

**POLLARD BANKNOTE ANNOUNCES
3RD QUARTER FINANCIAL RESULTS**

WINNIPEG, Manitoba, November 9, 2020 /CNW/ — Pollard Banknote Limited (TSX: PBL) (“Pollard”) today released its financial results for the three and nine months ended September 30, 2020, reporting record quarterly revenue, strong net income and record Adjusted EBITDA.

Results and Highlights for the Third Quarter ended September 30, 2020

- Sales increased by 13% to \$116.7 million from \$103.2 million in the same period of 2019, a new quarterly record
- Seasonal strength in average selling price of core instant tickets included record sales of our industry leading Scratch FX[®] proprietary specialty products
- Strong iLottery results contributed to our higher income from operations
- Income from operations achieved a record of \$16.7 million during the quarter versus \$9.1 million in the 3rd quarter of 2019
- Net income tripled to \$13.2 million, up from \$4.4 million in the corresponding period last year
- Adjusted EBITDA increased 52% to \$24.5 million compared with \$16.1 million in the same period of 2019, a new quarterly record

“We are very pleased with our third quarter financial results, with numerous records achieved in a number of key financial indicators,” stated John Pollard, Co-Chief Executive Officer. “We are most pleased with the achievements of all of our team members who have performed admirably throughout these very difficult times of uncertainty and challenges due to the COVID-19 pandemic. Robust sales in a number of product lines including instant tickets, iLottery, licensed games, and a return to pre-COVID-19 levels of charitable gaming sales, as well as Diamond Game egaming machine revenue, showed the resilience of our business operations and laid the foundation for a very successful quarter.”

“Retail sales of instant lottery tickets continued at higher levels compared to last year, a trend started in the second quarter and continuing today. Higher retail sales are translating into higher order levels for Pollard, resulting in third quarter production volumes 6% higher than the second quarter of 2020. Our schedule for the fourth quarter continues to reflect very strong order levels. Typical of the third quarter, our average

selling price for our instant tickets sold was high as a result of record levels of proprietary specialty sales including Scratch FX[®] and pouched products.”

“Both charitable paper products and Diamond Game egaming machines generated strong sales throughout the quarter. Jurisdictions have re-opened much of the retail outlets where these products are placed, and individual consumer demand was robust throughout the entire quarter.”

“Ancillary lottery products and services contributed very positively to our third quarter results. Our licensed games business line created significant contributions including sales of our Pac-Man[®] licensed property. Licensed game properties are an important incremental tool for lotteries to access new consumers, however the financial impact for Pollard can be lumpy based on individual game sales. Our lottery management services and digital solutions, including loyalty programs, also contributed positively to our record results.”

“iLottery has remained very strong throughout the third quarter as consumers continue to utilize the internet to make their lottery purchases. We benefitted from the contribution of a full quarter of the Virginia iLottery operation during the third quarter, which rolled out an expanded product offering starting July 1st and produced record results. Our fifth iLottery operation, with the Alberta Gaming, Lottery and Cannabis Commission, went live on September 30th and interest in developing iLottery offerings continues to grow with North American lotteries.”

“During the third quarter Pollard qualified for and recorded in income, Canada Emergency Wage Subsidy (“CEWS”) of approximately \$2.1 million, including the carryover of a portion relating to work performed in the second quarter but sold in the third quarter. CEWS have been very important in supporting our employment in areas of the business that experienced revenue declines, allowing us to retain full employment in our Canadian operations.”

“The COVID-19 pandemic continues to impact all of us in our working and personal lives,” commented Doug Pollard, Co-Chief executive Officer. “At Pollard, our main focus is on the safety and well-being of our employees. We continue to engage in extensive health and safety practices including widespread remote work practices, mandatory temperature and health checks, mask wearing and social distancing throughout all of our facilities. We are following all of the local health authority proclamations and will continue to support all our team members with rigorous health and safety measures in all of our locations.”

“Record operating results produced very strong cash flow during the quarter,” added John Pollard, “with our available liquidity achieving record levels. Ongoing capital expenditure control and cost containment strategies helped contribute to the positive cashflow, providing us with ample capital to continue to invest in organic growth and future acquisitions.”

"The strength of our lottery and charitable gaming products and solutions resulted in a record quarter. We are very proud of the excellence and hard work shown by our entire team throughout these challenging times in all our operations. Our strategic vision of being the partner of choice for our lottery and charitable gaming customers continues to guide us and provides for ongoing future success."

