March 31, 2018

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

FOR THE THREE MONTHS ENDED MARCH 31, 2018

May 9, 2018

This management's discussion and analysis ("MD&A") of Pollard Banknote Limited ("Pollard") for the three months ended March 31, 2018, is prepared as at May 9, 2018, 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, 2018 and the audited consolidated financial statements of Pollard for the year ended December 31, 2017 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, depreciation and amortization, unrealized foreign exchange gains and losses and certain non-recurring items including severance costs and acquisition 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 consolidated results of Pollard for the three months ended March 31, 2018. 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. With the acquisition of International Gamco, Inc. ("Gamco"), on February 1, 2018, management believes Pollard has also become the second largest bingo paper and pull-tab supplier to the charitable gaming industry in North America.

Pollard produces and provides a comprehensive line of instant tickets and lottery services including: licensed products, distribution, SureTrack® lottery management system, retail telephone selling ("tel-sell"), marketing, iLottery, interactive gaming, Social Instants™, retail management services and vending machines including charitable game systems and tickets marketed under the Diamond Game trade name. 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 60 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, 2018	Three months ended March 31, 2017
Instant Tickets	78.0%	86.8%
Charitable Gaming Products (1)	14.1%	13.2%
Diamond Game Products (2)	7.9%	-

(1) Includes International Gamco, Inc. which was acquired on February 1, 2018.

(2) INNOVA Gaming Group Inc. ("INNOVA", "Diamond Game") was acquired on August 3, 2017.

Geographic breakdown of revenue

	Three months ended March 31, 2018	Three months ended March 31, 2017
United States	55%	55%
Canada	26%	23%
International	19%	22%

Acquisition of International Gamco, Inc.

On February 1, 2018, Pollard Holdings Inc., a wholly-owned subsidiary of Pollard, acquired 100% of the common shares of International Gamco, Inc. ("Gamco"). The purchase price was funded by proceeds from Pollard's credit facility and cash on hand. The acquisition has been accounted for using the acquisition method. The fair values of the identifiable assets and liabilities have been based on management's best estimates and valuation techniques as at February 1, 2018, the acquisition date. As per the sales agreement, the purchase price was decreased by the amount of other current liabilities assumed, which were specified in the agreement. The majority of these other current liabilities were paid in March 2018.

During the period between the February 1, 2018 and March 31, 2018, Gamco generated revenues of approximately $4.7 million and net income of $0.2 million, which have been recorded in the consolidated financial statements. If Gamco had been acquired on January 1, 2018, incremental revenue of $2.2 million and net loss of $4.8 million (which includes $5.5 million of transaction related expenditures) would have been included in the three months ended March 31, 2018.

Share offering

On February 1, 2018, Pollard announced that it had entered into an agreement with a syndicate of underwriters led by Canaccord Genuity Corp. (together, the "Underwriters") to purchase on a bought deal basis 1,800,000 common shares of Pollard at a price of $18.45 per share. Pollard also granted the Underwriters an over-allotment option exercisable at any time up to 30 days following the closing of the offering, to purchase up to an additional 270,000 common shares.

The offering, including the full over-allotment, closed on February 21, 2018. The total gross proceeds, prior to any commissions and offering expenses, from the sale of 2,070,000 common shares was approximately $38.2 million.

Pollard used the net proceeds to repay indebtedness under the Company's credit facility and subordinated debt.

The following financial information should be read in conjunction with the accompanying unaudited condensed consolidated interim financial statements of Pollard and the notes therein as at and for the three months ended March 31, 2018.

SELECTED FINANCIAL INFORMATION

(millions of dollars, except per share information)

	Three months ended March 31, 2018	Three months ended March 31, 2017
Sales	$80.3	$57.4
Cost of sales	60.9	46.0
Gross profit	19.4	11.4
Gross profit as a % of sales	*24.2%*	*19.9%*
Administration expenses	8.0	5.3
Administration expenses as a % of sales	*10.0%*	*9.2%*
Selling expenses	2.8	2.0
Selling expenses as a % of sales	*3.5%*	*3.5%*
Net income	4.5	1.8
Net income as a % of sales	*5.6%*	*3.1%*
Adjusted EBITDA	13.0	6.3
Adjusted EBITDA as a % of sales	*16.2%*	*11.0%*
Net income per share (basic and diluted)	$0.18	$0.08

