News Release

POLLARD BANKNOTE ANNOUNCES STRONGER ANNUAL AND FOURTH QUARTER FINANCIAL RESULTS

WINNIPEG, Manitoba, March 7, 2012 /CNW/ — Pollard Banknote Limited (TSX: PBL) ("Pollard") today released its financial results for the three months and year ended December 31, 2011.

HIGHLIGHTS	Three months ended December 31, 2011	Three months ended December 31, 2010
Sales	$ 44.6 million	$ 37.3 million
Gross Profit	$ 8.8 million	$ 7.5 million
Gross Profit % of sales	*19.7 %*	*20.1 %*
Administration expenses	$ 3.7 million	$ 3.7 million
Selling expenses	$ 1.7 million	$ 1.5 million
Net Income (Loss)	$ 1.7 million	$ (0.7 million)
Adjusted EBITDA	$ 5.2 million	$ 4.1 million

	Year ended December 30, 2011	Year ended December 31, 2010
Sales	$ 172.0 million	$ 163.4 million
Gross Profit	$ 30.1 million	$ 29.2 million
Gross Profit % of sales	*17.5 %*	*17.9%*
Administration expenses	$ 13.8 million	$ 14.4 million
Selling expenses	$ 6.3 million	$ 6.0 million
Net Income	$ 3.1 million	$ 1.8 million
Adjusted EBITDA	$ 22.6 million	$ 18.2 million

"We are pleased with our improved performance during 2011, and in particular the strong fourth quarter results," said John Pollard, Co-Chief Executive Officer. "Our volumes were significantly higher during this quarter when compared to last year, continuing the trend we have seen over the prior three quarters."

"During this past year our focus was on increasing our volumes and improving our cost structure. We have been very successful in capitalizing on our higher production capacity and increasing our volumes, which improved by 14% when compared to 2010. Our volume growth has been fueled by new contracts obtained during the year in addition to increased sales with existing clients and we are confident that this level of sales will continue during 2012. Average selling prices have also remained relatively stable compared to last year."

"Our industry continues to grow and we have made important steps in establishing a lower cost structure and this process will continue during the next year. Our emphasis is on both streamlining systems and improvements aimed at increasing our production efficiencies. While strides have been made during the last half of 2011, we believe we will continue to see more manufacturing improvements over the course of 2012."

"While we are very pleased to see improved financial results during this past quarter and year, we are not satisfied and believe that continued improved results will be achieved during 2012."

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.

Results of Operations – Year ended December 31, 2011

SELECTED FINANCIAL INFORMATION

(millions of dollars)	Year ended December 31, 2011	Year ended December 31, 2010
Sales	$172.0	$163.4
Cost of Sales	141.9	134.2
Gross Profit	30.1	29.2
Administration expenses	13.8	14.4
Selling expenses	6.3	6.0
Other (income) expense	(0.4)	0.6
Income from operations	10.4	8.2
Finance costs	6.4	7.8
Finance income	(0.8)	(3.3)
Income before income taxes	4.8	3.7
Income taxes:		
Current	0.8	1.2
Future	0.9	0.7
	1.7	1.9
Net Income	$3.1	$1.8
Adjustments:		
Interest	4.4	5.2
Unrealized foreign exchange loss (gain)	3.8	(1.2)
Mark-to-market gain on foreign currency contracts and interest rate swaps	-	(2.1)
Amortization of de-designated hedges	-	1.2
Conversion costs	-	0.7
Warranty reserve	-	0.9
Settlement loss on pension curtailment	0.7	-
Restructuring expense	0.5	1.2
Income taxes	1.7	1.9
Depreciation and amortization	8.4	8.6
Adjusted EBITDA	$22.6	$18.2

	December 31, 2011	December 31, 2010
Total Assets	$121.6	$126.3
Total Long-Term Liabilities	$77.2	$74.8

The selected financial and operating information has been derived from, and should be read in conjunction with, the consolidated financial statements of Pollard, as at and for the year ended December 31, 2011. These financial statements have been prepared in accordance with the International Financial Accounting Standards ("IFRS").

