News Release

POLLARD BANKNOTE ANNOUNCES STRONG 3RD QUARTER FINANCIAL RESULTS

WINNIPEG, Manitoba, November 6, 2012 /CNW/ — Pollard Banknote Limited (TSX: PBL) ("Pollard") today released its financial results for the three and nine months ended September 30, 2012.

"Our third quarter results continue to build on the successes achieved in the first half of 2012", said John Pollard, Co-Chief Executive Officer. "Sales and production volumes continue to increase over the levels attained in the first six months of 2012. We generated higher gross margin percentages through a combination of a strong focus on cost improvements and strong selling prices featuring significant sales of proprietary specialty products."

"During the quarter we were very pleased to announce a number of important contract extensions as well as the initiation of expanded relationships with such leading lotteries as Texas and Connecticut. These increased roles are a reflection of Pollard's growing stature in the dynamic lottery industry and confirmation of the success of our strategies."

"The lottery industry continues to be very robust with strong growth in retail sales of instant lottery tickets generating opportunities for our organization. We are developing new products and services to help enable our customers to maximize their returns through increased use of such things as social media and optimum retail merchandising tactics. Our order book is very strong over the next two quarters and we anticipate this trend to continue throughout 2013."

HIGHLIGHTS	3rd Quarter ended September 30, 2012	3rd Quarter ended September 30, 2011
Sales	$ 44.1 million	$ 43.8 million
Gross Profit	$ 9.2 million	$ 7.5 million
Gross Profit % of sales	*20.9%*	*17.1%*
Administration expenses	$ 3.3 million	$ 3.4 million
Selling expenses	$ 1.4 million	$ 1.5 million
Realized foreign exchange loss (gain)	$ 0.5 million	$ (1.2 million)
Net Income (Loss)	$ 3.3 million	$ (1.2 million)
Adjusted EBITDA	$ 5.9 million	$ 5.9 million
Adjusted EBITDA excluding realized foreign exchange loss (gain)	$ 6.4 million	$ 4.7 million

	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Sales	$ 121.5 million	$ 127.4 million
Gross Profit	$ 24.3 million	$ 21.3 million
Gross Profit % of sales	*20.0 %*	*16.7%*
Administration expenses	$ 10.0 million	$ 10.1 million
Selling expenses	$ 4.6 million	$ 4.5 million
Realized foreign exchange loss (gain)	$ 0.4 million	$ (3.2 million)
Net Income	$ 5.2 million	$ 1.5 million
Adjusted EBITDA	$ 14.5 million	$ 17.5 million
Adjusted EBITDA excluding gain on sale of property, plant and equipment and realized foreign exchange loss (gain)	$ 14.9 million	$ 12.8 million

POLLARD BANKNOTE LIMITED

Pollard is one of the leading providers of products and services to the 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 – Three and Nine months ended September 30, 2012

SELECTED FINANCIAL INFORMATION

(millions of dollars)	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales	$44.1	$43.8	$121.5	$127.4
Cost of Sales	34.9	36.3	97.2	106.1
Gross Profit	9.2	7.5	24.3	21.3
Administration expenses	3.3	3.4	10.0	10.1
Selling expenses	1.4	1.5	4.6	4.5
Gain on sale of property, plant and equipment	-	-	-	(1.5)
Other income	(0.1)	0.4	-	0.4
Income from operations	4.6	2.2	9.7	7.8
Finance costs	0.9	2.5	3.4	5.3
Finance income	(0.4)	-	(0.7)	(0.8)
Income (loss) before income taxes	4.1	(0.3)	7.0	3.3
Income taxes:				
Current	0.4	0.3	1.0	0.9
Deferred	0.4	0.6	0.8	0.9
	0.8	0.9	1.8	1.8
Net Income (Loss)	$3.3	($1.2)	$5.2	$1.5
Adjustments:				
Amortization and depreciation	1.9	2.1	5.6	6.4
Interest	0.8	1.1	2.5	3.5
Unrealized foreign exchange (gain) loss	(0.9)	2.5	(0.6)	3.8
Restructuring expense	-	0.5	-	0.5
Income taxes	0.8	0.9	1.8	1.8
Adjusted EBITDA	$5.9	$5.9	$14.5	$17.5
Gain on sale of property, plant and equipment	-	-	-	1.5
Realized foreign exchange (loss) gain	(0.5)	1.2	(0.4)	3.2
Adjusted EBITDA excluding gain on sale of property, plant and equipment and realized foreign exchange (loss) gain	$6.4	$4.7	$14.9	$12.8

	September 30, 2012	December 31, 2011
Total Assets	$124.7	$121.6
Total Non-Current Liabilities	$77.8	$77.2

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 three and nine months ended September 30, 2012.