Use of Non-GAAP Financial Measures

Reference to "Adjusted EBITDA" is to earnings before interest, income taxes, depreciation and amortization, purchase accounting amortization, unrealized foreign exchange gains and losses, and certain non-recurring items including severance costs, acquisition costs and contingent consideration fair value adjustments. 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.

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.

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 tickets based in Canada and the second largest producer of instant tickets in the world. As well Pollard, through its joint operation, is the leading iLottery operator in the North American lottery space.

On February 3, 2020, Pollard completed the previously announced acquisition of mkodo Limited ("mkodo"). On December 6, 2019, Pollard signed a definitive agreement to purchase 100% of the share capital of mkodo for a purchase price of £7.8 million prior to standard working capital adjustments and potential future earn-out payments based on certain EBITDA targets. mkodo is a leading provider of digital apps and user interfaces for the lottery and gaming industry.

On February 6, 2020, Pollard entered into an agreement, approved by the courts, to acquire certain assets which were being sold under a bankruptcy process. The transaction was subject to certain closing conditions and closed on March 20, 2020. These assets had previously been used in the operation of a business producing pull-tab tickets for the lottery and charitable gaming business. The total purchase price, including estimated transportation, disassembly and reassembly, and related costs, was \$4.9 million.

The selected financial and operating information has been derived from, and should be read in conjunction with, the unaudited condensed consolidated interim financial statements of Pollard as at and for the three and nine months ended September 30, 2020. These financial statements have been prepared in accordance with the International Financial Accounting Standards ("IFRS" or "GAAP").

HIGHLIGHTS	<u>Three months ended September 30, 2020</u>	<u>Three months ended September 30, 2019</u>
Sales	\$ 116.7 million	\$ 103.2 million
Gross Profit	\$ 27.8 million	\$ 24.6 million
<i>Gross Profit % of sales</i>	<i>23.8%</i>	<i>23.8%</i>
Administration expenses	\$ 10.3 million	\$ 10.5 million
Selling expenses	\$ 3.8 million	\$ 4.2 million
Other (income) expenses	(\$ 3.0 million)	\$ 0.8 million
Unrealized foreign exchange (gain) loss	(\$ 2.8 million)	\$ 0.8 million
Net income	\$ 13.2 million	\$ 4.4 million
Net income per share (basic and diluted)	\$ 0.51	\$ 0.17
Adjusted EBITDA ⁽¹⁾:		
Lotteries and charitable gaming	\$ 21.9 million	\$ 13.7 million
Diamond Game	2.6 million	2.4 million
Total adjusted EBITDA	<u>\$ 24.5 million</u>	<u>\$ 16.1 million</u>
	<u>Nine months ended September 30, 2020</u>	<u>Nine months ended September 30, 2019</u>
Sales	\$ 310.4 million	\$ 297.8 million
Gross Profit	\$ 68.2 million	\$ 69.1 million
<i>Gross Profit % of sales</i>	<i>22.0 %</i>	<i>23.2%</i>
Administration expenses	\$ 30.0 million	\$ 29.7 million
Selling expenses	\$ 10.9 million	\$ 11.8 million
Other (income) expenses	(\$ 8.7 million)	\$ 1.8 million
Unrealized foreign exchange loss (gain)	\$ 1.6 million	(\$ 2.3 million)
Net income	\$ 21.1 million	\$ 17.4 million
Net income per share (basic and diluted)	\$ 0.82	\$ 0.68
Adjusted EBITDA ⁽¹⁾:		
Lotteries and charitable gaming	\$ 56.0 million	\$ 36.8 million
Diamond Game	4.3 million	9.2 million
Total adjusted EBITDA	<u>\$ 60.3 million</u>	<u>\$ 46.0 million</u>

(1) Effective January 1, 2020, the Oasis egaming division was transferred from International Gamco (Charitable) to Diamond Game (Gaming Systems), comparative figures have been restated.