Results of Operations – Year ended December 31, 2011

Sales

During the year ended December 31, 2011 ("Fiscal 2011" or "2011"), Pollard achieved sales of $172.0 million, compared to $163.4 million in the year ended December 31, 2010 ("Fiscal 2010" or "2010"). Factors impacting the $8.6 million sales increase were:

Changes in foreign exchange rates

During Fiscal 2011, Pollard generated approximately 65% (2010 – 72%) of its revenue in U.S. dollars including a significant portion of international sales which are priced in U.S. dollars. During Fiscal 2011 the actual U.S. dollar value was converted to Canadian dollars at $0.995 compared to a rate of $1.044 during Fiscal 2010. This 4.7% decrease in the U.S. dollar value resulted in an approximate decrease of $5.5 million in revenue relative to Fiscal 2010.

Other

Instant ticket volumes for Fiscal 2011 were higher than Fiscal 2010 by 14.3% which increased sales by $16.8 million. Sales volumes were higher due to both increased sales to existing customers and sales to new, predominately international, customers. A slight decrease in average selling price compared to 2010 reduced sales by $2.1 million. Charitable Gaming average selling prices remained consistent compared to 2010 and a volume decrease reduced sales by $1.1 million. An increase in the volume of machine sales increased sales $0.5 million when compared to 2010.

Cost of sales and gross profit

Cost of sales was $141.9 million in Fiscal 2011 compared to $134.2 million in Fiscal 2010. Lower exchange rates on U.S. dollar transactions in Fiscal 2011 decreased cost of sales approximately $3.0 million. Cost of sales was higher in the year relative to 2010 as a result of the increased instant ticket volumes, partially offset by costs savings generated by our Change Initiative process.

Gross profit was $30.1 million (17.5% of sales) in Fiscal 2011 compared to $29.2 million (17.9% of sales) in Fiscal 2010. This increase is due mainly to higher sales volumes, partially offset by the impact of foreign exchange.

Administration expenses

Administration expenses were $13.8 million in Fiscal 2011 which is lower than $14.4 million in Fiscal 2010 due to costs savings generated by our Change Initiative process.

Selling expenses

Selling expenses were $6.3 million in Fiscal 2011 which was higher than $6.0 million in Fiscal 2010 due to increased travel costs and salary expense over Fiscal 2010.

Finance costs and income

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

Interest expense decreased to $4.4 million in Fiscal 2011 from $5.2 million in Fiscal 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.

Foreign exchange gain/loss

The net foreign exchange loss was $0.6 million in Fiscal 2011 compared to a gain of $0.1 million in Fiscal 2010. Within the 2011 foreign exchange loss are unrealized losses of $3.8 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 at December 31, 2011, as compared to December 31, 2010). Partially offsetting this is a realized gain of $3.2 million, consisting of a $3.7 million realized gain relating to payments made on U.S. dollar denominated debt, offset by realized losses of $0.5 million on the decreased value of U.S. dollar denominated receivables and the conversion of U.S. dollars and Euros into Canadian dollars.

The overall net impact to our 2011 income before taxes of the strengthening of the Canadian dollar is a reduction of $4.1 million, consisting of a $2.5 million reduction in gross profit and a reduction in foreign exchange gain, including a mark-to-market gain on foreign exchange contracts, of $1.6 million.

Within the 2010 foreign exchange gain are unrealized gains of $1.2 million, relating to a $1.1 million unrealized foreign exchange gain on U.S. dollar denominated debt (caused by the strengthening of the Canadian dollar between the balance sheet dates of December 31, 2009 and December 31, 2010) and unrealized net gains of $0.1 million on U.S. dollar denominated receivables and payables. Partially offsetting the unrealized gains are realized losses of $1.1 million, which is comprised of realized losses on the decreased value of U.S. dollar denominated receivables and the conversion of U.S. dollars and Euros into Canadian dollars.