	March 31, 2018	December 31, 2017
Total Assets	$249.8	$228.3
Total Non-Current Liabilities	$99.1	$124.8

RECONCILIATION OF NET INCOME TO ADJUSTED EBITDA

(millions of dollars)

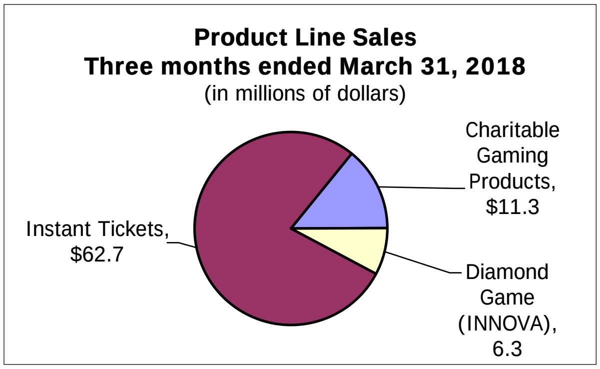
	Three months ended March 31, 2018	Three months ended March 31, 2017
Net income	$4.5	$1.8
Adjustments:		
Amortization and depreciation	4.1	2.5
Interest	1.2	0.8
Severance costs	0.4	-
Acquisition costs	0.1	0.4
Unrealized foreign exchange (gain) loss	1.0	(0.2)
Income taxes	1.7	1.0
Adjusted EBITDA	$13.0	$6.3
Pollard Banknote Limited	$10.6	$6.3
Diamond Game	2.4	-
Total Adjusted EBITDA	$13.0	$6.3

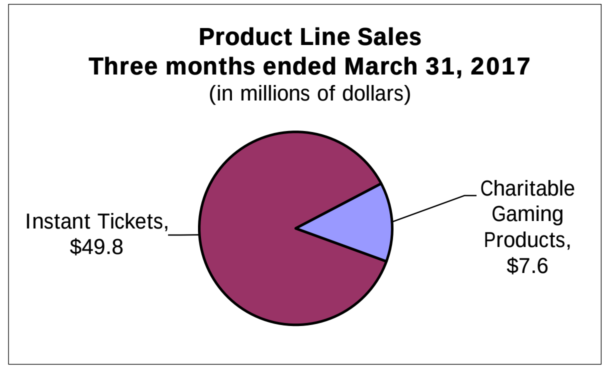
REVIEW OF OPERATIONS

Financial and operating information has been derived from, and should be read in conjunction with, the unaudited 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, 2018

Sales

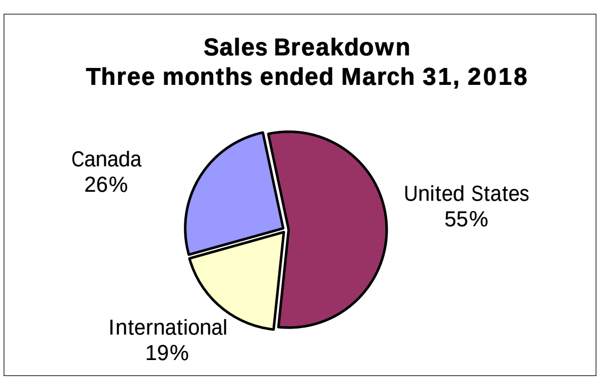


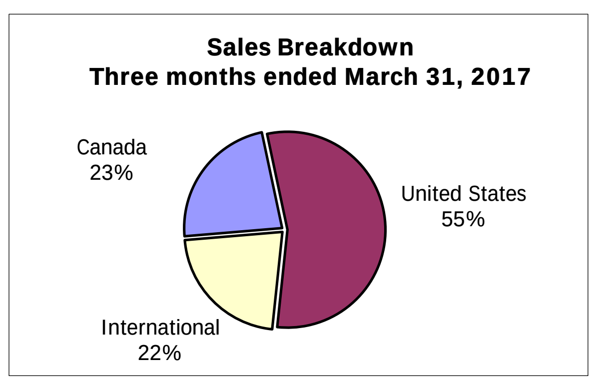


During the three months ended March 31, 2018, Pollard achieved sales of $80.3 million, compared to $57.4 million in the three months ended March 31, 2017. A number of factors resulted in the $22.9 million sales increase:

Instant ticket sales volumes for the first quarter of 2018 were higher than the first quarter of 2017 by 29.7% which increased sales by $13.4 million. At March 31, 2017, there was a significant amount of goods in transit as the production mix in the quarter was weighted highly toward international customers, which reduced sales in first quarter of 2017. In addition to increased instant ticket sales volumes, higher sales of ancillary instant ticket products and services in the first quarter of 2018 compared to the first quarter of 2017 added $1.3 million to sales. This increase in revenue was primarily from higher iLottery and licensed products sales compared to the prior year.

The addition of Diamond Game added $6.3 million in sales when compared to 2017. Also, the increase in charitable gaming volumes, primarily as a result of the addition of Gamco, for two months beginning February 1, 2018, increased sales by $4.1 million from 2017. A higher average selling price for charitable games in 2018 further increased sales by $0.2 million.





During the three months ended March 31, 2018, Pollard generated approximately 67.3% (2017 – 68.3%) of its revenue in U.S. dollars including a portion of international sales which are priced in U.S. dollars. During the first quarter of 2018 the actual U.S. dollar value was converted to Canadian dollars at $1.256, compared to a rate of $1.327 during the first quarter of 2017. This 5.3% decrease in the U.S. dollar value resulted in an approximate decrease of $2.8 million in revenue relative to the first quarter of 2017. Also during the quarter the value of the Canadian dollar weakened against the Euro resulting in an approximate increase of $0.4 million in revenue relative to the first quarter of 2017.

Cost of sales and gross profit

Cost of sales was $60.9 million in the first quarter of 2018 compared to $46.0 million in the first quarter of 2017. The increase in instant ticket sales volumes was the primary reason for the increase in cost of goods sold, which was partially offset by lower exchange rates on U.S. dollar transactions in 2018. The majority of the remaining increase related to the inclusion of Diamond Game financial results which amounted to $4.2 million, as well as the inclusion of Gamco.

Gross profit earned in the first quarter of 2018 was $19.4 million (24.2% of sales) as compared to $11.4 million (19.9% of sales) earned in the first quarter of 2017. This increase in gross profit was primarily the result of the increase in instant ticket volumes, higher ancillary instant ticket products and services sales and the addition of Diamond Game and Gamco. The higher gross profit percentage was due to the larger volumes of instant tickets and increased sales of ancillary instant ticket products and services, including higher license product and iLottery sales. The first quarter of 2017 gross profit percentage was low due to the large amount of goods in transit at March 31, 2017.

Administration expenses

Administration expenses increased to $8.0 million in the first quarter of 2018 compared to $5.3 million in the first quarter of 2017. The increase was partly a result of the inclusion of Diamond Game and Gamco of $2.0 million (which includes $0.4 million in severance costs related to the departure of two former Diamond Game executives). Additional reasons for the increase were higher compensation expenses (which primarily related to expansion of our ancillary lottery product and services sales and acquisition efforts) compared to 2017 and increased professional fees and IT infrastructure related expenses. This increase was partially offset by a $0.3 million reduction in acquisition costs as compared to the first quarter of 2017.

Selling expenses

Selling expenses increased to $2.8 million in the first quarter of 2018 from $2.0 million in the first quarter of 2017 due to the addition of Diamond Game and Gamco.

Interest expense

Interest expense increased to $1.2 million in the first quarter of 2018 from $0.8 million in the first quarter of 2017 primarily as a result of the additional interest expense related to long-term and subordinated debt incurred with the acquisitions of Diamond Game and Gamco.

Foreign exchange

The net foreign exchange loss was $1.2 million in the first quarter of 2018 compared to a loss of $0.2 million in the first quarter of 2017. Within the 2018 net foreign exchange loss was a realized loss of $0.2 million, primarily as a result of the decreased value of U.S. denominated receivables at collection. In addition to the realized loss was an unrealized loss of $1.0 million primarily as a result of the unrealized loss on U.S. dollar denominated debt (caused by the weakening of the value of the Canadian dollar versus the U.S. dollar during the first quarter of 2018).