Results of Operations – Three months ended September 30, 2012

During the three months ended September 30, 2012, Pollard achieved sales of $44.1 million, compared to $43.8 million in the three months ended September 30, 2011. Factors impacting the $0.3 million sales increase were:

- Instant ticket volumes for the third quarter of 2012 were higher than the third quarter of 2011 by 1.7% which, combined with a change in our ancillary instant ticket products and services, increased sales by $2.0 million. In addition, a decrease in average selling price compared to 2011 decreased sales by $1.3 million. Charitable Gaming volume decreased slightly during the quarter reducing sales by $0.3 million when compared to 2011 and average selling prices decreased in the quarter which reduced sales by $0.2 million when compared to 2011.

- During the three months ended September 30, 2012, Pollard generated approximately 63.5% 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 2012 the actual U.S. dollar value was converted to Canadian dollars at $1.004, compared to a rate of $0.982 during the third quarter of 2011. This 2.2% increase in the U.S. dollar value resulted in an approximate increase of $0.6 million in revenue relative to the third quarter of 2011. Also during the third quarter of 2012, the Canadian dollar strengthened against the Euro resulting in an approximate decrease of $0.5 million in revenue relative to the third quarter of 2011.

Cost of sales was $34.9 million in the third quarter of 2012 compared to $36.3 million in the third quarter of 2011. Cost of sales was lower in the quarter relative to 2011 as a result of the costs savings generated by our Change Initiative process, including improved manufacturing yields and labour efficiencies, partially offset by increased instant ticket volumes and higher exchange rates on U.S. dollar transactions in the third quarter.

Gross profit was $9.2 million (20.9% of sales) in the third quarter of 2012 compared to $7.5 million (17.1% of sales) in the third quarter of 2011. This increase is due mainly to the impact of costs savings generated by our Change Initiative process and increased instant ticket volumes, partially offset by reduced instant ticket average selling price.

Administration expenses were $3.3 million in the third quarter of 2012 which is similar to $3.4 million in the third quarter of 2011.

Selling expenses were $1.4 million in the third quarter of 2012 which is similar to $1.5 million in the third quarter of 2011.

During the quarter ended September 30, 2011, Pollard incurred non-recurring costs related to the closure of our lottery management operations in Puerto Rico of $0.5 million.

Under IFRS included in the income statement classification “finance costs” are interest, amortization of deferred financing costs and foreign exchange losses. Included in the income statement classification “finance income” are foreign exchange gains.

Interest expense decreased to $0.8 million in the third quarter of 2012 from $1.1 million in the third quarter of 2011 due primarily to the elimination of higher interest rates relating to certain interest rate swaps which expired on August 31, 2011 and the reduced average amount of long-term debt over the quarter compared to 2011.

The net foreign exchange gain was $0.4 million in the third quarter of 2012 compared to a net loss of $1.3 million in the third quarter of 2011. Within the 2012 foreign exchange gain is an unrealized foreign exchange gain of $0.9 million, relating to a $0.8 million unrealized foreign exchange gain on U.S. dollar denominated debt and a $0.1 million unrealized gain on U.S. dollar denominated payables. The realized loss of $0.5 million is comprised of realized losses on the decreased value of U.S. dollar denominated receivables.

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.

Adjusted EBITDA was $5.9 million in the third quarter of 2012 compared to $5.9 million in the third quarter of 2011. The increase in gross margin of $1.7 million in the third quarter of 2012 compared to the third quarter of 2011 was offset by lower realized foreign exchange gains (primarily relating to the repayment of U.S. dollar dominated debt in 2011) of $1.7 million in the respective quarters.

Adjusted EBITDA excluding realized foreign exchange gains and losses was $6.4 million in the third quarter of 2012, compared to $4.7 million in the third quarter of 2011.