Other (income) expense

Other income was $0.4 million in Fiscal 2011 compared to an expense of $0.6 million in Fiscal 2010. Within the 2011 other income is a $1.5 million gain on sale of property, plant and equipment, partially offset by restructuring expenses of $0.5 million and $0.7 million related to the settlement loss on pension curtailment.

Within the 2010 other expense is a $0.9 million warranty reserve, $0.7 million in conversion costs and a $1.2 million restructuring expense, partially offset by a $2.0 million gain on sale of property, plant and equipment.

Adjusted EBITDA

Adjusted EBITDA was $22.6 million in Fiscal 2011 compared to $18.2 million in Fiscal 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, partially offset by a decrease in the gain on sales of property, plant and equipment.

Adjusted EBITDA excluding the gain on sales of property plant and equipment was $21.1 million in Fiscal 2011 compared to $16.2 million in Fiscal 2010.

Income taxes

Income tax expense was $1.7 million in Fiscal 2011, an effective rate of 35.4%, 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 expense was $1.9 million in Fiscal 2010, an effective rate of 51.4%, 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.

Depreciation and amortization

Depreciation and amortization, including depreciation of property and equipment and the amortization of deferred financing costs and intangible assets, totaled $8.4 million during Fiscal 2011 which decreased from $8.6 million during Fiscal 2010 due to certain intangible assets becoming fully amortized in Fiscal 2011.

Net Income

Net Income was $3.1 million in Fiscal 2011 compared to Net Income of $1.8 million in Fiscal 2010. The primary reasons for the increase were an increase in gross profit, a decrease in administration expenses, a decrease in interest expense, and a reduction in other expense, partially offset by an increase in foreign exchange loss, a reduction in the non-cash mark-to-market gain on interest rate swap contracts and an increase in income taxes.

Earnings per share increased to $0.13 per share in Fiscal 2011 from $0.08 in Fiscal 2010.

Results of Operations – Three months ended December 31, 2011

SELECTED FINANCIAL INFORMATION

(millions of dollars)	**Three months ended December 31, 2011**	**Three months Ended December 31, 2010**
	(unaudited)	(unaudited)
Sales	$44.6	$37.3
Cost of Sales	35.8	29.8
Gross Profit	8.8	7.5
Administration expenses	3.7	3.7
Selling expenses	1.7	1.5
Other expense	0.8	1.2
Income from operations	2.6	1.1
Finance costs	1.1	1.6
Income (loss) before income taxes	1.5	(0.5)
Income taxes:		
Current (recovery)	(0.1)	0.5
Future (reduction)	(0.1)	(0.3)
	(0.2)	0.2
Net Income (loss)	$1.7	($0.7)
Adjustments:		
Interest	1.0	1.1
Unrealized foreign exchange loss	-	0.1
Settlement loss on pension curtailment	0.7	-
Restructuring expense	-	1.2
Income taxes (recovery)	(0.2)	0.2
Depreciation and amortization	2.0	2.2
Adjusted EBITDA	$5.2	$4.1

Results of Operations – Three months ended December 31, 2011

During the three months ended December 31, 2011, Pollard achieved sales of $44.6 million, compared to $37.3 million in the three months ended December 31, 2010. Factors impacting the $7.3 million sales increase were:

- During the three months ended December 31, 2011, Pollard generated approximately 62% (2010 – 75%) of its revenue in U.S. dollars including a significant portion of international sales which are priced in U.S. dollars. During the fourth quarter of 2011 the actual U.S. dollar value was converted to Canadian dollars at $1.03, similar to the rate of $1.03 during the fourth quarter of 2010. The value of the Canadian dollar relative to the Euro also remained consistent between the two quarters; therefore there was no foreign exchange impact on sales in the fourth quarter of 2011 as compared to the similar quarter of 2010.

