March 31, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FOR THE THREE MONTHS ENDED MARCH 31, 2013

May 8, 2013

This management's discussion and analysis ("MD&A") of Pollard Banknote Limited ("Pollard") for the three months ended March 31, 2013, is prepared as at May 8, 2013, and should be read in conjunction with the accompanying unaudited condensed consolidated interim financial statements of Pollard and the notes therein as at March 31, 2013 and the audited consolidated financial statements of Pollard for the year ended December 31, 2012 and the notes therein. Results are reported in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP").

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.

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.

Basis of Presentation

The results of operations in the following discussions encompass the unaudited condensed consolidated interim consolidated results of Pollard for the three months ended March 31, 2013. All figures are in millions except for per share amounts.

POLLARD BANKNOTE LIMITED

Overview

Pollard Banknote Limited ("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-win scratch tickets ("instant tickets") based in Canada and the second largest producer of instant tickets in the world.

Pollard produces and provides a comprehensive line of instant tickets and lottery services including: licensed products, distribution, retail telephone selling ("tel-sell"), marketing, internet support, interactive gaming, Social Instants™ and instant ticket vending machines. In addition, Pollard's charitable gaming product line includes pull-tab (or break-open) tickets, bingo paper, pull-tab vending machines and ancillary products such as pull-tab counting machines. Pollard also markets products to the commercial gaming and security sector including such items as promotional scratch and win tickets, transit tickets and parking passes.

Pollard's lottery products are sold extensively throughout Canada, the United States and the rest of the world, wherever applicable laws and regulations authorize their use. Pollard serves over 50 instant ticket lotteries including a number of the largest lotteries throughout the world. Charitable gaming products are mostly sold in the United States and Canada where permitted by gaming regulatory authorities. Pollard serves a highly diversified customer base in the charitable gaming market of over 250 independent distributors with the majority of revenue generated from repeat business.

Product line breakdown of revenue

	Three months ended March 31, 2013	Three months ended March 31, 2012
Instant Tickets	89.2%	87.2%
Charitable Gaming Products	9.3%	11.5%
Vending Machines	1.5%	1.3%

Geographic breakdown of revenue

	Three months ended March 31, 2013	Three months ended March 31, 2012
United States	51%	53%
Canada	24%	20%
International	25%	27%

The following financial information should be read in conjunction with the accompanying financial statements of Pollard and the notes therein as at and for the three months ended March 31, 2013.

SELECTED FINANCIAL INFORMATION

(millions of dollars, except per share information)

	Three months ended March 31, 2013	Three months ended March 31, 2012
Sales	$44.4	$36.6
Cost of Sales	36.3	30.0
Gross Profit	8.1	6.6
Gross Profit as a % of sales	*18.2%*	*18.0%*
Administration Expenses	3.4	3.4
Administration Expenses as a % of sales	*7.7%*	*9.3%*
Selling Expenses	1.6	1.5
Selling Expenses as a % of sales	*3.6%*	*4.1%*
Income from Operations	3.2	1.7
Income from Operations as a % of sales	*7.2%*	*4.6%*
Net Income	0.9	0.8
Net Income as a % of sales	*2.0%*	*2.2%*
Adjusted EBITDA	5.1	3.4
Adjusted EBITDA as a % of sales	*11.5%*	*9.3%*
Net Income per share	$0.04	$0.03

	March 31, 2013	December 31, 2012
Total Assets	$125.9	$127.0
Total Non-Current Liabilities	$85.0	$83.4

RECONCILIATION OF NET INCOME TO ADJUSTED EBITDA

(millions of dollars)

