement in retail sales as the world economy shows signs of improvement. In addition, increased expansion of instant tickets, particularly outside of North America, has generated higher retail sales growth. We anticipate our own instant ticket volumes to also reflect a slow but steady growth when compared to last year. We also expect the mix of product for the remainder of 2010 to reflect a great percentage of higher value products.

We have no major contracts coming due in 2010 when extensions are considered. During the quarter we announced that Pollard has been named as the new primary instant ticket supplier to the Minnesota Lottery. Production under this contract will be expected to begin in the third quarter of 2010.

The Canadian dollar remained strong relative to the U.S. dollar during the quarter. We manage our currency exposure risk to the U.S. dollar through our natural hedges including sourcing purchase inputs in U.S. currency, utilizing U.S. dollar denominated debt to hedge balance sheet exposure and efficiently using our U.S. based production facilities. A strong Canadian dollar does place negative pressure on our operating margins. In addition, we generate a small portion of our revenue in Euros. Over the last few quarters the Euro has weakened significantly relative to the Canadian dollar.

As we have no natural hedges denominated in Euros any weakening in the Euro relative to the Canadian dollar will have a negative impact on our operating margins.

We will see improvements in our cost structure over the second half of 2010 due to the closing of the Kamloops facility. In addition we have undertaken a number of initiatives internally to improve our cost structure and efficiencies and we believe this focus will allow for additional cost savings over the next few quarters.

Pollard's conversion from an income trust to a publicly traded corporation was completed during the second quarter. After the conversion, effective May 14, the Canadian operations of Pollard will now be subject to regular rates of corporate taxation on their taxable income.

Licensed product volume was lower than normal in the second quarter, a trend which started in the first quarter of 2010. Historically licensed product volumes were greater in the last half of the year, reflecting the run-up to the holiday season, and we believe this trend will continue in 2010 although unlikely to achieve the same overall margin levels of last year.

Our balance sheet is beginning to see the impact of our changes made to improve our cash flow including controlled capital expenditures and our new dividend policy. There are a number of business factors that will impact our cash resources in the near term including the continued payments of the Kamloops severance amounts and investments required in non-cash working capital for new client commitments such as the recently awarded primary contract for the Minnesota Lottery.

Pollard Banknote believes that its credit facilities 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.

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