- Instant ticket volumes for the fourth quarter of 2011 were higher than the fourth quarter of 2010 by 25.4% which increased sales by $9.4 million. Sales volumes were higher due to both increased sales to existing customers and sales to new, predominately international, customers. This increase was partially offset by a slight decrease in average selling price compared to 2010, decreasing sales by $1.3 million. Charitable Gaming average selling prices decreased sales compared to 2010 by $0.4 million and a volume decrease further reduced sales by $0.5 million. Machine volumes increased sales by $0.1 million in the fourth quarter of 2011 compared to 2010.

Cost of sales was $35.8 million in the fourth quarter of 2011 compared to $29.8 million in the fourth quarter of 2010. Cost of sales was higher in the quarter relative to 2010 as a result of the increased instant ticket volume, partially offset by costs savings generated by our Change Initiative process.

Gross profit was $8.8 million (19.7% of sales) in the fourth quarter of 2011 compared to $7.5 million (20.1% of sales) in the fourth quarter of 2010. This increase in gross profit is due mainly to higher sales volumes of instant tickets.

Administration expenses were $3.7 million in the fourth quarter of 2011 which is consistent with $3.7 million in the fourth quarter of 2010.

Selling expenses were $1.7 million in the fourth quarter of 2011 which increased from $1.5 million in the fourth quarter of 2010. The increase was predominately a result of increased salary expenses over Fiscal 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 $1.0 million in the fourth quarter of 2011 from $1.1 million in the fourth 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.

The foreign exchange gain/loss was nil in the fourth quarter of 2011 compared to a loss of $0.4 million in the fourth quarter of 2010. The 2010 foreign exchange loss is comprised of $0.3 million in realized losses on the write-down of U.S. dollar denominated receivables and $0.1 million in unrealized losses on adjustment of the Canadian equivalent of U.S. dollar cash balances.

Adjusted EBITDA was $5.2 million in the fourth quarter of 2011 compared to $4.1 million in the fourth quarter of 2010. The primary reasons for the increase in Adjusted EBITDA were higher gross profit and a reduction in realized foreign exchange loss, partially offset by an increase in selling expenses.

Income tax recovery was ($0.2) million in the fourth quarter of 2011, an effective rate of (13.3%), 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 expense was $0.2 million in the fourth quarter of 2010, an effective rate of (14.2%), 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.

Depreciation and amortization, including depreciation of property and equipment and the amortization of deferred financing costs and intangible assets, totaled $2.0 million during the fourth quarter of 2011 which decreased from $2.2 million during the fourth quarter of 2010 due to certain intangible assets becoming fully amortized in Fiscal 2011.

Net Income was $1.7 million in the fourth quarter of 2011 compared to Net Loss of ($0.7) million in the fourth quarter of 2010. The primary reasons for the increase were an increase in gross profit, a decrease in foreign exchange loss, a decrease in income taxes and a decrease in other expense (decrease in restructuring costs of $1.2 million, partially offset by the pension settlement costs incurred in Fiscal 2011 of $0.7 million). These increases to Net Income were partially offset by an increase in selling costs.

Earnings per share increased to $0.07 per share in the fourth quarter of 2011 from a loss of ($0.03) in the fourth quarter of 2010.

Use of Non-GAAP Financial Measures

Reference to "Adjusted EBITDA" is to earnings before interest, income taxes, depreciation and 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, settlement loss on pension curtailment 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 market for instant tickets generated robust growth during 2011. Retail sales of instant tickets increased approximately 6-8% compared to 2010, with many jurisdictions seeing higher growth. Lotteries continue to grow their instant ticket product lines through increasing price points, increasing their proportion of revenues allocated to prizes, more sophisticated advertising and expanded distribution. Governments are continuing to face significant financial pressures and are focusing on areas where increased revenue, including via lottery operations, can address these concerns. Pollard has worked very closely with our lottery clients to increase their revenue growth and we believe this will continue through 2012.