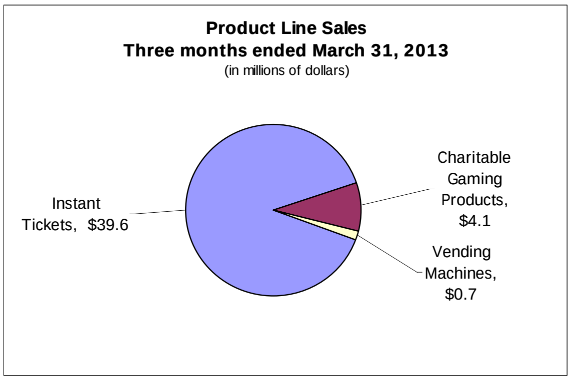
	Three months ended March 31, 2013	Three months ended March 31, 2012
Net Income	$0.9	$0.8
Adjustments:		
Amortization and depreciation	1.9	1.9
Interest	0.9	0.9
Unrealized foreign exchange (gain) loss	0.4	(0.2)
Income taxes	1.0	-
Adjusted EBITDA	$5.1	$3.4

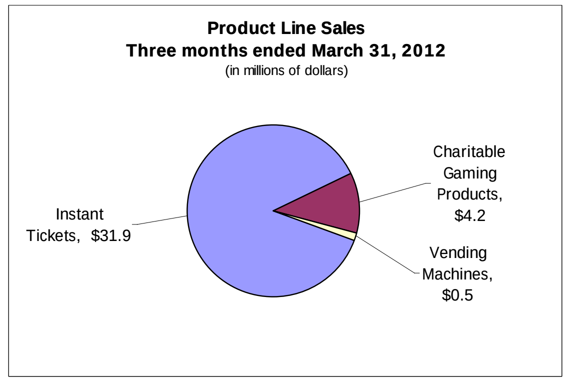
REVIEW OF OPERATIONS

Financial and operating information has been derived from, and should be read in conjunction with, the condensed consolidated interim financial statements of Pollard and the selected financial information disclosed in this MD&A.

ANALYSIS OF RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2013

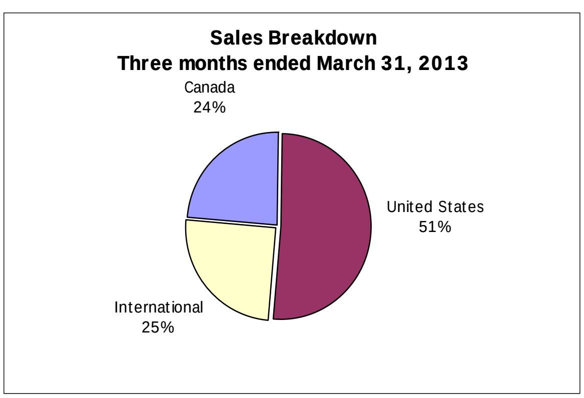
Sales

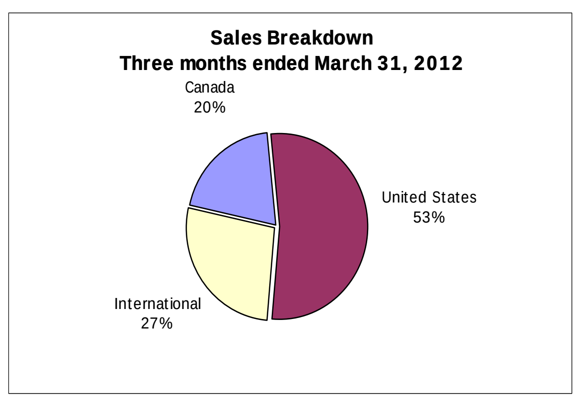




During the three months ended March 31, 2013, Pollard achieved sales of $44.4 million, compared to $36.6 million in the three months ended March 31, 2012. A number of factors impacted the $7.8 million sales increase.

Instant ticket volumes for the first quarter of 2013 were 24.5% higher than the first quarter of 2012, which combined with an increase in ancillary instant ticket products and services, increased sales by $7.7 million. Volumes increased due to significantly higher orders from existing customers and increased sales of a number of our proprietary specialty products. In addition, a slight increase in average selling price compared to 2012 further increased sales by $0.1 million. Charitable Gaming average selling prices for the quarter increased sales compared to 2012 by $0.3 million, while a decrease in volume reduced revenue by $0.1 million. An increase in the volume of machine sales in the quarter increased revenue by $0.2 million when compared to the first quarter of 2012.