Income tax expense was $0.8 million in the third quarter of 2012, an effective rate of 18.7%, 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 $0.9 million in the third quarter of 2011, an effective rate of (351.9%), 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.

Amortization includes amortization of property and equipment, deferred financing costs and intangible assets and totaled $1.9 million during the third quarter of 2012 as compared to $2.1 million during the third quarter of 2011, due primarily to lower amortization of intangible assets and property, plant and equipment.

Net Income was $3.3 million in the third quarter of 2012 compared to a Net Loss of $1.2 million in the third quarter of 2011. The primary reasons for the increase were an increase in gross profit of $1.7 million, a decrease in interest expense of $0.3 million, a decrease of $0.2 million in selling and administrative expenses, an increase in foreign exchange gain of $1.7 million and the reduction in restructuring expense of $0.5 million.

Net income per share increased to $0.14 per share in the third quarter of 2012 from a Net loss per share of $0.05 in the third quarter of 2011.

Results of Operations – Nine months ended September 30, 2012

During the nine months ended September 30, 2012, Pollard achieved sales of $121.5 million, compared to $127.4 million in the nine months ended September 30, 2011. Factors impacting the $5.9 million sales decrease were:

- Instant ticket volumes for the first nine months of 2012 were consistent with the first nine months of 2011; however a reduction in our ancillary instant ticket products and services decreased sales by $3.1 million. A decrease in the average selling price of instant tickets reduced sales by $2.9 million compared to the first nine months of 2011. Charitable Gaming Products volumes were slightly lower than the first nine months of 2011 reducing revenues by $0.7 million. A decrease in machine volumes in the first nine months of 2012 decreased sales by $0.2 million when compared to 2011.

- During the nine months ended September 30, 2012, Pollard generated approximately 67.5% 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 2012 the actual U.S. dollar value was converted to Canadian dollars at $1.005, compared to a rate of $0.984 during the first nine months of 2011. This 2.1% increase in the U.S. dollar value resulted in an approximate increase of $1.7 million in revenue relative to the first nine months of 2011. In addition, during the nine months ended September 30, 2012, the strengthening of the Canadian dollar against the Euro resulted in an approximate decrease of $0.7 million in revenue relative to the first nine months of 2011.

Cost of sales was $97.2 million in the nine months ended September 30, 2012, compared to $106.1 million in the first nine months of 2011. Cost of sales was lower in 2012 relative to 2011 as a result of the costs savings generated by our Change Initiative process, including improved manufacturing yields and labour efficiencies, and a reduction in sales of ancillary instant ticket products, partially offset by higher exchange rates on U.S. dollar transactions in the first nine months of 2012 which increased cost of sales by approximately $1.2 million.

Gross profit increased to $24.3 million (20.0% of sales) in the first nine months of 2012 from $21.3 million (16.7% of sales) in the nine months ended September 30, 2011. This increase is due mainly to the costs savings generated by our Change Initiative process, partially offset by reduced ancillary instant ticket volumes and average instant ticket selling price.

Administration expenses were $10.0 million in the first nine months of 2012 which is similar to $10.1 million in the first nine months of 2011.

Selling expenses were $4.6 million in the first nine months of 2012 which is similar to $4.5 million in the first nine months of 2011.

During the nine months ended September 30, 2011, Pollard incurred non-recurring costs related to the closure of our lottery management operations in Puerto Rico of $0.5 million.

Under IFRS included in the income statement classification “finance costs” are interest, amortization of deferred financing costs and foreign exchange losses. Included in the income statement classification “finance income” are foreign exchange gains.

Interest expense decreased to $2.5 million in the first nine months of 2012 from $3.5 million in the first nine months of 2011 due primarily to the elimination of higher interest rates relating to certain interest rate swaps which expired on August 31, 2011 and the reduced amount of long-term debt.

The net foreign exchange gain was $0.2 million in the first nine months of 2012 compared to a net loss of $0.6 million in the first nine months of 2011. Within the 2012 net foreign exchange gain are unrealized gains of $0.6 million, relating to unrealized foreign exchange gains on U.S. dollar denominated debt. Within the net foreign exchange gain is a realized loss of $0.4 million consisting of $0.6 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, partially offset by realized gains of $0.2 million relating to payments made on U.S. dollar denominated debt.