SELECTED FINANCIAL INFORMATION

(millions of dollars)

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales	\$116.7	\$103.2	\$310.4	\$297.8
Cost of sales	88.9	78.6	242.2	228.7
Gross profit	27.8	24.6	68.2	69.1
Administration expenses	10.3	10.5	30.0	29.7
Selling expenses	3.8	4.2	10.9	11.8
Other (income) expenses	(3.0)	0.8	(8.7)	1.8
Income from operations	16.7	9.1	36.0	25.8
Foreign exchange (gain) loss	(1.8)	1.1	2.3	(1.8)
Interest expense	1.0	1.7	3.9	4.8
Income before income taxes	17.5	6.3	29.8	22.8
Income taxes:				
Current	3.9	2.0	8.0	3.1
Deferred (reduction)	0.4	(0.1)	0.7	2.3
Net income	\$13.2	\$4.4	\$21.1	\$17.4
Adjustments:				
Amortization and depreciation	8.3	7.1	23.7	20.1
Interest	1.0	1.7	3.9	4.8
Unrealized foreign exchange (gain) loss	(2.8)	0.8	1.6	(2.3)
Acquisition costs	0.5	0.2	1.3	0.6
Income taxes	4.3	1.9	8.7	5.4
Adjusted EBITDA	<u>\$24.5</u>	<u>\$16.1</u>	<u>\$60.3</u>	<u>\$46.0</u>

	September 30, 2020	December 31, 2019
Total Assets	\$380.9	\$352.3
Total Non-Current Liabilities	\$175.2	\$175.6

Results of Operations – Three months ended September 30, 2020

During the three months ended September 30, 2020, Pollard achieved sales of \$116.7 million, compared to \$103.2 million in the three months ended September 30, 2019. Factors impacting the \$13.5 million sales increase were:

- An increase in the sales of ancillary lottery products and services increased revenue in the third quarter of 2020 by \$7.9 million as compared to the third quarter of 2019, primarily as a result of significantly higher iLottery sales. As well, increased sales of digital and loyalty products, including revenue from mkodo, and distribution services further contributed to the increase in ancillary sales. Partially offsetting these increases was a decrease in Schafer's and Fastrak's merchandising product sales in the third quarter of 2020.
- Additionally, an increase in the instant ticket average selling price in the quarter compared to the third quarter of 2019 increased sales by \$3.5 million. This increase was a result of the sales mix in the quarter, including higher sales of Pollard's proprietary Scratch FX[®] product. In addition, a slight increase in instant ticket sales volume in the quarter further increased sales by \$0.2 million.
- During the third quarter, the retail establishments where our charitable gaming products are sold and Diamond Game egaming machines are placed had reopened, after shutting down from mid-March through the end of the second quarter due to COVID-19. In the third quarter of 2020 higher Diamond Game revenue increased sales by \$0.6 million when compared to 2019. In addition, a higher average selling price for charitable games in 2020 increased sales by \$0.6 million. This was partially offset by a slight decrease in charitable gaming volumes which reduced sales by \$0.4 million from 2019.
- During the three months ended September 30, 2020, Pollard generated approximately 73.9% (2019 – 71.7%) of its revenue in U.S. dollars including a portion of international sales which are priced in U.S. dollars. During the third quarter of 2020 the actual U.S. dollar value was converted to Canadian dollars at \$1.331, compared to a rate of \$1.320 during the third quarter of 2019. This 0.8% increase in the U.S. dollar value resulted in an approximate increase of \$0.7 million in revenue relative to the third quarter of 2019. In addition, 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 third quarter of 2019.

Cost of sales was \$88.9 million in the third quarter of 2020 compared to \$78.6 million in the third quarter of 2019. Cost of sales was higher as a result of higher ancillary instant ticket product sales, including the addition of mkodo in 2020. As well, higher exchange rates on U.S. dollar denominated transactions, increased amortization and depreciation,

and higher instant ticket manufacturing overheads further increased cost of sales in the third quarter of 2020.

Gross profit was \$27.8 million (23.8% of sales) in the third quarter of 2020 compared to \$24.6 million (23.8% of sales) in the third quarter of 2019. This increase in gross profit was primarily due to higher iLottery and licensed product sales in 2020, partially offset by lower gross profit from instant ticket, charitable gaming and Fastrak and Schafer merchandising product sales. Gross margin percentage was consistent with the third quarter of 2019, with higher margins from iLottery and licensed products sales being offset by lower margins as a result of increased manufacturing overhead costs and mix changes associated with the instant ticket production in the quarter.