Within the 2017 net foreign exchange loss was a realized loss of $0.4 million, primarily as a result of the decreased value of U.S. denominated receivables at collection. Partially offsetting the realized loss was an unrealized gain of $0.2 million primarily as a result of the unrealized gain on U.S. dollar denominated debt (caused by the strengthening of the value of the Canadian dollar versus the U.S. dollar during the first quarter of 2017).

Adjusted EBITDA

Adjusted EBITDA was $13.0 million in the first quarter of 2018 compared to $6.3 million in the first quarter of 2017. The primary reasons for the increase in Adjusted EBITDA of $6.7 million were the increase in gross profit of $9.6 million (net of amortization and depreciation), a decrease in other expenses of $0.3 million and a decrease in realized foreign exchange loss of $0.2 million. These increases to Adjusted EBITDA were partially offset by higher administration expenses (net of acquisition and severance costs) of $2.6 million and an increase in selling expenses of $0.8 million.

Income taxes

Income tax expense was $1.7 million in the first quarter of 2018, an effective rate of 27.2%, which was similar to Pollard's expected effective rate of 27.0%.

Income tax expense was $1.0 million in the first quarter of 2017, an effective rate of 36.0%, higher than Pollard's expected effective rate of 27.0% due primarily to the effect of higher tax rates in foreign jurisdictions.

Amortization and depreciation

Amortization and depreciation, including amortization of intangible assets and depreciation of property and equipment, totaled $4.1 million during the first quarter of 2018 which increased from $2.5 million during the first quarter of 2017. The increase was a result of the addition of Diamond Game and Gamco including the amortization and depreciation relating to the purchase price allocations to intangible assets and property, plant and equipment.

Net income

Net income increased to $4.5 million in the first quarter of 2018 from $1.8 million in the first quarter of 2017. The primary reasons for the increase were the higher gross profit of $8.0 million and the decrease in other expenses of $0.3 million. These increases to net income were partially offset by the $2.7 million increase in administration expenses, the $0.8 million increase in selling expenses, the $0.4 million increase in interest expense, the $1.0 million increase in foreign exchange losses and the $0.7 million increase in income tax expense.

Net income per share (basic and diluted) increased to $0.18 per share in the first quarter of 2018 from $0.08 per share in the first quarter of 2017.

Liquidity and Capital Resources

Cash provided by operating activities

For the three months ended March 31, 2018, cash flow provided by operating activities was $20.1 million compared to $12.4 million in 2017. Higher net income before income taxes after non-cash adjustments in the first quarter of 2018 contributed to an increase in cash provided by operating activities compared to 2017. For the three months ended March 31, 2018, changes in the non-cash component of working capital increased cash flow from operations by $9.5 million. The increase was due primarily to a decrease in accounts receivable, inventories and prepaid expenses and deposits. For the three months ended March 31, 2017, changes in the non-cash component of working capital increased cash flow from operations by $9.2 million. The increase was due primarily to a decrease in accounts receivable and an increase in accounts payable and accrued liabilities, which was partially offset by an increase in inventory.

Cash used for interest increased to $1.2 million in 2018 as compared to $0.7 million in 2017 and cash used for pension plan contributions decreased to $1.1 million in 2017 as compared to $1.3 million in 2017. Cash used for income tax payments decreased to $1.6 million in 2018 from $2.3 million in 2017. Cash payments in 2017 included the final installment for the 2016 tax year and initial installments for 2017.

Cash used for investing activities

In the three months ended March 31, 2018, cash used for investing activities was $26.6 million compared to $1.5 million used in the first quarter of 2017. In the three months ending March 31, 2018, Pollard used $21.6 million, net of cash acquired, to purchase International Gamco, Inc.. In addition, Pollard expended $3.0 million in capital expenditures, $0.5 million on its investment in its iLottery joint venture and $1.6 million on additions to intangible assets.

In the three months ending March 31, 2017, capital expenditures were $0.8 million. In addition, Pollard expended $0.5 million on its investment in its iLottery joint venture and $0.2 million on additions to intangible assets.