During the three months ended March 31, 2013, Pollard generated approximately 64.8% (2012 - 69.5%) of its revenue in U.S. dollars including a significant portion of international sales which are priced in U.S. dollars. During the first quarter of 2013 the actual U.S. dollar value was converted to Canadian dollars at $1.003, compared to a rate of $1.007 during the first quarter of 2012. This 0.3% decrease in the U.S. dollar value resulted in an approximate decrease of $0.1 million in revenue relative to the first quarter of 2012. Also during the quarter, the value of the Canadian dollar strengthened against the Euro resulting in an approximate decrease of $0.3 million in revenue relative to the first quarter of 2012.

Cost of sales and gross margin

Cost of sales was $36.3 million in the first quarter of 2013 compared to $30.0 million in the first quarter of 2012. Cost of sales was higher by $6.3 million as a result of the substantial increase in volumes, partially mitigated by continued improvements in manufacturing yields and labour efficiencies.

Gross profit earned in the first quarter of 2013 was $8.1 million (18.2% of sales) as compared to $6.6 million (18.0% of sales) earned in the first quarter of 2012. This increase was due mainly to the increase in instant ticket volumes as well as additional cost reductions, including reduced waste and improved labour efficiency.

Administration expenses

Administration expenses were $3.4 million in the first quarter of 2013 which was similar to $3.4 million in the first quarter of 2012.

Selling expenses

Selling expenses were $1.6 million in the first quarter of 2013 which was similar to $1.5 million in the first quarter of 2012.

Finance costs and income

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

Interest expense was $0.9 million in the first quarter of 2012 which was similar to $0.9 million in the first quarter of 2012.

Foreign exchange loss

The net foreign exchange loss was $0.2 million in the first quarter of 2013 compared to a gain of $0.2 million in the first quarter of 2012. Within the 2013 net foreign exchange loss was an unrealized foreign exchange loss of $0.4 million comprised of a $0.5 million unrealized loss on U.S. dollar denominated debt (caused by the weakening of the value of the Canadian dollar versus the U.S.) which was partially offset by an unrealized gain on U.S. denominated receivables. Partially offsetting the unrealized loss was a realized gain of $0.2 million relating to the increased value of U.S. dollar denominated receivables.

Within the 2012 foreign exchange gain was an unrealized foreign exchange gain of $0.2 million on U.S. dollar denominated debt (caused by the strengthening of the value of the Canadian dollar versus the U.S. dollar toward the end of the quarter partially offset by losses relating to the reversal of previously recorded unrealized foreign exchange gains from the strengthening of the Canadian dollar which were realized upon repayment). Also within the foreign exchange gain was a realized gain of $0.2 million relating to payments made on U.S. dollar denominated debt and an offsetting realized foreign exchange loss of $0.2 million on the decreased value of U.S. dollar denominated receivables and the conversion of U.S. dollars and Euros into Canadian dollars.

Adjusted EBITDA

Adjusted EBITDA was $5.1 million in the first quarter of 2013 compared to $3.4 million in the first quarter of 2012. The primary reason for the increase in Adjusted EBITDA was the increased gross profit due to higher sales volumes.

Income taxes

Income tax expense was $1.0 million in the first quarter of 2013, an effective rate of 51.3%, 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 due to a weakening Canadian dollar during the period.

Income taxes were nil in the first quarter of 2012 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 due to a strengthening Canadian dollar during the period.

Amortization and depreciation

Amortization and depreciation, including amortization of deferred financing costs and intangible assets and depreciation of property and equipment, totaled $1.9 million during the first quarter of 2013 which was similar to $1.9 million during the first quarter of 2012.

Net Income

Net Income increased to $0.9 million in the first quarter of 2013 from $0.8 million in the first quarter of 2012. The primary reason for the increase was the increase in gross profit of $1.5 million, which was largely offset by the increases in foreign exchange loss of $0.4 million and income tax expense of $1.0 million.

Net Income per share increased to $0.04 per share in the first quarter of 2013 from $0.03 in the first quarter of 2012.