Administration expenses decreased to \$10.3 million in the third quarter of 2020 from \$10.5 million in the third quarter of 2019. The decrease of \$0.2 million was a result of the reduction in travel and conference related costs due to COVID-19 and lower professional fees. Partially offsetting these decreases were higher acquisition costs of \$0.3 million and greater compensation and licensing expenses to support Pollard's growth strategies of developing innovative digital products. Additionally, the inclusion of mkodo further increased administration expenses in 2020.

Selling expenses decreased to \$3.8 million in the third quarter of 2020 from \$4.2 million in the third quarter of 2019 primarily due to the reduction in travel related costs due to COVID-19 and lower contract related costs. These decreases in selling expenses were partially offset by the additions of mkodo and higher compensation costs.

Other income increased to \$3.0 million in the third quarter of 2020 compared to \$0.8 million of other expenses in the third quarter of 2019. This increase of \$3.8 million was due to \$2.1 million of Canada Emergency Wage Subsidy ("CEWS") that was earned in the quarter and the increase in our share of income from our 50% owned iLottery joint venture, NeoPollard Interactive LLC ("NPI"), of \$2.0 million compared to the third quarter of 2019. These increases were partially offset by the reduction in the EBITDA support agreement in 2020, which expired on June 30, 2020.

The net foreign exchange gain was \$1.8 million in the third quarter of 2020 compared to a net loss of \$1.1 million in the third quarter of 2019. The 2020 net foreign exchange gain of \$1.8 million consisted of a \$2.8 million unrealized foreign exchange gain, comprised predominately of an unrealized gain on U.S. dollar denominated liabilities, due to the strengthening of the Canadian dollar at the end of the quarter, which was partially offset by an unrealized loss on U.S. dollar denominated cash and receivables. Partially offsetting the unrealized gain was a realized loss of \$1.0 million as a result of foreign currency denominated account receivables collected being converted into Canadian dollars at unfavorable foreign exchange rates.

The 2019 net foreign exchange loss of \$1.1 million consisted of a \$0.8 million unrealized foreign exchange loss, comprised predominately of an unrealized loss on U.S. dollar

denominated liabilities, due to the weakening of the Canadian dollar at the end of the quarter, which was partially offset by an unrealized gain on U.S. dollar denominated cash and receivables. Additionally, included in the net foreign exchange loss was a realized loss of \$0.3 million as a result of foreign currency denominated account receivables collected being converted into Canadian dollars at unfavorable foreign exchange rates.

Adjusted EBITDA increased to \$24.5 million in the third quarter of 2020 compared to \$16.1 million in the third quarter of 2019. The primary reasons for the \$8.4 million increase were the increase in gross profit of \$4.4 million (net of amortization and depreciation), the increase in other income of \$3.8 million, primarily due to the inclusion of \$2.1 million in CEWS support and the increase in our share of income from our 50% owned iLottery joint venture, NPi, of \$2.0 million, lower administration expenses (net of acquisition costs) of \$0.5 million and a decrease in selling expenses of \$0.4 million. These increases were partially offset by the increase in the realized foreign exchange loss of \$0.7 million.

Interest expense decreased to \$1.0 million in the third quarter of 2020 from \$1.7 million in the third quarter of 2019 primarily as a result of the lower interest rates in 2020 and the decrease in long-term debt as compared to the third quarter of 2019.

Amortization and depreciation, including amortization of intangible assets and depreciation of property and equipment, totaled \$8.3 million during the third quarter of 2020 which increased from \$7.1 million during the third quarter of 2019. The increase was primarily as a result of higher amortization on new intangible assets and the addition of mkodo, including the amortization and depreciation relating to the identifiable assets acquired, including intangible assets and property, plant and equipment.

Income tax expense was \$4.3 million in the third quarter of 2020, an effective rate of 24.7%, lower than our domestic rate of 27.0% due primarily to the effect of foreign exchange and lower tax rates in foreign jurisdictions.

Income tax expense was \$1.9 million in the third quarter of 2019, an effective rate of 30.5%, higher than our domestic rate of 27.0% due primarily to the impact of non-tax deductible expenses.

Net income increased to \$13.2 million in the third quarter of 2020 from \$4.4 million in the third quarter of 2019. The primary reasons for the increase of \$8.8 million in net income were the increase in other income of \$3.8 million, primarily due to the inclusion of \$2.1 million in CEWS support and increased gain on equity investment of \$2.0 million, an increase in gross profit of \$3.2 million, an increase in the foreign exchange gain of \$2.9 million, a reduction in interest expense of \$0.7 million, a decrease in selling expenses of \$0.4 million and lower administration expenses of \$0.2 million. These increases to net income were partially offset by an increase in income taxes of \$2.4 million.