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.

During the first nine months of 2011, Pollard sold a building and land in Winnipeg, Manitoba to an affiliate of Pollard Equities Limited 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.

Adjusted EBITDA was $14.5 million in the first nine months of 2012 compared to $17.5 million in the first nine months of 2011. The primary reasons for the decrease in Adjusted EBITDA of $3.0 million were the absence of a gain on sale of property, plant and equipment of $1.5 million and lower realized foreign exchange gains (primarily relating to the repayment of U.S. dollar dominated debt in 2011) of $3.6 million, partially offset by an increase in gross margin (net of amortization and depreciation) of $2.2 million.

Adjusted EBITDA excluding the gain on sale of property, plant and equipment and realized foreign exchange gains and losses was $14.9 million in the first nine months of 2012 compared to $12.8 million in the first nine months of 2011.

Income tax expense was $1.8 million in the first nine months of 2012, an effective rate of 25.3%, primarily 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 $1.8 million in the first nine months of 2011, an effective rate of 55.2%, primarily 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.

Amortization includes amortization of property and equipment, deferred financing costs and intangible assets and totaled $5.6 million during the first nine months of 2012 compared to $6.4 million during the first nine months of 2011, due primarily to lower amortization of intangible assets and property, plant and equipment.

Net Income was $5.2 million in the first nine months of 2012 compared to $1.5 million in the first nine months of 2011. The primary reasons for the increase were the increase in gross profit of $3.0 million, the absence of the restructuring expense of $0.5 million, a decrease in interest expenses of $1.0 million and an increase in foreign exchange gain of $0.8 million partially offset by an absence of the $1.5 million gain on sale of property, plant and equipment, and the loss on our Chinese joint venture of $0.2 million.

Net income per share increased to $0.22 per share in the nine months ending September 30, 2012, from $0.06 in the first nine months of 2011.

Use of Non-GAAP Financial Measures

Reference to "Adjusted EBITDA" is to earnings before interest, income taxes, amortization and depreciation, 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

We continue to see strong growth in the lottery market, particularly within the instant ticket and related products and services areas. Independent tracking agencies report significant retail dollar sales growth year over year and this growth is expected to continue through the end of 2012 and the first months of 2013. Many lotteries have recently announced record fiscal sales with instant tickets being a prime driver of this growth in North America as well as lottery organizations throughout the world.

Our volumes in the third quarter were similar to the higher levels achieved in the second quarter of 2012. Our order book continues to show similarly high or higher volumes for the remainder of 2012 and early 2013. Based on additional contract awards during this past quarter, we expect our 2013 volumes to exceed those obtained in 2012. We will continue to selectively bid on key contract opportunities as they become available.

A number of jurisdictions have been reviewing alternative strategies to maximize the return generated by their lottery operations, many of which involve increased participation by the private sector including Pollard. We will continue to monitor developments in this area and where financially and strategically appropriate will actively participate in these opportunities.

Our formal Change Initiative process continues to be our main internal vehicle to refine and improve our operations. Improvements in efficiency, waste reduction and productivity throughout all of our operations have been achieved and will continue to be a major influence over the course of the next year.

The charitable gaming market (pull-tabs and bingo paper) remains steady and we continue to focus on improving operational efficiency to maintain and improve margins.

During the third quarter our Chinese joint venture initiated operation of our first installed validation and distribution system for a Chinese provincial lottery. In the future we will be looking to expand this operation to additional provincial lotteries throughout the country.

The value of the Canadian dollar relative to the U.S. dollar continues to be an important factor in our operations. During the quarter the Canadian dollar strengthened about 3%. A significant portion of our revenue is denominated in U.S. dollars and despite being partially offset by U.S. dollar expenditures, we continue to have net financial exposure to the U.S. dollar. In addition we do have some exposure to the Euro due to a number of European lotteries in our client roster. We expect both of these exposures to continue and will manage them through the use of a number of mitigation strategies.

Capital expenditures over the next two quarters will be slightly higher than recent years due to the completion of some increased press capacity improvements, expected to be completed by the first quarter of 2013.

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.

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