Liquidity and Capital Resources

Cash used by operating activities

For the three months ended March 31, 2013, cash flow used by operating activities was $1.0 million compared to cash flow provided by operating activities of $2.2 million for the comparable period in 2012. For the three months ended March 31, 2013, changes in the non-cash component of working capital decreased cash flow from operations by $3.7 million. The decrease was due primarily to decrease in accounts payable and accrued liabilities and an increase in prepaid expenses and deposits, partially offset by decreases in accounts receivable and inventories. This compares to a net change of nil for the three months ended March 31, 2012, with the decreases in accounts receivable offset by increases in inventories and prepaid expenses and deposits and decreases in accounts payable and accrued liabilities. In addition, cash used for income tax payments increased in 2013 to $0.5 million from $0.2 million in 2012 and cash used regarding the pension liability increased to $0.9 million in 2013 from $0.3 million in 2012 due to the timing of funding payments.

Cash used by investing activities

In the three months ended March 31, 2013, cash used by investing activities was $1.3 million compared to $1.0 million used in the first quarter of 2012. Capital expenditures of $1.1 million were incurred in the three months ending March 31, 2013, compared to $0.5 million for the three months ending March 31, 2012. In addition, Pollard's investment in associate in the first quarter of 2012 was $0.4 million.

Cash provided by financing activities

Cash provided by financing activities was $1.2 million in the three months ended March 31, 2013, compared to cash used by financing activities of $0.3 million in the three months ended March 31, 2012.

During the first quarter of 2013 proceeds from long-term debt of $1.9 million were partially offset by dividends paid of $0.7 million.

During the first quarter of 2012 dividends paid of $0.7 million and a decrease in other long-term liabilities of $0.2 was partially offset by proceeds from long-term debt of $0.6 million.

As at March 31, 2013, Pollard had unused committed debt facility of $10.5 million. This amount is available to be used for future working capital requirements, contractual obligations, capital expenditures and dividends.

Quarterly Information
(unaudited)
(millions of dollars)

	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Sales	$44.4	$40.9	$44.1	$40.8	$36.6	$44.6	$43.8	$44.4	$39.2
Adjusted EBITDA	5.1	5.6	5.9	5.3	3.4	5.2	5.9	7.7	3.9
Net Income (Loss)	0.9	1.5	3.3	1.0	0.8	1.7	(1.2)	1.7	0.9

Sales in Q1 2013 and Sales in Q3 2012 were higher primarily due to increases in volumes.

Adjusted EBITDA and Net Income in Q3 2012 were higher primarily due to higher gross profit achieved through higher sales volumes while obtaining cost efficiencies in cost of goods sold.

Sales in Q1 and Q2 2012 were lower primarily due to decreases in volumes and in average selling prices.

Sales in the final three quarters of 2011 were higher do to an increase in instant ticket volumes, offset partially by the strengthening of the Canadian dollar relative to the U.S. dollar.

Q2 2011 Adjusted EBITDA and Net Income include a gain on sale of property, plant and equipment of $1.5 million and a realized foreign exchange gain of $2.3 million on the repayment of U.S. dollar dominated debt.

Productive Capacity

Management has defined productive capacity as the level of operations necessary to maintain a minimum Adjusted EBITDA of $22.0 million on an annualized basis. Due to varying factors implicit in the nature of the lottery industry and the instant ticket market, productive capacity can best be measured through a financial output such as Adjusted EBITDA and cash flow. A number of factors impact the level of Adjusted EBITDA including physical plant capacity, machine capacity, nature of product and service offerings produced and mix of customers. Recent changes to productive capacity have occurred primarily through expenditures on fixed assets and improved processes and other internal improvement measures, offset by the impacts of changes in foreign exchange relationships, primarily the strengthening of the Canadian dollar relative to the U.S. dollar and the Euro, and the closure of the Kamloops facility in February 2010. There have been no increases in productive capacity due to acquisitions since Pollard's initial public offering ("IPO") in August 2005.

Pollard's strategy with respect to productive capacity is to expend the required funds and resources to maintain the assets required to generate the targeted cash flow. In addition, dependent on certain market conditions and limitations on available funds, projects are incurred to increase cash inflow or decrease cash outflow. The nature of the lottery industry does not in itself lead to significant obsolescence risk with the operating assets. To grow productive capacity, ongoing investment in new technology, new fixed assets and new intangible assets is required. Pollard utilizes a number of individual strategies to maintain and grow productive capacity including a capital expenditure budget and a rigorous formal approval process, flexible individual customer management relationships and structured maintenance programs throughout all of the facilities.