Net income per share (basic and diluted) increased to \$0.51 per share in the third quarter of 2020 from \$0.17 per share in the third quarter of 2019.

Results of Operations – Nine months ended September 30, 2020

During the nine months ended September 30, 2020, Pollard achieved sales of \$310.4 million, compared to \$297.8 million in the nine months ended September 30, 2019. Factors impacting the \$12.6 million sales increase were:

- Higher sales of ancillary lottery products and services increased revenue in the first nine months of 2020 by \$22.5 million compared to 2019. This increase was primarily due to the substantially higher revenues from iLottery and licensed products. As well, increased sales from digital and loyalty products, including revenue from mkodo, and distribution services further contributed to the increase in ancillary sales. Partially offsetting these increases was a decrease in Schafer's and Fastrak's merchandising product sales in 2020.
- Charitable gaming sales volumes decreased by \$11.2 million in the nine months ended 2020. Our charitable gaming products are sold at retail through various bars, veteran organizations and bingo halls, which were closed in the middle of March in response to the onset of the COVID-19 virus. Additionally, Diamond Game machines are located in similar establishments, and with their closure in response to COVID-19, Diamond Game sales decreased by \$8.3 million in 2020 compared to the first nine months of 2019. Many U.S. jurisdictions began to reopen these retail locations towards the end of the second quarter, however, for the majority of the three months ended June 30, 2020, our charitable gaming and egaming machine revenue was severely limited. With the reopening of these locations our charitable gaming and Diamond Game revenues returned to pre-COVID levels during the third quarter.
- An increase in the instant ticket average selling price in the nine months ended September 30, 2020, compared to 2019 increased sales by \$6.2 million. In addition, a slight increase in instant ticket sales volume in 2020, as compared to the first nine months of 2019, further increased sales by \$0.9 million.
- During the nine months ended September 30, 2020, Pollard generated approximately 71.7% (2019 – 72.1%) of its revenue in U.S. dollars including a portion of international sales which are priced in U.S. dollars. During the first nine months of 2020 the actual U.S. dollar value was converted to Canadian dollars at \$1.344, compared to a rate of \$1.332 the first nine months of 2019. This 1.0% increase in the U.S. dollar value resulted in an approximate increase of \$2.1 million in revenue relative to the first nine months of 2019. In addition, during the first nine months of 2020, 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 nine months of 2019.

Cost of sales was \$242.2 million in the nine months ended September 30, 2020, compared to \$228.7 million in the nine months ended September 30, 2019. Cost of sales was higher as a result of higher ancillary instant ticket product sales, including the addition of mkodo in 2020. As well, higher exchange rates on U.S. dollar denominated transactions and increased amortization and depreciation further increased cost of sales in the first nine months of 2020. These increases to cost of sales were partially offset by the reduction in charitable and Diamond Game sales due to reduced revenue, predominately in the second quarter, related to COVID-19 closures, as well as reduced merchandising product sales in 2020.

Gross profit decreased slightly to \$68.2 million (22.0% of sales) in the nine months ended September 30, 2020, from \$69.1 million (23.2% of sales) in the nine months ended September 30, 2019. This decrease in gross profit was primarily the result of the significant reduction in charitable and Diamond Game sales in the second quarter of 2020. In addition, a reduction in Fastrak and Schafer merchandising product sales further reduced gross profit in the first nine months of 2020. These reductions were partially offset by a significant increase in iLottery, licensed products and, digital and loyalty sales. The lower gross profit percentage was due to the substantial reduction in charitable and Diamond Game sales, partially offset by increased iLottery and licensed product sales.

Administration expenses increased to \$30.0 million in the first nine months of 2020 from \$29.7 million in the first nine months of 2019. The increase of \$0.3 million was a result of higher acquisition costs of \$0.7 million and greater compensation and licensing expenses to support Pollard's growth strategies of developing innovative digital products. Additionally, the inclusion of mkodo further increased administration expenses. Partially offsetting these increases were the reduction in travel and conference related costs due to COVID-19 and lower professional fees.

Selling expenses decreased to \$10.9 million in the first nine months of 2020 from \$11.8 million in the first nine months of 2019 primarily due to the reduction in travel related costs due to COVID-19 and lower contract related costs. These decreases in selling expenses were partially offset by the additions of mkodo and higher compensation costs.