Cash provided by financing activities

Cash provided by financing activities was $8.8 million in the three months ended March 31, 2018, compared to cash used for financing activities of $7.9 million in the three months ended March 31, 2017.

During the first quarter of 2018 Pollard raised $35.4 million, net of expenses, from the issuance of common shares. The proceeds were used, in part, to repay $17.3 million of long-term debt and $8.4 million of subordinated debt. Pollard also expended $0.2 million on long-term liabilities and paid dividends of $0.7 million.

During the first quarter of 2017 cash was used to repay $6.5 million of long-term debt, $0.3 million of subordinated debt, $0.3 million of long-term liabilities and pay dividends of $0.7 million.

As at March 31, 2018, Pollard had unused committed debt facility of $50.7 million, in addition to $7.7 million in available cash resources. These amounts, in addition to cash flow provided by operating activities, are available to be used for future working capital requirements, contractual obligations, capital expenditures, dividends and to assist in financing future acquisitions.

Quarterly Information
(unaudited)
(millions of dollars)

	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Sales	$80.3	$79.6	$70.7	$77.9	$57.4	$65.7	$62.7	$54.0	$64.0
Adjusted EBITDA	13.0	13.0	11.6	13.1	6.3	9.1	7.8	6.0	6.8
Net Income	4.5	4.3	4.7	6.0	1.8	3.8	2.8	2.1	3.6

Q1 2018 and Q4 2017 sales and Adjusted EBITDA were high relative to previous quarters primarily as a result of higher instant ticket volumes and the addition of Diamond Game.

Working Capital

Net non-cash working capital varies significantly throughout the year based on the timing of individual sales transactions and other investments. 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. 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.

As at March 31, 2018, Pollard's investment in non-cash working capital decreased $9.5 million compared to December 31, 2017, primarily as a result of the reduction in accounts receivable, inventories and prepaid expenses and deposits.

	March 31, 2018	December 31, 2017
Working Capital	$41.9	$44.6
Total Assets	$249.8	$228.3
Total Non-Current Liabilities	$99.1	$124.8

Credit Facility

Pollard's credit facility was renewed effective June 22, 2017. The credit facility provides loans of up to $105.0 million for its Canadian operations and US$12.0 million for its U.S. subsidiaries. The borrowings for the Canadian operations can be denominated in Canadian or U.S. dollars, to a maximum of $105.0 million Canadian equivalent. The credit facility also includes an accordion feature which can increase the facility by $15.0 million. 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, 2018, the outstanding letters of guarantee were $2.2 million. The remaining balance available for drawdown under the credit facility was $50.7 million.

Under the terms and conditions of the credit facility agreement Pollard is required to maintain certain financial covenants including working capital ratios, debt to income before interest, income taxes, amortization and depreciation ("Adjusted EBITDA") ratios and certain debt service coverage ratios. As at March 31, 2018, Pollard is in compliance with all financial covenants.

Pollard's credit facility is secured by a first security interest in all of the present and after acquired property of Pollard. The facility can be prepaid without penalties. Under the terms of the agreement the facility was committed for a two year period, renewable June 22, 2019.

Pollard believes that its credit facility, funds from the subordinated loan from Pollard Equities Limited ("Equities") 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.

Subordinated Debt

On June 23, 2017, Pollard entered into a loan agreement with Equities for a subordinated term loan with a seven year term, repayable at any time (subject to meeting certain financial covenants under the secured credit facility). The loan was provided to assist with the purchase of the common shares of INNOVA. A total of $25.1 million was drawn in the third quarter of 2017. Interest on the subordinated debt commenced with the first draw at a rate of 8%. Quarterly principal payments on the loan facility commenced the month following the first draw, which occurred August 4, 2017.

In addition to the mandatory quarterly payments, Pollard has made two lump sum prepayments. On September 20, 2017, Pollard repaid $7.5 million in outstanding principal and on February 23, 2018, Pollard repaid an additional $7.5 million in outstanding principal.

The loans are fully subordinated to the secured credit facility.

Outstanding Share Data

As at March 31, 2018 and May 9, 2018, outstanding share data was as follows:

Common shares	25,613,158

As noted previously, on February 21, 2018, Pollard closed its offering for an additional 2,070,000 common shares.