An important component to managing and growing productive capacity is the management of certain intangible assets, including customer contracts and relationships, patents, computer software and goodwill. Certain of these assets are reflected in Pollard's financial statements due to the use of continuity of interest method of accounting during the transfer of the business at Pollard's IPO.

Management focuses on maintaining and growing the value of the customer relationship through winning contract renewals, pursuing and obtaining new contracts and assisting existing customers growing their instant ticket product lines. Regular commitment to research and development allows continual development of patents, software and additional technological assets that maintain and increase operating income and cash flow. Detailed cost benefit analysis is performed for any significant investment of funds or resources in order to minimize the associated risks that these assets will not be able to generate the expected level of cash flow. Where new opportunities are identified, such as a new marketing opportunity or a new machine or process able to reduce input costs, consideration is given to revise plans and take advantage of these prospects.

Certain risks are associated with projects aimed at increasing productive capacity, including increases in working capital, acquisition or development of intellectual property, development of additional products or services and purchases of fixed assets. If these investments fail to increase Adjusted EBITDA and cash flow, then productive capacity will ultimately decrease over time due to the consumption of these investment resources. The impact on productive capacity may also depend upon the completion and start up timing of certain investment projects.

Working Capital

Net non-cash working capital varies throughout the year based on the timing of individual sales transactions. The nature of the lottery industry is few individual customers who generally order large dollar value transactions. As such, the change in timing of a few individual orders can impact significantly the amount required to be invested in inventory or receivables at a particular period end. The high value, low volume of transactions results in some significant volatility in non-cash working capital, particularly during a period of rising volumes. Similarly, the timing of the completion of the sales cycle through collection can significantly impact non-cash working capital.

Instant tickets are produced specifically for individual clients resulting in a limited investment in finished goods inventory. Customers are predominantly government agencies, which result in regular payments. These factors assist in a reasonably quick turnover in net working capital. There are a limited number of individual customers, and therefore net investment in working capital is managed on an individual customer by customer basis, without the need for company wide benchmarks.

The overall impact of seasonality does not have a material impact on the carrying amounts in working capital, although production volumes are historically slightly lower in the first quarter relative to the rest of the year.

Investment in non-cash working capital increased in the first quarter of Fiscal 2013 due to a reduction in accounts payable and accrued liabilities and an increase in prepaid expenses and deposits. These uses of non-cash working capital were partially offset by reduced accounts receivable and inventories.

	March 31, 2013	December 31, 2012
Working Capital	$30.3	$27.2
Total Assets	$125.9	$127.0
Total Non-Current Liabilities	$85.0	$83.4

Credit Facility

Pollard's credit facility, which was renewed effective June 29, 2012, consists of one committed term bank loan facility. The committed term bank loan facility provides loans of up to $70.0 million for its Canadian operations and up to US$15.3 million for its U.S. subsidiaries. Borrowings under the credit facility bear interest at fixed and floating rates based on Canadian and U.S. prime bank rates, banker's acceptances or LIBOR. At March 31, 2013, the outstanding letters of guarantee were $1.8 million and the remaining balance available for drawdown was $10.5 million.

Under the terms and conditions of the credit facility agreement Pollard is required to maintain financial covenants including working capital ratios, debt to income before interest, income taxes, depreciation and amortization ("Adjusted EBITDA") ratios and certain debt service coverage ratios. As at March 31, 2013, and May 8, 2013, Pollard is in compliance with all covenants.

Under the credit facility, Pollard has agreed not to pay dividends in excess of the current quarterly amount of $0.03 per share if the debt to Adjusted EBITDA ratio is above a certain level. As at March 31, 2013, Pollard's Adjusted EBITDA ratio is above the target level and as a result is restricted on the amount of dividends it can pay.