While our market is still very competitive, we saw during 2011 that our average selling price for instant tickets stabilized relative to the average pricing in 2010. We anticipate that pricing will continue to be an important factor in our industry and our focus will be on both reducing our costs to remain competitive and developing innovative new features and products to maintain our future average selling prices consistent with those obtained in 2011.

The New Jersey Lottery continues to extend our contract, with the most recent contract being extended to June 30, 2012, and we anticipate a request for proposal being issued sometime during 2012 to award a long term contract. We have no other material customer contracts that come due in 2012 (when extensions are considered). There are a number of contracts currently held by our competitors which come up for re-bid in 2012 and we will bid aggressively on these new opportunities.

In addition to the traditional instant tickets, lotteries are more and more looking at expanding alternative sources of revenue. Recent clarifications of the regulatory environment in the U.S. relating to lottery sales over the internet has opened up possibilities for lotteries in the U.S. to sell lottery products through this new channel. While it is too early to determine the ultimate impact, Pollard is aggressively pursuing a number of product offerings to expand our business while at the same time supporting our lottery customers to expand their lottery sales. Chief among these is our Social Instants™ product line, allowing lotteries to maximize the use of social media to increase instant ticket sales and generate greater penetration in the younger demographic segment. We are actively pursuing a number of opportunities for this product in North America and internationally. During 2012 we are hopeful of seeing some significant positive results.

We are aggressively pursuing increased sales of our specialty product lines including our licensed games portfolio. An example of future opportunities available to us include our license for *Star Trek*™ which will allow us to link instant tickets and merchandise prizes in conjunction with the next *Star Trek*™ movie release anticipated for early 2013. Unique cross selling opportunities such as this are expected to continue to contribute positively to our growth.

During 2012 we will begin to generate financial returns from our recently formed joint venture in China. The joint venture provides distribution and validation systems to provincial lottery operations in China and currently has one province under contract, with expectations to aggressively expand to other Chinese provincial lotteries as the operation rolls out. The Chinese instant ticket lottery market has witnessed dramatic growth over the last few years and we are very excited about this opportunity during 2012.

Consistent with prior years our first quarter volumes will be slightly lower than the levels expected during the rest of the year. Order patterns for lotteries tend to be concentrated more in the pre-Christmas holiday period and, as a result, orders tend to be slightly lower in the first quarter.

Our charitable gaming product line is an important contributor to Pollard Banknote and we expect this to continue during 2012. The outlook for the market remains relatively stable, with opportunities existing to expand pull-tabs and pull-tab vending machines into the lottery market during the year. Continued success in cost management should allow the margins experienced in 2011 to continue.

2012 will see a continuation of our Change Initiatives focused on improvements to our cost structure and manufacturing process. Areas of expected attention include further streamlining of our prior to press procedures, increased technological investment in press and finishing operations, expanded press capacity and leveraging fixed overhead.

The nature of our operations results in ongoing exposure to foreign exchange risk as a substantial amount of our revenue continues to be generated in U.S. dollars. In addition we do have some exposure to the Euro due to a number of European lotteries in our client roster. Significant swings in the Canadian dollar relative to the U.S. dollar will still result in significant volatility in our reported net income due to write downs in U.S. dollar denominated assets and liabilities such as accounts receivable, accounts payable and long-term debt denominated in U.S. dollars. We expect these exposures to continue and have a number of risk management policies and tools available to help mitigate these risks; key among these is sourcing a significant amount of our cost inputs in U.S. dollars.

We anticipate our levels of capital expenditures to be slightly higher than the amounts expended during the last two years as we add incremental capacity in order to support our increased volumes sold in 2011.

We continue to be focused on improving the strength of our balance sheet through utilizing our free cash flow to pay down our debt, allowing increased flexibility for future investment in business opportunities and expansion capital expenditures.

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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