Share Options

Under the Pollard Banknote Limited Stock Option Plan the Board of Directors has the authority to grant options to purchase common shares to eligible persons and to determine the applicable terms. The aggregate maximum number of common shares available for issuance from Pollard's treasury under the Option Plan is 2,354,315 common shares. As at March 31, 2018, the total share options issued and outstanding were 250,000.

Contractual Obligations

There have been no material changes to Pollard's contractual obligations since December 31, 2017, 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, 2017, 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, 2017.

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

Pollard determines whether goodwill is impaired at least on an annual basis. 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. Judgment is required in determining the level at which to test goodwill, including the grouping of assets that generate cash inflows.

Employee future benefits

Accounting for defined benefit plans requires Pollard to use actuarial assumptions. These assumptions include the discount rate 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.

Acquisition accounting

For acquisition accounting purposes, all identifiable assets, liabilities and contingent liabilities acquired in a business combination are recognized at fair value at the date of acquisition. Estimates are used to calculate the fair value of these assets and liabilities.

Related Party Transactions

Pollard has not entered into any significant transactions with related parties during the three months ended March 31, 2018, 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, 2017.

Outlook

The lottery and charitable gaming markets remain strong as lotteries look to continue to retain and grow the proceeds they generate to fund various good causes. The instant ticket segment remains a critical component of this as retail sales to the consumer are very strong and we expect this to continue. Lotteries are expanding into ancillary areas, with particular interest in digital areas including the development of iLottery and sales over the internet. A number of jurisdictions in the United States are more active in researching the possibilities of expanding into the iLottery field and we expect this to be an important area for future development.

Our instant ticket order volumes from our existing contract portfolio remain high and this positive trend is expected to continue. At the end of the first quarter we recommissioned our original press in Ypsilanti (which had been decommissioned with the start-up of our Tresu press) to help expand capacity and improve scheduling efficiencies to meet our growing demand.

Our acquisition of Gamco was completed and the integration process is underway. There are important longer-term synergies, both on the revenue and expense sides, available by combining our existing American Games charitable gaming business with Gamco and we are actively working through these development plans. The charitable gaming industry is showing some positive signs after a number of years of limited growth and we are hopeful this trend will continue, providing additional opportunities for our new combined operations to grow. International Gamco's E-gaming division, Oasis, is also being integrated with our Diamond Game business to provide greater leverage in the electronic gaming machine market.

Our Diamond Game business continues to meet our high expectations and we are working on a number of growth opportunities. The nature of the Diamond Game product remains a very long-term sales cycle and while existing revenue from current contracts are very consistent and generally predictable, growth in new jurisdictions will develop over time.

Our capital structure is conservative, as a result of the raise of additional equity in the first quarter, and provides us ample resources to both support internal growth as well as any potential acquisitions. Selective acquisitions remain a critical piece of our strategic plan and we will continue to investigate opportunities that meet both our financial and strategic objectives. Our lottery customers are expanding and to be their partner of choice we will ensure that our capability and expertise meets those needs through internal growth and acquiring appropriate assets externally.

Our budgeted capital expenditures for 2018 are expected to be similar to the expenditures incurred in 2017 before taking into account the additional traditional capital expended by our two acquisitions. We do not anticipate any individual major capital expenditures to be required during this upcoming year. As a result, we would anticipate strong operating cash flows available for investments in future acquisitions, necessary growth in working capital, capital investments and continued reductions in outstanding debt.

Disclosure Controls and Procedures

Under National 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 National Instrument 52-109 will provide reasonable assurance of achieving the disclosure objectives.

Internal Controls over Financial Reporting

Under National 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. Management used the Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013) as the control framework in designing its 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 National Instrument 52-109 will provide reasonable assurance of achieving the financial reporting objectives.

Pollard has limited its design of ICFR to exclude controls, policies and procedures of INNOVA and Gamco, as they were acquired not more than 365 days before the end of the financial period to which this MD&A relates.

No changes were made in Pollard's internal control over financial reporting during the three months ended March 31, 2018, 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, 2017, is available on SEDAR at www.sedar.com.

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