Under the credit facility the amount of the facility will be reduced on a quarterly basis by an amount calculated as 50% of the prior quarter's Excess Cash Flow. Excess Cash Flow is defined as Adjusted EBITDA less interest and cash income taxes paid. The reduction in the available facility is not required when the debt to Adjusted EBITDA ratio reaches certain target levels. For the quarter ending March 31, 2013, the credit facility will be reduced by approximately $1.9 million as of May 30, 2013. In addition the credit facility will be reduced by approximately $2.4 million on May 15, 2013, based on the quarter ending December 31, 2012 requirements.

Pollard's credit facility is secured by a first security interest in all of the present and after acquired property of Pollard's operating subsidiaries. The credit facility can be prepaid without penalties. Under the terms of the agreement, the credit facility is committed for a one year period, renewable June 30, 2013 ("Facility Expiry Date"). If the credit facility is not renewed, the loans are repayable one year after the Facility Expiry Date. As such, the credit facility has effectively a two year term expiring June 30, 2014.

Pollard 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.

Outstanding Share Data

As at March 31, 2013 and May 8, 2013, outstanding share data was as follows:

Common shares	23,543,158

Contractual Obligations

There have been no material changes to Pollard's contractual obligations since December 31, 2012, that are outside the normal course of business.

Off-Balance Sheet Arrangements

There have been no material changes to Pollard's off-balance sheet arrangements since December 31, 2012, that are outside the normal course of business.

Financial Instruments

The financial instruments of Pollard remain substantially unchanged from those identified in the MD&A for Pollard for the year ended December 31, 2012.

Critical Accounting Policies and Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting period. Management of Pollard regularly reviews its estimates and assumptions based on historical experience and various other assumptions that it believes would result in reasonable estimates given the circumstances. Actual results could differ from those estimates under different assumptions. The following is a discussion of accounting policies which require significant management judgment and estimation.

Impairment of goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired of Pollard's U.S. subsidiaries and the excess purchase price over the underlying carrying amount of the portion of the net assets sold as at August 5, 2005, as part of the 26.7% of Pollard sold in conjunction with the IPO, and is not amortized. Goodwill is subject to an annual impairment review. This requires an estimation of the "value in use" or "fair value less costs to sell" of the cash-generating units ("CGUs") to which goodwill is allocated. Estimating a value in use requires Pollard to make an estimate of the expected future cash flows from the CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Employee future benefits

Accounting for defined benefit plans requires Pollard to use actuarial assumptions. These assumptions include the discount rate, expected rate of return on plan assets and the rate of compensation increases. These assumptions depend on underlying factors such as economic conditions, government regulations, investment performance, employee demographics and mortality rates.

Income taxes

Pollard is required to evaluate the recoverability of deferred income tax assets. This requires an estimate of Pollard's ability to utilize the underlying future income tax deductions against future taxable income before they expire. In order to evaluate the recoverability of these deferred income tax assets, Pollard must estimate future taxable income.

Related Party Transactions

Pollard has not entered into any significant transactions with related parties during the three months ended March 31, 2013, which are not disclosed in the unaudited condensed consolidated interim financial statements.

Industry Risks and Uncertainties

The risk factors affecting Pollard remain substantially unchanged from those identified in the MD&A for Pollard for the year ended December 31, 2012.

Outlook

The instant ticket market for lotteries continues to be very robust, with year over year retail sales growth in the high single digits. We anticipate demand for our product at the retail level will continue to be strong as lotteries worldwide find ongoing success with both the existing products and developing additional features to drive demand such as second chance drawings, interactive internet related features and improved understanding of the ultimate consumer's wants. Lotteries will continue to reach out to suppliers such as Pollard to help them capitalize on the opportunities presented by this growing market.

Our expected order volume for the remainder of 2013 is strong and we anticipate our production and sales volumes over the next three quarters to be higher than the record levels achieved in 2012. Traditionally our volumes are higher in the later part of the year when compared to the first quarter and we anticipate this trend to continue, albeit in a slightly less pronounced fashion this year.

There are a number of instant ticket contracts up for bid in 2013 and we have been responding to these proposal requests during the first and second quarter. While our industry remains extremely competitive, we are selectively focusing on the critical opportunities where we can generate an appropriate return on investment and will continue to do so as our competitor contracts expire over the course of the rest of the year.