Other income increased to \$8.7 million in the first nine months of 2020 compared to \$1.8 million of other expenses in the nine months ended September 30, 2019. The increase of \$10.5 million was primarily due to \$7.6 million of CEWS earned and the decrease in our share of loss from our 50% owned iLottery joint venture, NPi, of \$3.2 million, compared to 2019. These increases were partially offset by the reduction in the EBITDA support agreement in 2020, which expired on June 30, 2020.

The net foreign exchange loss was \$2.3 million in the first nine months of 2020 compared to net foreign exchange gain of \$1.8 million in the first nine months of 2019. The 2020 net foreign exchange loss of \$2.3 million consisted of a net unrealized foreign exchange loss of \$1.6 million, comprised predominately of an unrealized loss on U.S. denominated liabilities, due to the weakening of the Canadian dollar, which was partially offset by an

unrealized gain on U.S. denominated receivables. Also included in the net foreign exchange loss was a \$0.7 million realized foreign exchange loss predominately a result of foreign currency denominated currencies and account receivables collected in the first nine months of 2020 being converted into Canadian dollars at unfavorable foreign exchange rates.

The 2019 net foreign exchange gain of \$1.8 million consisted of a net unrealized foreign exchange gain of \$2.3 million, comprised predominately of an unrealized gain on U.S. denominated liabilities, due to the strengthening of the Canadian dollar, which was partially offset by an unrealized loss on U.S. denominated receivables. Partially offsetting the unrealized gain was a \$0.5 million realized foreign exchange loss predominately a result of foreign currency denominated currencies and account receivables collected in the first nine months of 2019 being converted into Canadian dollars at unfavorable foreign exchange rates.

Adjusted EBITDA increased to \$60.3 million in the first nine months of 2020 compared to \$46.0 million in the first nine months of 2019. The primary reasons for the increase of \$14.3 million were the increase in other income of \$10.5 million, primarily due to the inclusion of \$7.6 million in CEWS support and reduced share of loss from our 50% owned iLottery joint venture, NPi, of \$3.2 million and an increase in gross profit (net of amortization and depreciation) of \$2.7 million. In addition, lower administration expenses (net of acquisition costs) of \$0.4 million and a decrease in selling expenses of \$0.9 million further increased Adjusted EBITDA. These increases to Adjusted EBITDA were partially offset by the increase in realized foreign exchange loss of \$0.2 million.

Interest expense decreased to \$3.9 million in the first nine months of 2020 from \$4.8 million in the first nine months of 2019 primarily as a result of the lower interest rates in 2020, partially offset by the increase in long-term debt.

Amortization and depreciation, including amortization of intangible assets and depreciation of property and equipment, totaled \$23.7 million during the first nine months of 2020 which increased from \$20.1 million during the first nine months of 2019. The increase was primarily as a result of higher depreciation and amortization on new property, plant and equipment and intangible assets, as well as the addition of mkodo, including the amortization and depreciation relating to the identifiable assets acquired, including intangible assets and property, plant and equipment.

Income tax expense was \$8.7 million in the first nine months of 2020, an effective rate of 29.2%, higher than our domestic rate of 27.0% due primarily to the impact of non-deductible expenses and the effect of foreign exchange, which were partially offset by the impact of lower foreign tax rates.

Income tax expense was \$5.4 million in the first nine months of 2019, an effective rate of 23.7%, lower than our domestic rate of 27.0% due primarily to the impact of lower foreign tax rates and the effect of foreign exchange.

Net income increased to \$21.1 million in the first nine months of 2020 from \$17.4 million in the first nine months of 2019. The reason for the increase in net income of \$3.7 million was the increase in other income of \$10.5 million, primarily due to the inclusion of \$7.6 million in CEWS support and reduced share of loss from our 50% owned iLottery joint venture, NPi, of \$3.2 million, the decrease in selling costs of \$0.9 million and the reduced interest expense of \$0.9 million. These increases were partially offset by the increase in the foreign exchange loss of \$4.1 million, the increase in income taxes of \$3.3 million, the decrease in gross profit of \$0.9 million and the increase in administration expenses of \$0.3 million.

Net income per share (basic and diluted) increased to \$0.82 per share in the nine months ending September 30, 2020, from \$0.68 in the nine months ending September 30, 2019.