Our New Jersey Lottery contract continues to run until December 31, 2013. Recently the New Jersey Lottery announced plans to potentially award a new contract to outsource the management of the Lottery to a private consortium. While it is too early to determine how this might impact our future volumes and revenue from this contract after it expires at the end of 2013, we will continue to position ourselves as an important supplier for the years 2014 and beyond. Recently the Western Canada Lottery Corporation awarded Pollard a new five year contract (with an additional five year option to renew) to provide instant ticket products and services. We have no other material customer contracts that come due in 2013 (when extensions are considered).

Lotteries around the world continue to look to their supplier partners to provide innovative ideas and solutions to help them maximize their funds generated for good causes. One of our key success factors is our ongoing investment and development of innovative products and services, allowing us to grow our business while at the same time growing our lottery customers' business. We are investing in new and innovative product ideas such as interactive games over the internet, loyalty clubs and other tools to help our customers. While still in its infancy, these areas will offer interesting possibilities for future growth. Though we are excited about new opportunities like interactive gaming, the traditional bricks and mortar business of retail lottery distribution remains the most critical business platform for lotteries and various retail improvement strategies will continue to be an important area for Pollard to pursue.

The lottery industry continues to look towards expanding their instant ticket product lines through the use of additional distribution channels, maximizing merchandising programs and leveraging the use of the internet. Pollard will continue to pursue opportunities in these areas. Our Social Instants™, a tool allowing lotteries to maximize the use of social media to expand and grow their instant ticket sales, continues to generate interest among lotteries. A number of other innovative products and services have been developed and are being aggressively marketed to the lottery industry.

The charitable gaming market remains relatively flat compared to the past number of years and we expect this to continue. While smaller than our instant ticket operations, our business in this product line operates very efficiently and as a result earns a strong level of profitability. Bingo paper, pull-tab tickets and related vending machines are an important generator of funds for various good causes and charities and we anticipate our results from this operation will continue to yield a good return.

Our Change Initiative process generated significant achievements in 2012 and our results in the first quarter of 2013 mirror those successes. We have a number of important initiatives in our 2013 strategic plan targeted at improving our key performance indicators and believe there are many opportunities in both our direct manufacturing and our overall support operations to continue to lower our cost structures.

We anticipate our capital expenditures during 2013 to be similar to the amounts expended during 2012. Our capital improvement focus includes projects developing and modernizing our information and manufacturing systems to provide the foundation for future expansion and growth in our business. We will continue to invest in critical areas of improving manufacturing efficiencies and as well are making some further commitments to expanding capacity to produce some of our in-demand proprietary value added products.

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.

Disclosure Controls and Procedures

Under Multilateral Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings," issuers are required to document the conclusions of the Chief Executive Officer and Chief Financial Officer (the "Certifying Officers") for the interim period regarding the design of the disclosure controls and procedures. Pollard's management, with the participation of the Certifying Officers of Pollard, has concluded that the design of the disclosure controls and procedures as defined in Multilateral Instrument 52-109 will provide reasonable assurance of achieving the disclosure objectives.

Internal Controls over Financial Reporting

Under Multilateral Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings," issuers are required to document the conclusions of the Certifying Officers regarding the design of the internal controls over financial reporting. Pollard's management, with the participation of the Certifying Officers of Pollard, has concluded that the design of the internal controls over financial reporting as defined in Multilateral Instrument 52-109 will provide reasonable assurance of achieving the financial reporting objectives.

No changes were made in Pollard's internal control over financial reporting during the three months ended March 31, 2013, that have materially affected, or are reasonably likely to materially affect, Pollard's internal control over financial reporting.

Additional Information

Shares of Pollard Banknote Limited are traded on the Toronto Stock Exchange under the symbol PBL.

Additional information relating to Pollard, including the Audited Consolidated Financial Statements and the Annual Information Form of Pollard for the year ended December 31, 2012, is available on SEDAR at www.sedar.com.

Pollard Banknote Limited
1499 Buffalo Place
Winnipeg, Manitoba R3T 1L7
(204) 474-2323
www.Pollardbanknote.com