Outlook

Sales of instant lottery tickets at retail locations grew significantly starting in early May 2020 and have continued to sell at higher levels right through to and including October. Despite economies in the United States and around the world opening up during the third quarter, providing greater alternative outlets for discretionary consumer expenditures, lotteries, and in particular instant tickets, continue to sell at a much higher level than ever before. We have experienced increased order levels, starting in the third quarter, and expect our production volume levels to remain high while strong retail sales continue.

During the third quarter our financial results were boosted by particularly strong sales of our licensed games products, including sales of Pac-Man[®]. These sales tend to be lumpy and we do not anticipate any large sales of licensed game products in the fourth quarter.

Based on our anticipated revenue, we do not anticipate qualifying for any additional subsidies under the Canada Emergency Wage Subsidy program during the fourth quarter. We will recognize in income approximately \$185,000 which was deferred from the third quarter relating to inventory product produced in the third quarter recognized as revenue in the fourth quarter.

Sales generated through iLottery operations continued to be strong though the third quarter and we believe growth of sales through this distribution method will continue to be important for lotteries. Our iLottery operation for the Virginia Lottery transitioned from just providing a subscription service for draw-based games to a suite of iLottery products, including einstants and individual draw-based games, on July 1, 2020, and we believe these sales will continue to grow as more players register to play.

Also, on September 30, 2020, our fifth iLottery operation went live with the initiation of the Alberta Gaming, Liquor and Cannabis Commission iLottery contract. Early results are very positive and we are seeing significant interest from other lotteries to develop new iLottery operations.

The market for our charitable gaming products (pull-tabs, bingo paper and vending machines) has returned to pre-COVID-19 levels as the majority of the jurisdictions in which we distribute products opened during the third quarter and remain open. Strong consumer demand for these products has been experienced at most individual sites and we are optimistic that these positive demand trends will continue.

Similarly, jurisdictions for our Diamond Game egaming machine market were mostly opened in the third quarter. While some sites have restricted the number of machines in use at each individual location, overall consumer demand has remained strong such that overall levels of revenue are at, or exceeding, pre-COVID-19 levels. Subsequent to the end of the third quarter, certain jurisdictions have reimplemented shutdowns of some of their retail locations that sell our gaming products due to COVID-19, and increased shutdowns of additional retail locations could have a negative impact on our charitable gaming and Diamond Game revenue.

The impact of the COVID-19 pandemic on our lives and our businesses has been significant. Our product lines and business units have shown strong resilience over the last two quarters and our financial results in most areas have been very strong. Our charitable gaming product lines have responded with positive trends and mostly returned to pre-COVID-19 levels of revenue or in fact higher. However, there remains great uncertainty regarding the current status of COVID-19 and concerns about the growing infection rate in many countries. These increasing rates of infection have caused many jurisdictions to consider or actively reintroduce expanded restrictions, shutdowns and closures of their economies, and legislate further restrictions on their constituents. We are unable at this time to quantify the impact on Pollard's financial results should ongoing restrictions or closures expand to more parts of the economy for extended periods of time, however, there could be significant negative impacts on Pollard should these occur.

We remain extremely focused on ensuring a safe and healthy environment for all of our staff as our top priority. Through our formal pandemic planning team, we meet regularly and ensure the most up to date guidance from local health authorities are followed or exceeded in all instances. Extensive remote work from home policies are in place at all our facilities, detailed temperature and health screenings are utilized daily, restricted access to our sites for non-Pollard staff are enforced, mandatory mask wearing and enforced social distancing through rearranged work places are paramount to our COVID-19 response.

We have had very strong cash flow this year resulting in Pollard's liquidity position being very robust, which continued to improve during the third quarter. As at September 30, 2020, our current cash resources and undrawn senior debt facility, including our accordion feature, provided approximately \$136 million in available financial liquidity. This provides a significant source of capital available to invest in organic growth, including critical capital assets for our existing business, and help us finance future acquisitions. Expanding our product portfolio and growing our product offerings to the lottery and charitable gaming market is key to our strategic vision and we continue to actively review external opportunities to add to our portfolio.

Strong trends across our business units remained evident during the third quarter and we believe those trends will continue going forward both in the short term and over the longer term. Our strong balance sheet and increasing cashflow positions Pollard very well for ongoing future success. We are very confident in the strength of our businesses and our ability to weather any uncertainty that COVID-19 may bring and believe the future of our business is very positive.

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